

VICWEST COMMUNITY TELCO LTD

ACN 140 604 039

SCHEME BOOKLET

For a proposal under which Vicwest would merge with Bendigo Telco by Bendigo Telco acquiring all of the ordinary shares in Vicwest by way of a scheme of arrangement

The Independent Directors of Vicwest unanimously recommend that you VOTE IN FAVOUR of the Merger, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders.

A Notice of Scheme Meeting and a Notice of Extraordinary General Meeting are included as Annexures to this Scheme Booklet. Proxy forms for the Scheme Meeting and Extraordinary General Meeting accompany this Scheme Booklet.

The Scheme Meeting will be held at:

PLACE: The Geelong Club, 74 Brougham Street, Geelong VIC 3220

TIME: 11:00am

DATE: Friday, 12 August 2016

Assuming the Scheme Resolution is passed by the Requisite Majorities at the Scheme Meeting, the Extraordinary General Meeting will be held immediately following the Scheme Meeting.

This document has been prepared pursuant to section 411 of the *Corporations Act 2001* (Cth). It is an important document and requires your immediate attention. You should read the whole document in its entirety before deciding how to vote. If you are in any doubt as to what you should do, you should consult an independent and appropriately licensed and authorised professional adviser.

CONTENTS PAGE

Disclaimer and Important Notices	2
Letter from Vicwest Independent Board Representative	7
Letter from Bendigo Telco Chairman	10
Reasons to vote for or against the Merger	11
Key dates	17
What to do next	18
1. Answers to Key Questions	20
2. Summary of the Merger	31
3. Profile of Vicwest	44
4. Profile of Bendigo Telco	56
5. Profile of the Merged Group	70
6. Financial Information of the Merged Group	77
7. Risk Factors	83
8. Implementation of the Merger	89
9. Overview of the Ancillary Transactions	94
10. Taxation Implications	99
11. Additional Information	100
12. Glossary	106
Annexures	
Annexure A – Independent Expert’s Report	115
Annexure B – Investigating Accountant’s Report	116
Annexure C – Notice of Scheme Meeting	117
Annexure D – Scheme of Arrangement	118
Annexure E – Bendigo Telco Deed Poll	119
Annexure F – Notice of Extraordinary General Meeting	120

DISCLAIMER AND IMPORTANT NOTICES

GENERAL

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet and accompanying annexures in full before making any decision as to how to vote on the Merger.

In particular, it is important that you consider the benefits, disadvantages and potential risks of the Merger set out in "Reasons to vote for or against the Merger" beginning on page 11 and Section 7 (Risk Factors). You should also consider the views of the Independent Expert set out in the Independent Expert's Report as set out in Annexure A (**Independent Expert's Report**).

If you are in any doubt as to what you should do, you should consult an independent and appropriately licensed and authorised professional adviser.

PURPOSE OF THIS SCHEME BOOKLET

This Scheme Booklet is the explanatory memorandum issued by Vicwest in connection with a proposed Merger under which Vicwest Shareholders will receive Scheme Consideration of one New Bendigo Telco Share for every 2.074 Vicwest Shares held by the Vicwest Shareholder on the Scheme Record Date.

The purpose of this Scheme Booklet is to:

- (a) explain the terms and effect of the Merger to Vicwest Shareholders;
- (b) explain the manner in which the Merger will be considered and (if the Merger is approved) implemented; and
- (c) provide such information as is prescribed by the Corporations Act and the Corporations Regulations or as is otherwise material to the decision of Vicwest Shareholders whether to approve the Merger.

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act in respect of Bendigo Telco Shares. Section 708(17) of the Corporations Act provides that an offer of securities does not need disclosure under Chapter 6D if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court under section 411(1) or (1A) of the Corporations Act.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2) of the Corporations Act and has been lodged with, and registered by, ASIC under section 412(6) of the Corporations Act. Vicwest has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

IMPORTANT NOTICE ASSOCIATED WITH THE ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

The fact that the Court, under subsection 411(1) of the Corporations Act, has ordered that the Scheme Meeting be convened and has directed that an explanatory statement accompany the notice of the Scheme Meeting does not mean that the Court:

- (a) has approved or will approve the terms of the Merger;
- (b) has endorsed the Merger or has formed any view as to the merits of the Merger or as to how Vicwest Shareholders should vote in respect of the Merger (on this matter Vicwest Shareholders must reach their own conclusion); or
- (c) has prepared, or is responsible for the content of, this Scheme Booklet.

Any Vicwest Shareholder who wishes to oppose the approval of the Merger at the Second Court Hearing may do so by filing with the Court and serving on Vicwest a notice of appearance in the prescribed form together with any affidavit that the Vicwest Shareholder proposes to rely on.

DEFINED TERMS

Capitalised terms used in this Scheme Booklet are defined in Section 12 (Glossary). Section 12 (Glossary) also sets out some rules of interpretation which apply to this Scheme Booklet.

RESPONSIBILITY STATEMENT

The information contained in this Scheme Booklet other than the Bendigo Telco Information, the Investigating Accountant's Report, the taxation implications in Section 10 and the Independent Expert's Report has been prepared by Vicwest and is the responsibility of Vicwest (except to the extent that the Vicwest Information is based on information provided by Bendigo Telco, for which Bendigo Telco takes responsibility). None of Bendigo Telco or any of its Subsidiaries, directors, officers, employees or advisers assumes any responsibility or liability for the accuracy or completeness of the Vicwest Information.

The information contained in this Scheme Booklet other than the Vicwest Information, the Investigating Accountant's Report, the taxation implications in Section 10 and the Independent Expert's Report has been provided by Bendigo Telco and Bendigo Telco takes responsibility and liability for that information (except to the extent that the Bendigo Telco Information is based on information provided by Vicwest, for which Vicwest takes responsibility). None of Vicwest or any of its Subsidiaries, directors, officers, employees or advisers assumes any responsibility or liability for the accuracy or completeness of the Bendigo Telco Information.

Value Adviser Associates has prepared the Independent Expert's Report (as set out in Annexure A), and Value Adviser Associates take responsibility for that report. None of Vicwest, Bendigo Telco nor any of their respective Subsidiaries, directors, officers, employees or advisers (other than Value Adviser Associates) assumes any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except in the case of Vicwest and Bendigo Telco in relation to the information that they have provided to Value Adviser Associates.

BDO Corporate Finance (East Coast) Pty Ltd has prepared the Investigating Accountant's Report (as set out in Annexure B) and takes responsibility for that report. None of Vicwest, Bendigo Telco nor any of their respective Subsidiaries, directors, officers, employees or advisers (other than BDO Corporate Finance (East Coast) Pty Ltd) assumes any responsibility for the accuracy or completeness of the information contained in the Investigating Accountant's Report.

BDO East Coast Partnership has prepared the Australian taxation implications letter in Section 10 and takes responsibility for that letter. None of Vicwest, Bendigo Telco nor any of their respective Subsidiaries, directors, officers, employees or advisers (other than BDO East Coast Partnership) assumes any responsibility for the accuracy or completeness of the information contained in the Australian taxation implications letter in Section 10.

NO INVESTMENT ADVICE

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Vicwest Shareholder or any other person. The information and recommendations contained in this Scheme Booklet or the taxation implications in Section 10 (Taxation Implications) do not constitute, and should not be taken as, financial product advice. Before making any investment decision you should carefully consider whether that decision is appropriate in light of your particular investment needs, objectives and financial and taxation circumstances. The Independent Directors of Vicwest encourage you to consult an independent and appropriately licensed and authorised professional adviser before making any investment decision and any decision as to whether or not to vote in favour of the Merger.

FORWARD LOOKING STATEMENTS

Some of the statements appearing in this Scheme Booklet may be in the nature of forward-looking statements. Forward-looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be a forecast or prediction that those events will occur. Forward-looking statements generally may be identified by the use of forward-looking words such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'target', 'potential', 'should', or other similar words.

Similarly, statements that describe the objectives, plans, goals or expectations of Vicwest or Bendigo Telco are or may be forward-looking statements.

Statements made in this Scheme Booklet relating to the Merged Group also include forward-looking statements, based on the current expectations of Vicwest (in relation to the Vicwest Information) and Bendigo Telco (in relation to the Bendigo Telco Information) about future events, including the Pro Forma Financial Information.

You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties that could cause actual results to differ materially from the expectations described in such prospective information. Those risks and uncertainties include factors and risks specific to the industry in which Vicwest and Bendigo Telco operate, as well as general economic conditions, prevailing exchange rates and interest rates, and conditions in the financial markets. Factors which may affect future financial performance include those risks identified in Section 7 (Risk Factors), the relevant assumptions not proving correct and other matters not currently known to, or considered by, Vicwest or Bendigo Telco.

Actual events or results concerning Vicwest or Bendigo Telco following implementation of the Merger may differ materially from the events or results expressed or implied in any forward-looking statement. You are cautioned not to place undue reliance on those statements. None of Vicwest, Bendigo Telco, their Subsidiaries, directors, officers, employees, advisers or any person named in this Scheme Booklet or involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement.

The historical financial performance of Vicwest or Bendigo Telco is no assurance or indicator of future financial performance of the Merged Group (or Vicwest or Bendigo Telco in the scenario where the Merger does not proceed). Neither Vicwest nor Bendigo Telco guarantees any particular rate of return or the performance of the Merged Group, nor do they guarantee the repayment of capital or any particular tax treatment in respect of any investment in the Merged Group.

The forward-looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet.

Subject to any continuing obligations under the Corporations Act, Vicwest and its officers disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward-looking statements to reflect any change in expectations in relation to them or any change in events, conditions or circumstances on which any such statement is based.

FOREIGN JURISDICTIONS

The release, publication or distribution of this Scheme Booklet (electronically or otherwise) in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws and regulations of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations outside Australia.

This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

FINANCIAL AMOUNTS

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. Unless stated otherwise, all Vicwest and Bendigo Telco financial and asset metrics are as at 31 December 2015 and adjusted for post balance date acquisitions and disposals only as stated.

EFFECT OF ROUNDING

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these

figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Scheme Booklet. Any minor discrepancies between totals in tables or financial statements, or in calculations, graphs or charts may be due to rounding.

TIMETABLE AND DATES

All times and dates referred to in this Scheme Booklet are Melbourne time, unless otherwise indicated. All times and dates relating to the implementation of the Merger referred to in this Scheme Booklet may change and, among other things, are subject to all necessary approvals from regulatory authorities.

IMPLIED VALUES

As set out in Section 7.2, any reference to the implied value of the Scheme Consideration should not be taken as an indication that Vicwest Shareholders will receive cash. The implied value of the Scheme Consideration is not fixed. Scheme Shareholders will receive New Bendigo Telco Shares as consideration for their Vicwest Shares under the Scheme. Accordingly, the implied value of the Scheme Consideration will depend on the price at which Merged Group Shares trade on NSX after the Effective Date.

PRIVACY

Vicwest and Bendigo Telco may collect personal information in the process of implementing the Merger. The type of information that they may collect about you includes your name, contact details and information on your shareholding in Vicwest and the names of persons appointed by you to act as a proxy, attorney or duly appointed corporate representative at the Scheme Meeting or EGM as relevant to you.

The collection of some of this information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist Vicwest to conduct the Scheme Meeting and EGM and to assist Vicwest and Bendigo Telco to implement the Merger. Without this information, Vicwest and Bendigo Telco may be hindered in their ability to issue this Scheme Booklet and implement the Merger.

Personal information of the type described above may be disclosed to third party service providers (including share registry and print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting or EGM), authorised securities brokers, professional advisers, Related Bodies Corporate of Vicwest or Bendigo Telco, regulatory authorities, and also where disclosure is otherwise required or allowed by law. Vicwest Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of information about you held by Vicwest, please contact Vicwest on (03) 5228 0808.

Vicwest Shareholders who appoint an individual as their proxy, duly appointed corporate representative or attorney to vote at the Scheme Meeting or EGM should ensure that they inform such an individual of the matters outlined above.

NO INTERNET SITE IS PART OF THIS SCHEME BOOKLET

Vicwest and Bendigo Telco each maintain internet sites at www.communitytelco.com.au and www.bendigotelco.com.au. Any references in this Scheme Booklet to those or other internet sites are for information purposes only and do not form part of this Scheme Booklet.

ADDITIONAL INFORMATION

If, after reading this Scheme Booklet, you have any questions regarding the Merger, please call Vicwest on (03) 5228 0808, or consult an independent and appropriately licensed and authorised professional adviser.

NOTICE OF SCHEME MEETING

The Notice of Scheme Meeting is set out in Annexure C (Notice of Scheme Meeting). The Proxy Form for the Scheme Meeting is enclosed with this Scheme Booklet.

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of Extraordinary General Meeting is set out in Annexure F (Notice of Extraordinary General Meeting). The Proxy Form for the Extraordinary General Meeting is enclosed with this Scheme Booklet in Annexure F (Notice of Extraordinary General Meeting).

DATE

This Scheme Booklet is dated 11 July 2016.

LETTER FROM VICWEST INDEPENDENT BOARD REPRESENTATIVE

11 July 2016

Dear Vicwest Shareholders

On behalf of the Vicwest Independent Board Committee, I am pleased to provide you with this Scheme Booklet which contains important information regarding a proposed Merger between Vicwest and Bendigo Telco.

A Scheme Meeting and an Extraordinary General Meeting of Vicwest Shareholders are to be held to vote on a scheme of arrangement and amendment to the constitution of Vicwest respectively to implement the Merger at 11am on 12 August 2016.

The Independent Directors of Vicwest unanimously recommend that you vote in favour of the Merger, in the absence of a Superior Proposal.

The Merger is to be undertaken by way of a scrip for scrip transaction under which Vicwest Shareholders will transfer all of their shares in Vicwest in exchange for shares in Bendigo Telco, and accordingly, Vicwest will become a wholly-owned subsidiary of Bendigo Telco.

Merger consideration

If the Merger is approved, Vicwest Shareholders will receive **one New Bendigo Telco Share for every 2.074 Vicwest Shares**.

Based on Bendigo Telco's share price of \$2.04 as at 8 July 2016 (being the day prior to registration of this Scheme Booklet),¹ this represents a notional value based on current trading prices of \$0.98 for each Vicwest Share.

In assessing the valuation of Bendigo Telco Shares, Vicwest Shareholders should also have regard to the valuation of Bendigo Telco Shares undertaken by the Independent Expert in Annexure A.

This valuation compares the estimated value of Vicwest Shares with the value of Bendigo Telco Shares which Scheme Shareholders will receive by way of consideration, if the Scheme is implemented.

Rationale for the Merger

The Independent Directors of Vicwest have reached their conclusion based on a number of factors which are explained in this Scheme Booklet, including that:

- the Merger provides Vicwest Shareholders with the opportunity to participate in a larger organisation with greater financial and technical resources;
- if the Merger does not proceed, Vicwest is expected to face significant liquidity challenges, at least in the short-term. It is expected that Vicwest would require additional financial support from Bendigo Bank and a change of trading terms with Community Telco Australia to assist with cash flow. Vicwest has already approached Bendigo Bank and Community Telco Australia on this basis. However, any such arrangements would need to be further negotiated and agreed at the relevant time;
- Vicwest Shareholders will receive shares in an NSX-listed company which provides a greater opportunity for liquidity with their shareholding. The NSX is the second largest stock exchange in Australia after the ASX. However, shareholders should note that Bendigo Telco Shares are not highly liquid;

¹ Prior to implementation of the Merger, Bendigo Telco may declare a dividend for its own shareholders of up to 75% of the anticipated net profit after tax of Bendigo Telco for the financial year ending 30 June 2016, which will not be payable to Vicwest Shareholders. This may reduce the current trading price (at least in the short-term) accordingly.

- the Merged Group is expected to be better positioned for future growth by having greater scale and ability to obtain capital to pursue new projects which are essential to ensure viability in the highly-competitive telecommunications industry; and
- the Merger brings together two like-minded community organisations which will ensure continued investment in the Geelong and Ballarat communities, but as part of a larger and more sustainable enterprise.

Ancillary transactions

In connection with the Merger, certain Ancillary Transactions will be undertaken to effect a restructure of the Vicwest franchise and financing arrangements with Bendigo Bank.

These Ancillary Transactions principally include:

- Community Telco Australia, which is a wholly-owned subsidiary of Bendigo Bank and provides franchise services to Vicwest, will terminate those arrangements and sell certain parts of its business to Bendigo Telco to enable it to operate Vicwest on a standalone basis; and
- a re-financing of the existing loan facility provided by Bendigo Bank to Vicwest will occur such that the Vicwest Loan facility will be repaid by Bendigo Telco obtaining a new loan from Bendigo Bank.

Further detail regarding these Ancillary Transactions is contained in Sections 2.4 and 9 of this Scheme Booklet.

The interests of Bendigo Bank in the Merger and Ancillary Transactions as a whole are explained in Section 2.5.

Recommendation of the Independent Directors of Vicwest

The Independent Directors of Vicwest unanimously recommend that you vote in favour of the Merger, in the absence of a Superior Proposal.

The Chairman of Vicwest, Mr Patrick Murnane, and fellow board member, Ms Janelle Wehsack, are employees of Bendigo Bank (which is a major shareholder of Vicwest and Bendigo Telco and has certain interests in the Ancillary Transactions).

To avoid any potential for conflict, an Independent Board Committee comprising all members of the Vicwest Board other than Mr Murnane and Ms Wehsack has been established to assess all aspects of the Merger. Mr Murnane and Ms Wehsack have not participated in any deliberations with respect to the proposed Merger and do not consider it appropriate to make a recommendation to Vicwest shareholders in relation to the Merger.

To assist with performing its role, the Independent Directors of Vicwest appointed Value Adviser Associates as the Independent Expert to prepare a report for Vicwest Shareholders which addresses all aspects of the Transactions, including not only the Merger but also the Ancillary Transactions.

The Independent Directors of Vicwest have also appointed Clarendon Lawyers as an independent legal adviser in relation to the Transactions.

Independent Expert

The Independent Expert has assessed the merits of the Merger and concluded that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders, including having regard to the Ancillary Transactions.

The Independent Expert has used two scenarios to estimate a range of potential trading prices for Bendigo Telco Shares following implementation of the Transactions. These are based on various assumptions as summarised on page 44 of the Independent Expert's Report.

Based on the assumptions, the Independent Expert has estimated the value of the Merged Group to be between \$1.39 and \$1.90 per Bendigo Telco Share, and accordingly, the estimated value of the Scheme Consideration to be between \$0.67 to \$0.92 per Vicwest Share.

The Independent Expert has estimated the value of Vicwest Shares and, subject to the analysis and assumptions in the Independent Expert's Report, concluded that no value can be ascribed to Vicwest Shares, having regard to the value of Vicwest on a standalone basis.

While concluding that no equity value can be ascribed to Vicwest on a standalone basis, the Independent Expert acknowledges that there could be upside to a specific purchaser of Vicwest to the extent there are synergies available to that purchaser.

The Independent Expert also considered the valuation multiples implied by this estimated value of \$0.67 to \$0.92 per Vicwest Share, and concluded that these multiples are within or greater than observed multiples for comparable companies to Vicwest.

Accordingly, the Independent Expert considers that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders.

The Independent Expert has also examined the Ancillary Transactions and concluded that nothing has come to its attention that causes it to believe that they are not on arm's length terms or that the arrangements with Bendigo Bank or Community Telco Australia constitute a collateral benefit to Bendigo Bank over other Vicwest Shareholders.

How to Vote

Your vote is important and the Independent Directors of Vicwest strongly encourage you to participate.

You can either attend the Scheme Meeting and Extraordinary General Meeting in person at 11am at The Geelong Club, 74 Brougham Street, Geelong VIC 3220 on 12 August 2016, or if you are unable to attend, lodge a proxy vote. The Merger requires approval by the requisite majorities at both meetings (see Section 2.8), so you should cast your vote at both meetings.

Further Information

If, after reading this Scheme Booklet, you have any questions regarding the Merger, please call Vicwest on (03) 5228 0808, or consult an independent and appropriately licensed and authorised professional adviser.

* * *

On behalf of the Vicwest Board, thank you for your ongoing support of Vicwest.

Yours sincerely



Rod Payne
Representative of the Vicwest Independent Board Committee

LETTER FROM BENDIGO TELCO CHAIRMAN

11 July 2016

Dear Vicwest Shareholders,

On behalf of the Independent Directors of Bendigo Telco, I am pleased to provide you with the opportunity to participate in the creation of a larger telecommunications company through the merger of Vicwest and Bendigo Telco.

The merger of Vicwest and Bendigo Telco is to be undertaken by way of a scrip for scrip transaction under which Vicwest Shareholders will transfer all of their shares in Vicwest to Bendigo Telco in exchange for shares in Bendigo Telco pursuant to the Scheme, and accordingly, Vicwest will become a wholly-owned subsidiary of Bendigo Telco.

The Scheme has been unanimously recommended by the Independent Directors of Vicwest and each Vicwest Director who holds Vicwest Shares intends to vote their Vicwest Shares in favour of the Scheme, in the absence of a Superior Proposal. The Independent Expert has concluded that the Scheme is in the best interests of Vicwest Shareholders, in the absence of a Superior Proposal.

Bendigo Telco is an NSX listed company, and is a broad-based business providing telecommunications and data management services to customers located in Bendigo, Shepparton and throughout Australia.

The Scheme is one component of a number of simultaneous and inter-conditional transactions. Other key transactions that will take place at the same time as the Scheme to create the Merged Group are:

- (a) the acquisition by Bendigo Telco of the managed telecommunications resupply business of Community Telco Australia (a wholly owned subsidiary of Bendigo Bank), including approximately 1,200 customer contracts (from approximately 220 customers);
- (b) the creation of a new loan facility provided by Bendigo Bank to Bendigo Telco in order to extinguish Vicwest's current loan facility with Bendigo Bank and for working capital purposes; and
- (c) the entry into a new five year wide area network service agreement by Bendigo Telco and Bendigo Bank, which secures Bendigo Telco's relationship with its major customer.

Further details regarding the Ancillary Transactions are contained in Sections 2.4 and 9 of this Scheme Booklet.

The Merged Group will provide an enhanced scale and a balance sheet to pursue growth opportunities in the highly-competitive telecommunications industry.

The Merged Group is expected to be better positioned for future growth by having greater scale and ability to obtain capital to pursue new projects. In addition, the Merged Group is expected to generate value for Vicwest and Bendigo Telco shareholders and the local communities in which the Merged Group will operate.

Details about the Merger and its benefits and risks to Vicwest Shareholders are detailed in this Scheme Booklet. This Scheme Booklet provides important information in relation to the Merger and, on behalf of the Independent Directors of Bendigo Telco, I encourage you to read it carefully and in its entirety, and to vote in favour of the Scheme at the Scheme Meeting to be held on 12 August.

On behalf of the Independent Directors of Bendigo Telco, I look forward to welcoming you as a shareholder of Bendigo Telco on the successful implementation of the Scheme.

Yours sincerely,



Mr Don Erskine
Chairman of Bendigo Telco

REASONS TO VOTE FOR OR AGAINST THE MERGER

The Merger has certain advantages, disadvantages and risks for Vicwest Shareholders.

Vicwest Shareholders are encouraged to read this Scheme Booklet in full and, if they are in any doubt, consult an independent and appropriately licensed and authorised professional adviser.

REASONS TO VOTE IN FAVOUR OF THE MERGER

The Independent Directors of Vicwest have unanimously formed the view that the Merger is in the best interests of Vicwest Shareholders, in the absence of a Superior Proposal, for the reasons set out below.

1. **The Independent Directors of Vicwest unanimously recommend that you vote in favour of the Merger, in the absence of a Superior Proposal.**

The Independent Directors of Vicwest have formed their conclusion and made their recommendation based on the matters outlined in this section.

The Independent Directors of Vicwest believe that the benefits associated with the Merger for Vicwest Shareholders outweigh the disadvantages associated with the Merger.

The Independent Directors of Vicwest have also had regard to the information set out in this Scheme Booklet, including the risks associated with the Merger outlined in section 7 (Risk factors) and the Independent Expert's Report contained in Annexure A.

2. **The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Vicwest Shareholders, including having regard to the Ancillary Transactions.**

The Independent Directors of Vicwest engaged Value Adviser Associates as the independent expert to provide an opinion on the Merger.

The Independent Expert has concluded the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders, including having regard to the Ancillary Transactions.

The Independent Expert had regard to the following assumptions in considering the value of the Scheme Consideration:

- To the extent that Bendigo Telco is paying a control premium for Vicwest, there may be a dilution effect on the value of Bendigo Telco's shares subsequent to the implementation of the Scheme.
- The impact of synergies being realised may impact on the trading price. Although a detailed analysis of available synergies has not been performed, the Independent Expert understands that there are synergies available to the Merged Group. However, given the inherent uncertainties associated with the realisation of expected post deal synergies, it has taken a conservative approach and excluded any expected synergies from its calculations.
- Prior to implementation of the Merger, Bendigo Telco may declare a dividend for its own shareholders of up to 75% of the anticipated net profit after tax of Bendigo Telco for the financial year ending 30 June 2016, which will not be payable to Vicwest Shareholders.

Based on the potential impact of the above factors on the Bendigo Telco share price, the Independent Expert has considered two scenarios to estimate a range of potential trading prices for Bendigo Telco Shares following implementation of the Transactions:

- The low value assumes that Vicwest and CTA add no value to Bendigo Telco.
- The high value assumes that Vicwest and CTA each add value to the Merged Group of at least \$2.00 per new share issued. The Independent Expert recognises that the post-Merger Bendigo Telco share price may trade above this high value as synergies and other potential benefits are being realised.

	<p>The observed low and high values were used as a value range for the Scheme Consideration.</p> <p>Based upon the assumptions above, the Independent Expert estimated the value of the Merged Group to be between \$1.39 and \$1.90 per Bendigo Telco Share, and accordingly, the value of the Scheme Consideration to be \$0.67 to \$0.92 per Vicwest Share.</p> <p>The Independent Expert has estimated the value of Vicwest Shares and, subject to the analysis and assumptions in the Independent Expert's Report, concluded that no value can be ascribed to Vicwest Shares, having regard to the value of Vicwest on a standalone basis.</p> <p>While concluding that no equity value can be ascribed to Vicwest on a standalone basis, the Independent Expert acknowledges that there could be upside to a specific purchaser of Vicwest to the extent there are synergies available to that purchaser.</p> <p>The Independent Expert has also considered the valuation multiples implied by this estimated value range of \$0.67 to \$0.92 per Vicwest Share, and concluded that these multiples are within or greater than observed multiples for comparable companies to Vicwest.</p> <p>Accordingly, the Independent Expert considers that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders.</p> <p>The Independent Expert has also examined the Ancillary Transactions and concluded that nothing has come to its attention that causes it to believe that they are not on arm's length terms or that the arrangements with Bendigo Bank or Community Telco Australia constitute a collateral benefit to Bendigo Bank over other Vicwest Shareholders.</p>
3.	<p>The Merger provides Vicwest Shareholders with the opportunity to participate in a larger organisation with similar values and taking advantage of greater financial and technical capability.</p> <p>The Merger will enable Vicwest Shareholders to participate in the creation of a larger telecommunications company servicing the eastern seaboard of Australia, particularly Bendigo, Shepparton, Geelong, Ballarat and surrounding areas.</p> <p>This should provide a platform for potential growth and value realisation in the above regions which is unlikely to otherwise be available to Vicwest as a standalone company.</p> <p>Vicwest Shareholders will gain exposure to Bendigo Telco's key revenue streams, including its long-term service arrangements with Bendigo Bank, together with a larger, more diversified customer footprint in the Bendigo and Shepparton regions.</p> <p>The Merged Group will have a pro forma market capitalisation of approximately \$15.8 million (based on the closing price of Bendigo Telco Shares on NSX on 8 July 2016, being the day prior to registration of this Scheme Booklet).</p> <p>This compares with a notional market capitalisation of Vicwest of approximately \$3.1 million, based on the current number of Vicwest Shares on issue multiplied by the initial investment price of \$1.00 paid by Vicwest Shareholders when they first made their original subscriptions to GCT and BCE which subsequently merged to form Vicwest.</p> <p>The increased scale and presence of the Merged Group should enhance the level of interest from investors and customers in the region.</p> <p>The Merger will also bring together the specialist technical skills and services of Bendigo Telco and Vicwest, with a view to providing a broader and more cost-competitive product offering.</p>
4.	<p>The Merger provides Vicwest Shareholders with an opportunity to retain value from their initial investment in Vicwest.</p> <p>Based on the closing price of Bendigo Telco Shares on NSX of \$2.04 on 8 July 2016 (being the day prior to registration of this Scheme Booklet), this represents a notional value based on current trading prices of \$0.98 for each Vicwest Share.</p> <p>Prior to implementation of the Merger, Bendigo Telco may declare a dividend for its own shareholders of up to 75% of the anticipated net profit after tax of Bendigo Telco for the financial year ending 30 June 2016, which will not be payable to Vicwest Shareholders. This may reduce the current trading price (at least in the short-term) accordingly.</p>

	<p>In assessing the valuation of Bendigo Telco Shares, Vicwest Shareholders should also have regard to the valuation of Bendigo Telco Shares undertaken by the Independent Expert in Annexure A, and the basis for its conclusion that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders.</p>
5.	<p>Vicwest Shareholders will receive shares in an NSX-listed company which provides a greater opportunity for liquidity with their shareholding.</p> <p>As an unlisted company, Vicwest Shareholders currently have limited opportunities to trade their Vicwest Shares.</p> <p>Under the Merger, Vicwest Shareholders will receive one Bendigo Telco Share in exchange for every 2.074 Vicwest Shares.</p> <p>Bendigo Telco is listed on the NSX, with a market capitalisation of approximately \$11 million as at the date of this Scheme Booklet.</p> <p>Following the Merger, Vicwest Shareholders are expected to have greater opportunities for liquidity by being able to more readily trade their New Bendigo Telco Shares on NSX, which is a recognised stock exchange.</p> <p>However, Vicwest Shareholders should note that Bendigo Telco Shares are not highly liquid. Since April 2015, only approximately 70,000 Bendigo Telco Shares have traded.</p>
6.	<p>The Merged Group is expected to be better positioned for future growth by having greater scale and ability to obtain capital to pursue new projects which are essential to ensure viability in the highly-competitive telecommunications industry.</p> <p>The Merged Group is expected to have enhanced scale and a balance sheet to pursue growth opportunities in the highly-competitive telecommunications industry.</p> <p>The Merged Group's greater scale and scope may also facilitate access to additional sources of capital in the equity and debt markets over time.</p> <p>In addition, the combined customer base, technical capability, greater scale and financial position of the Merged Group is expected to provide greater access to growth opportunities, including:</p> <ul style="list-style-type: none"> • providing services to a broader market with greater reach within market sectors; • enhanced product offering to the broader market; and • the ability to create efficiencies that will allow a competitive market offering.
7.	<p>Expected synergies and cost savings.</p> <p>The Merged Group is expected to unlock value through certain operational cost savings and a reduction in corporate costs, which would not be available to Bendigo Telco on a standalone basis.</p> <p>In addition, the Bendigo Telco Board expects that the Merged Group will benefit from the sharing of knowledge and technical expertise between the two businesses.</p>
8.	<p>The Merger brings together two like-minded organisations which will ensure continued investment in the Bendigo, Shepparton, Geelong and Ballarat communities, but as part of a larger and more sustainable enterprise.</p> <p>The strategic objectives of Vicwest and Bendigo Telco are closely aligned.</p> <p>Both organisations aim to provide highly competitive telecommunications prices and exceptional service delivery to their regions.</p> <p>The organisations also create jobs and economic value, and make significant direct financial contributions to local community projects.</p> <p>These objectives would continue with the Merged Group. They are also expected to be further</p>

	<p>enhanced with the Merged Group being a larger and more sustainable community enterprise, and also as a result of the proposed BEN4 Agreement between Bendigo Bank and Bendigo Telco under which Bendigo Telco will supply wide area network services and certain related services to Bendigo Bank for a 5 year term commencing on 1 January 2017 (see Section 9.5 for a summary of this proposed agreement).</p> <p>Under the Merger, two current directors of Vicwest, namely Rod Payne and Jonathan Selkirk, will join the board of the Merged Group. This will ensure appropriate ongoing representation for the Bendigo, Shepparton, Geelong and Ballarat communities in relation to the Merged Group.</p>
9.	<p>While Vicwest has achieved modest profitable trading in recent years, if the Merger does not proceed, there is no assurance that Vicwest Shareholders would retain the value of their initial investment in Vicwest based on the historical financial performance of Vicwest and its current balance sheet.</p> <p>If the Merger does not proceed, there is no assurance that Vicwest Shareholders would retain the value of the initial investment in Vicwest in the long term. Vicwest's trading results for FY13 to FY15 have been consistent, with the company recording modest profits in each of those years.</p> <p>In the last two years an opportunity has arisen to provide high quality video conferencing facilities to the health sector in particular. During this period Vicwest has made a significant investment developing a video conferencing platform known as "natr" which is now being marketed Australia wide, in particular to the health industry. The loss in the 6 months to 31 December 2015 was predominately due to the ongoing investment in infrastructure and staff required to support the ongoing development and marketing of natr, which is being well received. However, due to the prevailing general economic conditions, the uptake of natr has been slower than initially anticipated. Vicwest currently anticipates a trading loss of approximately \$368,000 for the 2016 financial year.</p> <p>In connection with the Merger, Vicwest has also incurred transaction costs of approximately \$620,000 which could further affect the financial position of Vicwest. These costs are necessary to provide Vicwest Shareholders with the opportunity to consider the proposed Merger. Further information is contained in Section 2.15, and a breakdown of the costs is included in Section 11.9.</p> <p>If the Merger does not proceed, Vicwest is also expected to face significant liquidity challenges, at least in the short-term. It is expected that Vicwest would require additional financial support from Bendigo Bank and a change of trading terms with Community Telco Australia to assist with cash flow. Vicwest has already approached Bendigo Bank and Community Telco Australia on this basis. However, any such arrangements would need to be further negotiated and agreed at the relevant time.</p>
10.	<p>Other benefits.</p> <p>No brokerage or duty will be payable on the transfer of your Vicwest Shares to Bendigo Telco under the Merger.</p> <p>Vicwest Shareholders may also be eligible for CGT rollover relief. For more information, please refer to Section 10.</p>

REASONS TO VOTE AGAINST THE MERGER

The Merger gives rise to certain potential disadvantages and risks that Vicwest Shareholders must consider in deciding whether or not to vote in favour of the Merger.

Although the Independent Directors of Vicwest recommend that you vote in favour of the Merger (in the absence of a Superior Proposal), and the Independent Expert has concluded that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders, including having regard to the Ancillary Transactions, you may be influenced by other factors, including those set out below, to vote against the Merger.

1.	<p>The exact value of the Scheme Consideration is not certain and will fluctuate with the market price of Bendigo Telco Shares.</p>
	<p>The implied value of the Scheme Consideration will vary with movements in the price of the Bendigo Telco Shares and, on implementation of the Merger, that notional trading price value may be less than the current notional trading price value of \$0.98 per Vicwest Share (based on the closing price of Bendigo Telco Shares on the NSX of \$2.04 on 8 July 2016, being the day prior to registration of this Scheme Booklet).</p> <p>Following the implementation of the Merger, the price of Merged Group Shares may rise or fall based on market conditions, the Merged Group's financial and operational performance and other factors. If the price of Merged Group Shares falls, the value of the New Bendigo Telco Shares received by Vicwest Shareholders as Scheme Consideration will also decline in value.</p> <p>As referred to on pages 44 to 49 of the Independent Expert's Report, the Independent Expert has used two scenarios to estimate a range of potential trading prices for Bendigo Telco Shares following implementation of the Transactions. These are based on various assumptions.</p> <p>Based on the assumptions, the Independent Expert has estimated the value of the Merged Group to be between \$1.39 and \$1.90 per Bendigo Telco Share, and accordingly, the estimated value of the Scheme Consideration to be between \$0.67 to \$0.92 per Vicwest Share.</p> <p>The Independent Expert has estimated the value of Vicwest Shares and, subject to the analysis and assumptions in the Independent Expert's Report, concluded that no value can be ascribed to Vicwest Shares, having regard to the value of Vicwest on a standalone basis.</p> <p>While concluding that no equity value can be ascribed to Vicwest on a standalone basis, the Independent Expert acknowledges that there could be upside to a specific purchaser of Vicwest to the extent there are synergies available to that purchaser. The Independent Expert has also considered the valuation multiples implied by this estimated value of \$0.67 to \$0.92 per Vicwest Share, and concluded that these multiples are within or greater than observed multiples for comparable companies to Vicwest.</p> <p>Accordingly, the Independent Expert considers that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders.</p>
2.	<p>You may disagree with the Independent Directors of Vicwest and the Independent Expert and believe that the Merger is not in your best interests.</p>
	<p>Despite the views of the Independent Directors of Vicwest and the Independent Expert, you may believe that the Merger is not in the best interests of Vicwest Shareholders or not in your individual interests.</p> <p>The Independent Directors of Vicwest and the Independent Expert have made judgements based on future trading conditions and events, which are not predictable with certainty and which may prove to be inaccurate (either positively or negatively).</p> <p>You may hold a different view from, and are not obliged to follow, the recommendations of the Independent Directors of Vicwest, and may not agree with the Independent Expert's opinion.</p>

3.	<p>Smaller share of a larger Merged Group.</p> <p>The Merger will result in the Vicwest Shareholders (other than Bendigo Bank) holding an economic interest in approximately 9.68% of the Merged Group.</p> <p>Vicwest Shareholders (including Bendigo Bank) will no longer hold a direct 100% interest in Vicwest alone, but instead will hold a smaller share of an enlarged Merged Group.</p>
4.	<p>If the Merger proceeds, you will no longer be a holder of Vicwest Shares and you may consider the investment profile and operations of the Merged Group to be inferior to Vicwest as a standalone entity.</p> <p>If the Merger is implemented, you will no longer be a Vicwest Shareholder, rather you will be a shareholder of the Merged Group.</p> <p>The operational profile, capital structure, and size of the Merged Group will be different to that of Vicwest on a standalone basis.</p> <p>In particular, the operations of the Merged Group will cover the eastern seaboard of Australia particularly Bendigo and Shepparton, in addition to the Geelong and Ballarat regions.</p> <p>It is possible that you may wish to maintain an interest in Vicwest as a standalone company because you are seeking an investment in a community enterprise with the specific characteristics of Vicwest.</p>
5.	<p>Integration risk.</p> <p>The success of the Merger and, in particular, the ability to realise the expected synergies, will be dependent, among other things, on Vicwest and Bendigo Telco (and the Community Telco Australia business) being integrated effectively, efficiently and in a timely manner, without material disruption to their businesses.</p> <p>There is no guarantee that the Merged Group will be able to complete this integration successfully or that synergies will be realised in the amounts estimated or over the period contemplated or at the costs estimated in this Scheme Booklet.</p> <p>There is a risk that the Merged Group's future profitability and prospects could be adversely affected if integration is not completed successfully.</p>
6.	<p>There are risks associated with an investment in the Merged Group.</p> <p>If the Merger is implemented, there will be a change in the risk profile to which Vicwest Shareholders are exposed.</p> <p>Compared to Vicwest, the Merged Group will be a larger company with a more diversified asset and customer base, including an interest in long-term service arrangements with Bendigo Bank.</p> <p>Further details of some of the risks associated with an investment in the Merged Group are set out in Section 7 (Risk Factors). Vicwest Shareholders are encouraged to read this Section carefully and in its entirety.</p>

KEY DATES

Please note that all times and dates are indicative only and may be subject to change.

Event	Time and Date
Date of this Scheme Booklet	11 July 2016
Time and date by which the Proxy Form must be received for the Scheme Meeting and Extraordinary General Meeting	11am on 10 August 2016
Voting Record Date – time and date for determining eligibility to vote at the Scheme Meeting and Extraordinary General Meeting	7pm on 10 August 2016
Time and date of the Scheme Meeting	11am on 12 August 2016
Time and date of the Extraordinary General Meeting	11:15am on 12 August 2016 or immediately following the Scheme Meeting (whichever is later)

If the Merger is approved by Vicwest Shareholders and all other Conditions Precedent in connection with the Merger are fulfilled or waived (if applicable):

Event	Time and Date
Second Court Date (for approval of the Scheme by the Court)	19 August 2016
Effective Date of the Merger	19 August 2016
Scheme Record Date – the time and date which determines the entitlements of Vicwest Shareholders to the Scheme Consideration	7pm on 26 August 2016
Implementation Date – the date of transfer of all Scheme Shares to Bendigo Telco and issue of the Scheme Consideration to Scheme Shareholders	1 September 2016
Commencement of trading of New Bendigo Telco Shares on NSX	1 September 2016

WHAT TO DO NEXT

STEP 1: CAREFULLY READ THIS SCHEME BOOKLET IN FULL

You should read this Scheme Booklet in full.

It contains important information to assist you in deciding how to vote on the Merger.

The information contained in Section 1 (Answers to key questions) may help answer some of your questions.

It is important that you consider the information disclosed in light of your own particular investment needs, objectives and financial and taxation circumstances.

If after reading this Scheme Booklet, you have any questions regarding the Merger, please contact Vicwest on (03) 5228 0808, or consult an independent and appropriately licensed and authorised professional adviser without delay.

STEP 2: VOTE ON THE SCHEME AND AMENDING RESOLUTION

YOUR VOTE IS IMPORTANT

If you are a Vicwest Shareholder as at 7pm on the Voting Record Date you are entitled to vote on the Merger and on the Amending Resolution.

Any Vicwest Shares held by or on behalf of Excluded Shareholders, or in which Excluded Shareholders have a Relevant Interest, will not be voted at the Scheme Meeting or Extraordinary General Meeting.

Bendigo Bank has advised that it will not vote on the Merger.

SCHEME MEETING

Vicwest Shareholders (other than Excluded Shareholders) are being asked to approve the Merger at the Scheme Meeting.

If the resolution approving the Merger is passed at the Scheme Meeting, and the Amending Resolution is passed at the Extraordinary General Meeting, Vicwest will make an application to the Court to approve the Scheme at the Second Court Hearing.

EXTRAORDINARY GENERAL MEETING

Vicwest Shareholders (other than Excluded Shareholders) are being asked to approve the Amending Resolution at the Extraordinary General Meeting.

In order to implement the Merger, the Amending Resolution also needs to be approved, therefore Vicwest Shareholders should ensure that they cast their vote at the Scheme Meeting *and* the Extraordinary General Meeting.

HOW TO VOTE

Each Vicwest Shareholder on the Register as at 7pm on the Voting Record Date (other than Excluded Shareholders) is entitled to attend and vote at the Scheme Meeting and Extraordinary General Meeting.

VOTING IS NOT COMPULSORY

You may vote at the Scheme Meeting and Extraordinary General Meeting by doing one of the following:

- (a) **Vote in person** – attend the Scheme Meeting and Extraordinary General Meeting in person at The Geelong Club, 74 Brougham Street, Geelong Victoria 3220 on Friday, 12 August 2016 at 11am, and bring a suitable form of personal identification (such as a driver's licence);
- (b) **Vote by proxy** – if you are unable to attend the Scheme Meeting or Extraordinary General Meeting and you want to appoint a proxy to vote your Vicwest Shares on your behalf:
 - (i) complete, sign and return the original Proxy Forms for each meeting enclosed with this Scheme Booklet in accordance with the instructions set out on the form (see Annexure C (Notice of Scheme Meeting) and Annexure F (Notice of Extraordinary General Meeting) for more details) so that it is received at the address indicated on the form by no later than 11am on 10 August 2016; and
 - (ii) arrange to have your proxy or proxies attend the Scheme Meeting and the Extraordinary General Meeting (if you are appointing a person other than the Chairman of the Scheme Meeting or Extraordinary General Meeting as your proxy).

You can lodge the Proxy form:

- (iii) by mail to Unit 3, 2-6 Rutland Street, Newtown, Victoria 3220;
- (iv) by hand delivery during business hours at Unit 3, 2-6 Rutland Street, Newtown, Victoria 3220;
- (v) by fax to (03) 5222 6711; or
- (vi) by e-mail via geoff.hutchinson@communitytelco.com.au,

as detailed on the Proxy Form.

- (c) **Vote by attorney** – you may appoint an attorney to attend and vote at the Scheme Meeting and Extraordinary General Meeting on your behalf. Such an appointment must be made by a duly executed power of attorney, which must be received by Vicwest at its registered office by no later than 11am on 10 August 2016, unless it has been previously provided to Vicwest.
- (d) **vote by body corporate representative** – if you are a body corporate, you can appoint a corporate representative to attend and vote at the Scheme Meeting and Extraordinary General Meeting on your behalf. The appointment must comply with section 250D of the Corporations act.

Please refer to Annexures C and F where these voting options are set out in full.

1 ANSWERS TO KEY QUESTIONS

The following set of questions and answers is intended to assist in your understanding of the Merger.

These are qualified by, and should be read together with, all other parts of this Scheme Booklet.

DETAILS OF THE MERGER

No.	Question	Answer	Where to find more information
1.	What is the Merger?	<p>The Merger is a proposed transaction under which Bendigo Telco would acquire all of the Vicwest Shares in exchange for shares in Bendigo Telco.</p> <p>The Merger is to be implemented by way of the Scheme, which is conditional on the satisfaction or waiver (if applicable) of certain Conditions Precedent.</p>	Section 2
2.	What is the Scheme?	<p>The Scheme is a statutory arrangement pursuant to part 5.1 of the Corporations Act between Vicwest and Vicwest Shareholders (other than Excluded Shareholders) at the Scheme Record Date.</p> <p>The Scheme will effect the acquisition by Bendigo Telco of all of the Vicwest Shares.</p>	Section 8
3.	What is the Amending Resolution?	<p>The Amending Resolution is a related resolution which is required in order to amend the Constitution of Vicwest to enable Bendigo Telco to acquire all of the Vicwest Shares. Currently the Constitution contains a prohibition on any person acquiring more than 10% of the Vicwest Shares.</p> <p>The Scheme is conditional on the Amending Resolution also being approved by Vicwest Shareholders.</p>	Section 8.9 Annexure F
4.	What are the Ancillary Transactions?	<p>In connection with the Merger, certain Ancillary Transactions will be undertaken to effect a restructure of the Vicwest franchise and financing arrangements with Bendigo Bank, and implement certain other arrangements in relation to the structure of the Merged Group.</p> <p>Further detail regarding these transactions is contained in Section 9 of this Scheme Booklet.</p>	Section 2.4 Section 9
5.	What are the interests of Bendigo Bank in relation to the Merger?	<p>If the Scheme is approved, Bendigo Bank will receive the same Scheme Consideration as all other Vicwest Shareholders.</p> <p>In addition, Bendigo Bank is party to certain Ancillary Transactions to be undertaken to effect a restructure of the Vicwest franchise and financing arrangements, and implement certain other arrangements in relation to the structure</p>	Section 2.5 Section 9

No.	Question	Answer	Where to find more information
		<p>of the Merged Group.</p> <p>Based on its review of the Ancillary Transactions, the Independent Expert has concluded that nothing has come to its attention which causes it to believe that:</p> <p>(a) The transactions between Bendigo Bank and Bendigo Telco are not on arm's length terms by having regard to any existing relationships between the parties and the genesis of, and the links between, the Merger and the Ancillary Transactions; and</p> <p>(b) There is a net benefit being provided to Bendigo Bank insofar as the benefits that it is receiving under the terms of the Merger (including the Ancillary Transactions) will exceed the benefits being provided by Bendigo Bank under those transactions.</p>	
6.	Why have I been sent this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a Vicwest Shareholder and you are being asked to vote on the Merger.</p> <p>This Scheme Booklet is intended to help you decide how to vote on the Merger at the Scheme Meeting.</p>	n/a
7.	Who is Bendigo Telco?	<p>Bendigo Telco is a public company listed on the NSX.</p> <p>Bendigo Telco has a market capitalisation of approximately \$11 million as at the date of this Scheme Booklet.</p> <p>Bendigo Telco is a telecommunications and data management service provision company, providing retail and telecommunications products to businesses and residential customers, primarily in the Bendigo and Shepparton regional areas.</p>	Section 4
8.	Who is entitled to participate in the Scheme?	If the Merger is approved and all Conditions Precedent are either satisfied or waived, all Vicwest Shareholders on the Register at the Scheme Record Date will receive the Scheme Consideration in respect of the Vicwest Shares they hold at that time.	Section 8.4
9.	What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders, including having regard to the Ancillary Transactions.	Annexure A
10.	Who are the Independent Directors of Vicwest?	Rod Payne; Kevin Roache;	Letter from Vicwest independent board

No.	Question	Answer	Where to find more information
		James Sargeant; Robert Glass; Jonathan Selkirk; Justine Finlay; and Lyndelle Zuccolin.	representative
11.	Why was an Independent Board Committee created?	The Chairman of Vicwest, Mr Murnane, and fellow board member, Ms Janelle Wehsack, are employees of Bendigo Bank (which is a major shareholder of Vicwest and Bendigo Telco and has certain interests in the Ancillary Transactions). To avoid any potential for conflict, Mr Murnane and Ms Wehsack have not participated in any deliberations with respect to the proposed Merger.	Letter from Vicwest independent board representative
12.	What do the Independent Directors of Vicwest recommend Vicwest Shareholders do?	The Independent Directors of Vicwest unanimously recommend that Vicwest Shareholders vote in favour of the Merger, in the absence of a Superior Proposal. Each Vicwest Director who holds Vicwest Shares intends to vote in favour of the Scheme and the Amending Resolution, in relation to any Vicwest Shares they hold or control, in the absence of a Superior Proposal.	Section 2.11

SCHEME CONSIDERATION

No.	Question	Answer	Where to find more information
13.	What will I receive if the Scheme is implemented?	If the Scheme is implemented, Vicwest Shareholders will receive one Bendigo Telco Share for every 2.074 Vicwest Shares they hold on the Scheme Record Date.	Section 2.3
14.	What is the value of the Scheme Consideration?	Based on Bendigo Telco's share price of \$2.04 as at 8 July 2016 (being the day prior to registration of this Scheme Booklet), this represents a notional value based on current trading prices of \$0.98 for each Vicwest Share. ² In assessing the valuation of Bendigo Telco Shares, Vicwest Shareholders should also have regard to the valuation of Bendigo Telco Shares undertaken by the Independent Expert in Annexure A and summarised on page 11.	Page 11 and Section 2.3

² Prior to implementation of the Merger, Bendigo Telco may declare a dividend for its own shareholders of up to 75% of the anticipated net profit after tax of Bendigo Telco for the financial year ending 30 June 2016, which will not be payable to Vicwest Shareholders. This may reduce the current trading price (at least in the short-term) accordingly.

No.	Question	Answer	Where to find more information
15.	When will I receive my New Bendigo Telco Shares?	New Bendigo Telco Shares will be issued on the Implementation Date, which is expected to be on or about 1 September 2016, in accordance with the indicative timetable on page 17.	"Timetable" on page 17 and Section 8.7.
16.	Is Bendigo Telco bound to provide the Scheme Consideration?	Yes. Under the Bendigo Telco Deed Poll, Bendigo Telco undertakes in favour of each Scheme Shareholder to, among other things, provide the Scheme Consideration (subject to the Scheme becoming Effective).	Annexure E
17.	How will fractional entitlements be treated under the Scheme?	Where the calculation of the number of New Bendigo Telco Shares to be issued to a particular Scheme Shareholder would result in the issue of a fraction of a New Bendigo Telco Share, the fractional entitlement will be rounded down to the nearest whole number of New Bendigo Telco Shares.	Section 8.5
18.	When will I be able to sell any New Bendigo Telco Shares I receive?	Bendigo Telco Shares currently trade on the NSX and the New Bendigo Telco Shares issued under the Scheme are expected to commence trading on NSX on 1 September 2016.	Section 8
19.	Can I choose to receive cash instead of New Bendigo Telco Shares?	No. There is no option for Scheme Shareholders to elect to receive cash instead of New Bendigo Telco Shares. However, once you have received the Scheme Consideration, you may sell some or all of your New Bendigo Telco Shares. Alternatively, you may elect to sell your existing Vicwest Shares before the Effective Date.	n/a
20.	Can I keep my Vicwest Shares?	No. If the Merger is implemented, all of your Vicwest Shares will be transferred to Bendigo Telco. This will be the case irrespective of whether you voted for or against the Scheme Resolution at the Scheme Meeting.	n/a
21.	Do I have to pay brokerage fees or stamp duty to participate in the Scheme?	No brokerage or stamp duty will be payable by Scheme Shareholders on the transfer of their Scheme Shares under the Scheme or the receipt by Scheme Shareholders of the Scheme Consideration.	Section 2.14

MEETING, AGREEMENT AND APPROVAL

No.	Question	Answer	Where to find more information
22.	When and where will the Scheme Meeting and EGM be held?	The Scheme Meeting and EGM will be held at The Geelong Club, 74 Brougham Street, Geelong Victoria on 12 August 2016 at 11am.	Annexure C and Annexure F
23.	Who is entitled to vote at the Scheme Meeting and EGM?	All Vicwest Shareholders on the Register at 7pm on 10 August 2016 (the Voting Record Date) (other than Excluded Shareholders) are entitled to attend and vote at the Scheme Meeting and EGM.	Section 2.8
24.	Why should I vote?	Voting is not compulsory, however, your vote will be important in determining whether the Merger proceeds. The Independent Directors of Vicwest encourage you to read this Scheme Booklet carefully and in full, and recommend that you vote in favour of the Merger, in the absence of a Superior Proposal.	Sections 2.8 and 2.11
25.	What choices do I have as a Vicwest Shareholder?	As a Vicwest Shareholder you may: (a) vote at the Scheme Meeting and EGM in person, by proxy, by attorney or, in the case of a corporation, by a duly appointed corporate representative; (b) elect not to vote at the Scheme Meeting and EGM; (c) sell your Vicwest Shares prior to the Effective Date; or (d) do nothing.	Section 2.8 and Annexure C
26.	What voting majorities are required to approve the Scheme?	For the Merger to proceed, votes in favour of the resolution to approve the Merger at the Scheme Meeting must be received from a Requisite Majority of Vicwest Shareholders. A Requisite Majority consists of: (a) a majority in number of Vicwest Shareholders (other than Excluded Shareholders) who vote at the Scheme Meeting; and (b) at least 75% or more of the votes cast at the Scheme Meeting by Vicwest Shareholders (other than Excluded Shareholders).	Section 2.8 and Annexure C
27.	What voting majorities are required to approve the Amending Resolution?	At least 75% of the votes cast by Vicwest Shareholders will be required to approve the Amending Resolution at the EGM.	Section 2.8 and Annexure F

No.	Question	Answer	Where to find more information
28.	Will Bendigo Telco and Bendigo Bank vote its Vicwest Shares at the Scheme Meeting or EGM?	<p>As at the date of this Scheme Booklet Bendigo Telco does not hold any Vicwest Shares.</p> <p>Any Vicwest Shares held by or on behalf of an Excluded Shareholder, or in which Excluded Shareholders have a Relevant Interest, will not be voted at the Scheme Meeting or EGM.</p> <p>Bendigo Bank has also advised that it will not vote on the Merger.</p>	Sections 2.8(c)
29.	Are there any conditions to the Merger?	<p>The implementation of the Merger is subject to a number of Conditions Precedent which are described in Section 2.7 (Conditions of the Merger), including but not limited to:</p> <ul style="list-style-type: none"> (a) Vicwest Shareholders approving the Scheme and Amending Resolution; (b) Bendigo Telco Shareholders approving the Merger and certain related transactions; (c) Court approval of the Scheme; and (d) ASIC and NSX providing such consents, confirmations or approvals as are reasonably necessary or desirable to implement the Merger. <p>The Merger will not proceed unless all Conditions Precedent are satisfied or waived (if applicable).</p>	Section 2.7
30.	What happens if a Competing Proposal for Vicwest emerges?	<p>If a Competing Proposal for Vicwest emerges, the Independent Directors of Vicwest, having regard to their obligations under the Implementation Deed, will consider the merits of that proposal.</p> <p>If the Independent Directors of Vicwest consider the Competing Proposal to be a Superior Proposal, then:</p> <ul style="list-style-type: none"> (a) Vicwest Shareholders will be informed of this by Vicwest by post; and (b) the Independent Directors of Vicwest will carefully consider the Superior Proposal and will provide you with a detailed recommendation in relation to it. 	n/a
31.	What happens if I vote against the Merger or do not vote?	<p>If you do not vote, or if you vote against the Merger, then the Merger may not be approved. The Merger cannot be implemented unless:</p> <ul style="list-style-type: none"> (a) it is approved by the Requisite Majority of Vicwest Shareholders at the Scheme Meeting; and (b) the Amending Resolution is approved by Special Resolution at the EGM. 	n/a

No.	Question	Answer	Where to find more information
		<p>However, if the Merger is passed by the Requisite Majority (even if you did not vote, or voted against the Merger or Amending Resolution) and you are a Scheme Shareholder then you will be bound by the Merger and Bendigo Telco will acquire your Vicwest Shares and you will receive New Bendigo Telco Shares as the Scheme Consideration if the Merger is implemented.</p>	
32.	What happens if the Merger is not approved?	<p>If the Merger is not approved by a Requisite Majority of Vicwest Shareholders at the Scheme Meeting or is not approved by the Court, or all other Conditions Precedent are not satisfied or waived (if applicable):</p> <ul style="list-style-type: none"> (a) the Merger will not be implemented; (b) Vicwest is expected to face significant liquidity challenges, at least in the short-term. It is expected that Vicwest would require additional financial support from Bendigo Bank and a change of trading terms with Community Telco Australia to assist with cash flow. Vicwest has already approached Bendigo Bank and Community Telco Australia on this basis. However, any such arrangements would need to be further negotiated and agreed at the relevant time; (c) Vicwest will not merge with Bendigo Telco, the expected benefits of the Merger will not be realised and the disadvantages and risks associated with the Merger will not arise; (d) you will retain your Vicwest Shares; and (e) Scheme Shareholders will not receive the Scheme Consideration. 	Section 2.15
33.	What are the transaction costs associated with the Merger?	<p>Vicwest estimates that it will incur one-off external transaction costs of approximately \$620,000 in relation to the Merger.</p> <p>Under the terms of a 22 March 2016 variation to the Vicwest Loan, Bendigo Bank increased the facility limit of the Vicwest Loan by \$350,000 to \$3,800,000, with the additional amount to assist Vicwest to pay for the costs of the Transactions. See Section 2.15 for further information and Section 11.6 for a summary of the terms of the Vicwest Loan.</p>	Sections 2.15, 11.6 and 11.9

THE MERGED GROUP

No.	Question	Answer	Where to find more information
34.	If the Merger is implemented, what will the Merged Group look like?	<p>Implementation of the Transactions is expected to result in the combination of three complementary businesses (Vicwest, Bendigo Telco and CTA) to create a leading regional telecommunications provider.</p> <p>The scale of the Merged Group's network and product suite is expected to present an enlarged addressable market inclusive of corporate and personal customers across regional Victoria.</p> <p>The Transactions are also expected to provide the Merged Group with an enlarged network of customers, which should enhance its ability to offer products and services to its combined 4,700 customers.</p> <p>In addition to a larger combined product offering, the Merged Group is expected to generate value for Vicwest and Bendigo Telco shareholders and the local communities in which the Merged Group will operate, with identifiable cost synergies and potential revenue opportunities.</p>	Section 5.2
35.	What will be the strategy of the Merged Group?	<p>The strategic objectives of Vicwest and Bendigo Telco are closely aligned.</p> <p>Both organisations aim to provide competitive telecommunications prices and exceptional service delivery to their regions.</p> <p>The organisations also create jobs and economic value, and make significant direct financial contributions to local community projects.</p> <p>These objectives would continue with the Merged Group.</p>	Section 5.2
36.	Who will be on the Merged Group Board following implementation of the Merger?	<p>Bendigo Telco will procure that resolutions for the appointment of 2 nominees of Vicwest (namely, Rod Payne and Jonathan Selkirk) and 1 nominee of Bendigo Bank (namely, Kevin Dole) as directors of Bendigo Telco are proposed at the Bendigo Telco Shareholder Meeting. If those resolutions are passed, the Merged Group Board will comprise 2 nominees of Bendigo Bank, 2 nominees of Vicwest and 4 nominees of Bendigo Telco.</p> <p>Under the TFA, Bendigo Telco will procure that resolutions for the appointment of the above nominees as directors are proposed at the Bendigo Telco Shareholder Meeting. If any such appointment is not approved, Bendigo Telco will procure that the relevant nominee is appointed as a director of Bendigo Telco as a casual</p>	Section 5.4

No.	Question	Answer	Where to find more information
		appointee as soon as practicable after that meeting.	
37.	Who will be the CEO of the Merged Group and who will comprise senior management following the implementation of the Merger?	<p>Mr Jeff Jordan will be the Chief Executive Officer and Mr Jim Nielsen will be Chief Operating Officer of the Merged Group.</p> <p>Additionally, the current CEO of Vicwest, Geoff Hutchinson, will be employed by Bendigo Telco in an executive role on its management team.</p> <p>The remaining members of the Merged Group's senior management team have not been finalised at the date of this Scheme Booklet and will be determined by the Merged Group Board following completion of, and having regard to the outcomes of, the general operational review proposed to be undertaken by Bendigo Telco on implementation of the Merger.</p>	Section 5.4
38.	What will the dividend policy of the Merged Group be?	<p>The Merged Group Board will determine the dividend policy for the Merged Group having regard to its profits, its financial position and an assessment of the capital required to grow its businesses.</p> <p>Bendigo Telco's current dividend policy is to pay a maximum of 70% of net profit after tax.</p>	Section 5.3(f)

REASONS TO VOTE FOR OR AGAINST THE SCHEME AND AMENDING RESOLUTION AND KEY RISKS OF THE MERGER

No.	Question	Answer	Where to find more information
39.	What are the reasons to vote in favour of the Merger?	<p>Reasons to vote in favour of the Merger are set out in the table on page 11 under the heading "Reasons to vote in favour of the Merger".</p> <p>The Independent Directors of Vicwest unanimously recommend that you vote in favour of the Merger, in the absence of a Superior Proposal.</p>	Page 11
40.	What are the reasons you may choose to vote against the Merger?	Reasons to vote against the Merger are set out in the table on page 15 under the heading "Reasons to vote against the Merger".	Page 15
41.	What are the key risks associated with the Merger and the Merged Group?	<p>Certain key risks associated with the Merger and relating to the Merged Group include:</p> <p>(a) integration risks and the risk that expected synergies will not be achieved due to factors such as unexpected delays, challenges or the loss of key personnel of the Merged</p>	Section 7

No.	Question	Answer	Where to find more information
		<p>Group;</p> <p>(b) some of the Conditions Precedent to the Merger are beyond the control of Vicwest;</p> <p>(c) the exact value of Scheme Consideration being uncertain as it will depend on the price at which the Merged Group Shares trade on the NSX after the Effective Date; and</p> <p>(d) the Merged Group being subject to a range of risks (including those of a general nature) that may adversely affect its future operating or financial performance, prospects, investment returns or value of its securities.</p>	

TRANSACTION INTEGRATION

No.	Question	Answer	Where to find more information
42.	Will Vicwest be represented on the Merged Group Board?	Under the Merger, two current directors of Vicwest (namely, Rod Payne and Jonathan Selkirk) will join the board of the Merged Group. This will ensure appropriate ongoing representation for the Geelong and Ballarat communities in relation to the Merged Group.	Section 5
43.	Will Vicwest employees form part of the Merged Group?	Yes. Vicwest employees will form part of the Merged Group. In particular, senior Vicwest staff will continue in agreed roles in the Merged Group.	Section 5

OTHER QUESTIONS

No.	Question	Answer	Where to find more information
44.	What are the Australian tax implications of the Merger for Scheme Shareholders?	<p>A summary of the general Australian income tax, stamp duty and GST consequences for Vicwest Shareholders who participate in the Merger is set out in Section 10 (Taxation Implications).</p> <p>Each individual's tax position is different. Vicwest Shareholders are urged to consult their own tax advisers as to the specific tax consequences to them of the Merger, including the applicability and effect of income and other tax laws in their particular circumstances.</p>	Section 10 (Taxation implications)
45.	Where can I get further information?	<p>If, after reading this Scheme Booklet, you have any questions about the Merger, you should call Vicwest on (03) 5228 0808.</p> <p>If you are in doubt as to what you should do, you</p>	n/a

No.	Question	Answer	Where to find more information
		should consult an independent and appropriately licensed and authorised professional adviser without delay.	

2 SUMMARY OF THE MERGER

2.1 Background

On 22 February 2016, Vicwest announced that it had executed a non-binding Memorandum of Understanding with Bendigo Telco, Bendigo Bank and Community Telco Australia to investigate a potential combination of Vicwest and parts of Community Telco Australia's business into Bendigo Telco (**Transactions**).

The aim of the Transactions is to expand and enhance the delivery of telecommunication services, technologies and products to Vicwest and Bendigo Telco's customers and the constituents of the communities they serve.

Subsequently on 27 May 2016, Bendigo Telco announced that it had entered into binding transaction documents with Vicwest, Bendigo Bank and Community Telco Australia to give effect to the Transactions.

This Scheme Booklet provides details of the arrangements which have been agreed and the considerations to be taken into account by Vicwest Shareholders in whether or not to approve the Merger.

2.2 Overview of the Merger

If the Merger is approved by Vicwest Shareholders and the Court, and subject to the satisfaction or waiver (if applicable) of the other Conditions Precedent:

- (a) each Vicwest Share will be transferred to Bendigo Telco;
- (b) Vicwest Shareholders will receive the Scheme Consideration of one Bendigo Telco Share for every 2.074 Vicwest Shares they hold on the Scheme Record Date; and
- (c) Vicwest will become a wholly owned subsidiary of Bendigo Telco.

From the date of their issue, the New Bendigo Telco Shares received as Scheme Consideration will rank equally in all respects with the existing Bendigo Telco Shares and will be fully paid and free from any encumbrances.

The rights and liabilities attaching to the New Bendigo Telco Shares will be governed by the Bendigo Telco constitution, subject to the Corporations Act and the NSX Business Rules and Listing Rules.

Section 4.8(e) includes a summary of the rights and liabilities that will attach to the New Bendigo Telco Shares.

A copy of the Scheme is included in Annexure D.

2.3 Scheme Consideration

If the Scheme is implemented, Scheme Shareholders will receive the Scheme Consideration.

The Scheme Consideration comprises New Bendigo Telco Shares.

Each Scheme Shareholder will receive one Bendigo Telco Share for every 2.074 Vicwest Shares they hold on the Scheme Record Date.

Based on Bendigo Telco's share price of \$2.04 as at 8 July 2016 (being the day prior to registration of this Scheme Booklet), this represents a notional value based on current trading prices of \$0.98 for each Vicwest Share.³

In assessing the valuation of Bendigo Telco Shares, Vicwest Shareholders should also have regard to the valuation of Bendigo Telco Shares undertaken by the Independent Expert in Annexure A and summarised on page 11.

2.4 Overview of the Ancillary Transactions

In connection with the Merger, certain Ancillary Transactions will be undertaken by Vicwest and Bendigo Telco, together with Bendigo Bank and its wholly-owned subsidiary, Community Telco Australia, to give effect to the efficacy of the Merger.

The Ancillary Transactions are conditional on implementation of the Scheme.

The terms of the Ancillary Transactions are governed by a Transaction Framework Agreement between Vicwest, Bendigo Telco and Bendigo Bank. A summary of the key terms of the Transaction Framework Agreement as they relate to the Transactions is contained in Section 9.7.

In summary, the Ancillary Transactions comprise the following key components:

No.	Ancillary Transaction	Description
1.	Termination of Vicwest franchise arrangements with Community Telco Australia (a wholly-owned subsidiary of Bendigo Bank)	<p>If the Merger proceeds, Vicwest will become a wholly-owned subsidiary of Bendigo Telco and so no longer require franchise services from Community Telco Australia.</p> <p>Accordingly, if the Merger proceeds, Vicwest and Community Telco Australia have mutually agreed to terminate such franchise arrangements.</p> <p>As the franchise arrangements will be terminated, Vicwest will no longer pay Community Telco Australia a franchise fee. In addition, certain associated supply discount and gross margin subsidy arrangements provided by Community Telco Australia to Vicwest in connection with the franchising arrangements will also be terminated.</p> <p>Please see Section 9.2 for further information.</p>

³ Prior to implementation of the Merger, Bendigo Telco may declare a dividend for its own shareholders of up to 75% of the anticipated net profit after tax of Bendigo Telco for the financial year ending 30 June 2016, which will not be payable to Vicwest Shareholders. This may reduce the current trading price (at least in the short-term) accordingly.

2.	Sale of parts of Community Telco Australia business to Bendigo Telco	<p>Community Telco Australia will sell parts of its managed telecommunications re-supply business to Bendigo Telco.</p> <p>The consideration for the sale is the issue of 500,000 Bendigo Telco shares to Community Telco Australia.</p> <p>Please see Section 9.3 for a summary of the terms of the sale.</p>
3.	Provision of new loan facility by Bendigo Bank to Bendigo Telco	<p>Bendigo Bank will provide a new \$3.8 million loan facility to Bendigo Telco, which will be applied to the repayment of the existing Vicwest Loan and for working capital.</p> <p>Please see Section 9.4 for a summary of the terms of the Bendigo Telco Loan and Section 11.6 for a summary of the key terms of the existing Vicwest Loan.</p>
4.	New wide area network services agreement between Bendigo Bank and Bendigo Telco (known as the BEN4 Agreement)	<p>Bendigo Bank and Bendigo Telco will enter into an agreement under which Bendigo Telco will supply wide area network services and certain related services to Bendigo Bank for a 5-year term commencing 1 January 2017 on terms to be agreed between Bendigo Telco and Bendigo Bank (both acting reasonably).</p> <p>This will replace the existing managed wide area network services agreement between the parties given Bendigo Telco will own parts of the Community Telco Australia business and Vicwest will be a wholly-owned subsidiary of Bendigo Telco.</p> <p>Please see Section 9.5 for further information.</p>
5.	Other incidental contractual arrangements	<p>Certain other less material incidental contractual arrangements are to be amended or implemented to reflect the post-Merger structure, including a transitional services agreement between Community Telco Australia and Bendigo Telco in relation to the sale of parts of the Community Telco Australia business to Bendigo Telco, and variations of wholesale standard services agreements with AAPT Limited.</p> <p>Please see Section 9.6 for further information.</p>

As referred to above, the purpose of these arrangements is to effect a restructure of the Vicwest franchise and financing arrangements, and implement certain other arrangements in relation to the structure of the Merged Group.

Further details regarding all of the Ancillary Transactions are contained in Section 9 of this Scheme Booklet.

2.5 Interests of Bendigo Bank in relation to the Merger and Ancillary Transactions

An overview of the key direct and indirect interests of Bendigo Bank in relation to the proposed Merger (including Ancillary Transactions) is set out below.

(a) Shareholdings in Vicwest and Bendigo Telco

As at the date of this Scheme Booklet:

- (i) Bendigo Bank is a 50% shareholder of Vicwest.
- (ii) Bendigo Bank is 19.36% shareholder of Bendigo Telco.
- (iii) If the Scheme is implemented, Bendigo Telco will issue 500,000 Bendigo Telco Shares to Community Telco Australia (a wholly-owned subsidiary of Bendigo Bank) as consideration for the sale of its managed telecommunications resupply business to Bendigo Telco pursuant to the Business Sale Agreement.

If the Merger is approved:

- (i) Bendigo Bank (including Community Telco Australia) will hold 2,362,146 Bendigo Telco Shares, which represents an interest in Bendigo Telco of 30.50%;
- (ii) Vicwest Shareholders (excluding Bendigo Bank and Community Telco Australia) will hold 750,000 Bendigo Telco Shares, which represents an interest in Bendigo Telco of 9.68%; and
- (iii) The remaining current non-associated Bendigo Telco Shareholders will hold 4,633,176 Bendigo Telco Shares, which represents an interest in Bendigo Telco of 59.82%.

Given Bendigo Bank's interests in Vicwest, Bendigo Telco and the Ancillary Transactions, Bendigo Bank has agreed that it will not vote its shares in Vicwest at the Scheme Meeting.

If the Scheme is approved, Bendigo Bank will receive the same Scheme Consideration as all other Vicwest Shareholders.

(b) Interests in Ancillary Transactions

Bendigo Bank currently has the following key interests and commercial relationships with Vicwest and Bendigo Telco:

- (i) Bendigo Bank (via its wholly-owned subsidiary, Community Telco Australia) provides franchise services to Vicwest under the terms of certain franchise agreements. Under the franchise arrangements, Vicwest pays Community Telco Australia an annual franchise fee. In return, Community Telco Australia provides certain associated supply discount and gross margin subsidy arrangements to Vicwest. Further details of these arrangements are set out in Section 9.2.
- (ii) Bendigo Bank has provided Vicwest with a 10-year interest-free loan facility of \$3,800,000. Further details regarding the Vicwest Loan are set out in Section 11.6.
- (iii) Bendigo Bank is party to a managed wide area network services agreement with Bendigo Telco (known as the 'BEN3 Agreement') under which Bendigo Telco supplies wide area network services and certain related services to Bendigo Bank. Further details regarding this agreement are contained in Section 9.5.

- (iv) Bendigo Telco and Community Telco Australia (a wholly-owned subsidiary of Bendigo Bank) are party to wholesale standard service agreements with AAPT for the provision of telecommunications services by AAPT to those parties.

As referred to in Section 2.4, if the Merger proceeds, certain Ancillary Transactions will be undertaken by Vicwest and Bendigo Telco, together with Bendigo Bank and its wholly-owned subsidiary, Community Telco Australia, to update the arrangements above and give effect to the efficacy of the Merger.

In particular, as referred to in Section 2.4 above:

- (i) the franchise arrangements between Vicwest and Community Telco Australia will be terminated;
- (ii) Community Telco Australia will sell parts of its managed telecommunications re-supply business to Bendigo Telco;
- (iii) Bendigo Bank will provide a new \$3.8 million loan facility to Bendigo Telco, which will be applied to the repayment of the existing Vicwest Loan and for working capital;
- (iv) Bendigo Bank and Bendigo Telco will enter into a new 5-year agreement commencing 1 January 2017 in relation to the supply of wide area network services and certain related services by Bendigo Telco to Bendigo Bank; and
- (v) certain other less material incidental contractual arrangements will amended or implemented to reflect the post-Merger structure.

Each of the steps above represents an 'Ancillary Transaction' for the purposes of the Merger.

The Independent Expert has reviewed the Ancillary Transactions to consider whether:

- Anything has come to the Independent Expert's attention which would cause it to believe that:
 - The Ancillary Transactions are not on arm's length terms; or
 - The consideration payable under the Ancillary Transactions constitutes the receipt by Bendigo Bank of a collateral benefit for the purposes of the Corporations Act as interpreted by Takeovers Panel Guidance Note 21; and
- Anything has come to its attention in respect of the Ancillary Transactions that would cause it to qualify the conclusions reached in its opinion regarding the Merger.

Based on the Independent Expert's analysis and review of the Ancillary Transactions, the Independent Expert has confirmed that nothing has come to its attention that causes it to believe that:

- The Ancillary Transactions are not on arm's length terms by having regard to the existing relationships between the parties and the genesis of, and the links between, the Merger and the Ancillary Transactions; or
- There is a net benefit being provided to Bendigo Bank insofar as the benefits that it is receiving under the terms of the Merger (including the Ancillary Transactions) will exceed the benefits being provided by Bendigo Bank under those transactions.

Accordingly, the Independent Expert has concluded that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders, including having regard to the Ancillary Transactions.

2.6 Amendment of Constitution

As currently drafted, the Constitution of Vicwest prohibits the ownership of greater than 10% of all the Vicwest Shares.

However, if the Scheme is implemented, this will result in Bendigo Telco owning all of the Scheme Shares, which will be in breach of the Constitution, unless it is amended.

Accordingly, in connection with the Scheme, the Notice of Extraordinary General Meeting contains a resolution to amend the Constitution to enable Bendigo Telco to own all of the Scheme Shares on implementation of the Merger.

The Constitution has previously been amended for the acquisition by Bendigo Bank of its 50% holding in Vicwest in 2012 as referred to in Section 2.17 of this Scheme Booklet.

2.7 Conditions of the Merger

The implementation of the Merger is subject to a number of Conditions Precedent which are summarised in the table below.

The Merger will not proceed unless all of the Conditions Precedent are satisfied or waived (if applicable) in accordance with the Implementation Deed.

It is important to note that some of these Conditions Precedent may not be satisfied even if the Merger is approved by the Requisite Majority of Vicwest Shareholders at the Scheme Meeting (for example, the Court may refuse to grant the Second Court Order referred to in condition 14 below).

However, as at the date of this Scheme Booklet, neither Vicwest nor Bendigo Telco is aware of any circumstances which would cause any of these Conditions Precedent not to be satisfied.

No.	Condition Precedent	Status
1.	Approval of Bendigo Telco Resolutions: before 8.00am on the Second Court Date, approval by the requisite majorities of all Bendigo Telco Resolutions (except those relating to the appointment of the nominees of Vicwest and Bendigo Bank to the board of Bendigo Telco).	The Bendigo Telco Shareholder Meeting to consider the Bendigo Telco Resolutions will be held on Thursday, 11 August 2016 (the day prior to the Scheme Meeting).
2.	Quotation: before 8.00am on the Second Court Date, NSX provides approval for the official quotation of the New Bendigo Telco Shares, subject to customary conditions, including implementation of the Merger.	As at the date of this Scheme Booklet, neither Bendigo Telco nor Vicwest is aware of anything that will cause this Condition Precedent not to be satisfied.
3.	Independent Expert the Independent Expert has not publicly withdrawn from or qualified its conclusion that in its opinion the Merger is fair and reasonable and therefore in the best interests of the Scheme Shareholders, including having regard to the Ancillary Transactions, on or before 8:00am on the Second Court Date.	As at the date of this Scheme Booklet, the Independent Expert has not publicly withdrawn from, or qualified, its conclusion.

4.	<p>ASIC and NSX: before 8.00am on the Second Court Date, ASIC and NSX have issued or provided such consents, confirmations or approvals or have done such other acts which the parties agree are reasonably necessary or desirable to implement the Merger.</p>	<p>ASIC has granted relief to Bendigo Telco from section 606 of the Corporations Act in respect of the entry into the TFA.</p> <p>ASIC has agreed to grant relief from regulations 8302(d) and 8302(h) of Part 3, Schedule 8 of the Corporations Regulations.</p> <p>See Section 11.7 for more information.</p>
5.	<p>Restraints: no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or Government Agency or other material legal restraint or prohibition preventing the Scheme is in effect at 8.00am on the Second Court Date;</p>	<p>As at the date of this Scheme Booklet, neither Vicwest nor Bendigo Telco is aware of anything that will cause this Condition Precedent not to be satisfied.</p>
6.	<p>Other Prescribed events: the following do not occur on or before 8:00am on the Second Court Date:</p> <ul style="list-style-type: none"> (a) Vicwest Prescribed Occurrence or Vicwest Material Adverse Change (both as defined in the Implementation Deed); and (b) Bendigo Telco Prescribed Occurrence or Bendigo Telco Material Adverse Change (both as defined in the Implementation Deed). <p>For clarity, please note that the definition of “Bendigo Telco Prescribed Occurrence” in the Implementation Deed, specifically excludes the payment by Bendigo Telco of the final dividend for the year ending 30 June 2016 (as referred to in Section 4.8(c)).</p>	<p>As at the date of this Scheme Booklet, neither Vicwest nor Bendigo Telco is aware of anything that will cause these Conditions Precedent not to be satisfied.</p>
7.	<p>Representations and Warranties: the representations and warranties given by Vicwest and Bendigo Telco under the Implementation Deed are true and correct in all material respects:</p> <ul style="list-style-type: none"> (a) on the date of the Implementation Deed; (b) on the date this Scheme Booklet is dispatched to the Scheme Shareholders; (c) at 8:00am on the date of the Scheme Meeting; and (d) at 8:00am on the Second Court Date; or (e) where expressed to be given at a particular time, at that time. 	<p>As at the date of this Scheme Booklet, neither Vicwest nor Bendigo Telco is aware of any material inaccuracies in its representations and warranties.</p>

8.	No Community Telco Australia material adverse change: before 8.00am on the Second Court Date, Community Telco Australia must have achieved the gross margin target under the Business Sale Agreement with Bendigo Telco, as described in Section 9.3.	As at the date of this Scheme Booklet, neither Bendigo Telco nor Vicwest is aware of anything that will cause this Condition Precedent not to be satisfied.
9.	<p>No change to the recommendation of the Independent Directors of Vicwest: none of the Independent Directors of Vicwest changes, qualifies or withdraws their recommendation to Vicwest Shareholders to vote in favour of the Merger, which recommendation may be expressed to be given:</p> <p>(a) in the absence of a Superior Proposal; and</p> <p>(b) subject to the Independent Expert opining that the Merger is fair and reasonable and in the best interests of Vicwest Shareholders, including having regard to the Ancillary Transactions.</p>	As at the date of this Scheme Booklet, the Independent Directors of Vicwest have not changed, qualified or withdrawn their recommendation.
10.	Amending Resolution: before 8.00am on the Second Court Date, the Amending Resolution is approved by the Requisite Majority under the Corporations Act and the Constitution at the EGM.	<p>The EGM to consider the Amending Resolution will be held immediately after the Scheme Meeting.</p> <p>See Annexure F (Notice of Extraordinary General Meeting) for further information.</p>
11.	Scheme Shareholder approval: Scheme Shareholders agree to the Merger at the Scheme Meeting by the requisite majorities under the Corporations Act.	<p>The Scheme Meeting to consider the Merger will be held at 11am on Friday, 12 August 2016 at The Geelong Club, 74 Brougham Street, Geelong Victoria 3220.</p> <p>See Annexure C (Notice of Scheme Meeting) for further information.</p>
12.	Contractual arrangements: before 8.00am on the Second Court Date, each of the Contractual Arrangements (as referred to in Section 9 of this Scheme Booklet) have been executed by the parties named as parties to those arrangements.	As at the date of this Scheme Booklet, neither Bendigo Telco nor Vicwest is aware of anything that will cause this Condition Precedent not to be satisfied.

13.	Fulfilment of conditions precedent in Transaction Framework Agreement: before 8.00am on the Second Court Date, all conditions precedent in the Transaction Framework Agreement have been fulfilled or waived in accordance with the Transaction Framework Agreement. Such conditions precedent are described in Section 2.7 of this Scheme Booklet.	The Conditions Precedent for the Transaction Framework Agreement to be binding on the respective parties have been satisfied. As at the date of this Scheme Booklet, neither Bendigo Telco nor Vicwest is aware of anything that will cause the Conditions Precedent to the obligations of the parties under the Transaction Framework Agreement not to be satisfied.
14.	Court approval: the Court approves the Merger in accordance with section 411(4)(b) of the Corporations Act.	The Second Court Order will be sought on or about 19 August 2016.

2.8 Vicwest Shareholders' approvals

(a) Voting requirements to approve the Merger

For the Merger to be approved under paragraph 411(4)(a)(ii) of the Corporations Act, the Merger must be passed by:

- **(More than 50% of the members, by number)** More than 50% in number of Vicwest Shareholders (other than Excluded Shareholders) present and voting either in person, by proxy, by attorney or, in the case of a body corporate, its duly appointed corporate representative (the **Headcount Test**); and
- **(75% of the Vicwest Shares voted, in aggregate)** At least 75% of the total votes cast at the Scheme Meeting,

(together, the **Requisite Majority**).

The Court has discretion to dispense with the Headcount Test for the purposes of paragraph 411(4)(a)(ii) of the Corporations Act.

In accordance with the Implementation Deed, if the Scheme is not approved by Vicwest Shareholders by reason of non-satisfaction of the Headcount Test, then under certain circumstances Vicwest will still have an obligation, notwithstanding that the Headcount Test has not been satisfied, to apply for the Second Court Order at the Second Court Hearing (including making submissions and filing evidence to seek to persuade the Court to exercise its discretion to disregard the Headcount Test).

Voting at the Scheme Meeting will be by poll. Instructions on how to attend and vote at the Scheme Meeting are set out in Annexure C.

(b) Voting requirements to approve the Amending Resolution

Pursuant to the Corporations Act and the Constitution, at least 75% of the votes cast by Vicwest Shareholders at the Extraordinary General Meeting will be required to approve the Amending Resolution.

(c) Persons entitled to vote at the Scheme Meeting and Extraordinary General Meeting

Each Vicwest Shareholder who is on the Register as at 7pm on the Voting Record Date is entitled to attend and vote at the Scheme Meeting and Extraordinary General Meeting either

in person, by proxy, by attorney or, in the case of a body corporate, by its duly appointed corporate representative.

Each Vicwest Shareholder (in its capacity as a Vicwest Shareholder) present in person or by proxy has one vote for each Vicwest Share held.

Any Vicwest Shares held by or on behalf of Excluded Shareholders, or in which Excluded Shareholders have a Relevant Interest, will not be voted at the Scheme Meeting or Extraordinary General Meeting.

As at the date of this Scheme Booklet, Bendigo Telco does not hold any Vicwest Shares.

Bendigo Bank has also advised that it will not vote on the Merger.

2.9 Bendigo Telco Shareholders' approval

Bendigo Telco will convene the Bendigo Telco Shareholder Meeting to obtain approval from Bendigo Telco Shareholders to various resolutions relating to the Transactions, including:

- (a) a resolution under the NSX Business Rules and Listing Rules to approve the significant change to the scale of Bendigo Telco's activities that will be occasioned by the acquisition of:
 - all of the Vicwest Shares by Bendigo Telco pursuant to the Scheme; and
 - the acquisition of Community Telco Australia's managed telecommunications resupply business by Bendigo Telco;
- (b) a resolution under section 611 (item 7) of the Corporations Act for the increase by Bendigo Bank and Community Telco Australia of their voting power in Bendigo Telco as a result of the Transactions;
- (c) a resolution under the NSX Business Rules and Listing Rules to approve the acquisition of Bendigo Bank's Vicwest Shares pursuant to the Scheme;
- (d) a resolution under Part 2J.3 of the Corporations Act to approve the giving of financial assistance to Bendigo Telco by Vicwest and its Subsidiaries as a result of the provision of general security deeds and guarantees and indemnities by Vicwest and its Subsidiaries with respect to the Bendigo Telco Loan; and
- (e) resolutions to appoint Rod Payne and Jonathan Selkirk (being Vicwest's nominees) and Kevin Dole (being Bendigo Bank's nominee) to the board of Bendigo Telco.

Other than with respect to the appointment of the Vicwest and Bendigo Bank nominees to the Bendigo Telco board (see below), if the Bendigo Telco Resolutions are not approved by the Bendigo Telco Shareholders, the Merger and the Ancillary Transactions will not proceed and the Scheme Meeting and the EGM will be cancelled. Section 2.15 describes the implications if the Merger does not proceed.

Under the TFA, Bendigo Telco will procure that resolutions for the appointment of the Vicwest and Bendigo Bank nominees to the Bendigo Telco board (as referred to in paragraph (e) above) are proposed at the Bendigo Telco Shareholder Meeting. If any such appointment is not approved, Bendigo Telco will procure that the relevant nominee is appointed as a director of Bendigo Telco as a casual appointee as soon as practicable after that meeting.

2.10 Court approval

Subject to Section 2.7 (Conditions of the Merger) and section 2.9 (Bendigo Telco Shareholders' approval), if the Merger is approved by the Requisite Majority of Vicwest Shareholders at the Scheme Meeting and the Amending Resolution by special resolution at

the Extraordinary General Meeting and all Conditions Precedent have been satisfied or waived (if applicable), Vicwest will apply to the Court at the Second Court Hearing for the Second Court Order approving the Scheme.

2.11 Independent Directors of Vicwest recommendation and voting intentions

The Independent Directors of Vicwest unanimously recommend that you vote in favour of the Merger, in the absence of a Superior Proposal.

Each Vicwest Director who holds Vicwest Shares intends to vote in favour of the Merger (including the Amending Resolution), in relation to the Vicwest Shares in which they have a Relevant Interest, in the absence of a Superior Proposal. The Relevant Interests in Vicwest Shares of the Vicwest Directors are disclosed in Section 3.9.

As the Chairman of Vicwest, Mr Patrick Murnane, and fellow board member, Ms Janelle Wehsack, are employees of Bendigo Bank (which is a major shareholder of Vicwest and Bendigo Telco and has certain interests in the Ancillary Transactions), Mr Murnane and Ms Wehsack have not participated in any deliberations with respect to the proposed Merger. Accordingly, Mr Murnane and Ms Wehsack are also not making any recommendation in relation to the Merger.

2.12 Independent Expert's conclusion

The Independent Expert has concluded that the Merger is fair and reasonable and therefore in the best interests of Vicwest Shareholders, including having regard to the Ancillary Transactions.

The Independent Expert has provided reasons for its opinion in the Independent Expert's Report. The Independent Expert's Report is set out in Annexure A.

Vicwest Shareholders are encouraged to read the report carefully and in its entirety.

2.13 Tax Implications

A summary of the general Australian income tax, stamp duty and GST consequences for Vicwest Shareholders who participate in the Merger is set out in Section 10.

Each Vicwest Shareholder's tax position is different, and Vicwest Shareholders are urged to consult their own tax advisers as to the specific tax consequences of the Merger to them, including the applicability and effect of local and foreign income and other tax laws in their particular circumstances.

2.14 No brokerage or stamp duty

No brokerage or stamp duty will be payable by Scheme Shareholders on the transfer of their Scheme Shares to Bendigo Telco under the Scheme or the receipt by Scheme Shareholders of the Scheme Consideration.

2.15 Implications if the Merger is not approved

If the Scheme is not approved by the Requisite Majority, or all other Conditions Precedent are not satisfied or waived (if applicable), the Transactions will not proceed and:

- (a) the expected benefits of the Merger will not be realised and the disadvantages and risks associated with the Merger will not arise;
- (b) Vicwest will remain liable to repay the Vicwest Loan (see Section 11.6 for a summary of the terms of the Vicwest Loan);

- (c) Vicwest Shareholders will retain their Vicwest Shares; and
- (d) Vicwest Shareholders will not receive the Scheme Consideration.

As at the date of this Scheme Booklet, other than as disclosed in this Scheme Booklet, the Vicwest Board has not formed any plans to make any significant changes to the business of Vicwest, redeploy any of its operating assets, or to change or affect the future employment of Vicwest's present employees, if the Merger does not proceed.

Under the terms of a 22 March 2016 variation to the Vicwest Loan, Bendigo Bank increased the facility limit of the Vicwest Loan by \$350,000 to \$3,800,000, with the additional amount to be made available to Vicwest by Bendigo Bank to assist Vicwest to pay for the costs of the Transactions. Vicwest estimates that it has incurred or will have incurred or committed one-off external transaction costs of approximately \$620,000 in relation to the Merger, regardless of whether the Merger is implemented or not.

If the Merger is not implemented, Vicwest will face significant liquidity challenges, at least in the short-term. The costs of the Merger will be met by the additional debt finance of \$350,000, existing cash reserves of Vicwest and a delay in franchise payments to Community Telco Australia. However, if the Merger does not proceed, it is expected that Vicwest will require additional financial support from Bendigo Bank and a change of trading terms with Community Telco Australia to assist with cash flow. Vicwest has already approached Bendigo Bank and Community Telco Australia on this basis. However, any such arrangements would need to be further negotiated and agreed at the relevant time if necessary.

Other key challenges to the Vicwest business are expected to be:

- ensuring that its new cloud-based video conferencing service ("natr") reaches profitability (see Section 3.3); and
- increasing its marketing and sales efforts to attract new customers in respect of its other products and services.

2.16 Third Party Proposal

Under the Transaction Framework Agreement, if a proposal by a third party to acquire all the shares of Vicwest is publicly announced at any time between the date on which the Scheme Booklet is dispatched to Scheme Shareholders and the date on which the Scheme Meeting is to be held, Vicwest must:

- ensure that Scheme Shareholders are provided with all information which is known to Vicwest and which is material to the Scheme Shareholders' consideration of the Scheme, including any material information concerning the third party proposal;
- consult in a timely manner with ASIC in relation to the material information concerning the third party proposal and the time by which such information is to be dispatched to Scheme Shareholders prior to the date on which the Scheme Meeting is to be held; and
- take such steps as reasonably required to adjourn the holding of the Scheme Meeting to allow the Scheme Shareholders at least 10 Business Days prior to the last date on which proxies may be lodged with Vicwest in relation to the Scheme Meeting to consider the material information concerning the third party proposal.

A summary of the Transaction Framework Agreement is contained in Section 9.7.

2.17 2012 Acquisition of Vicwest Shares by Bendigo Bank

In connection with the preparations for the Merger, Vicwest has become aware of a potential breach of certain Corporations Act requirements in relation to Bendigo Bank's acquisition of Vicwest Shares in 2012.

In short, the potential breach relates to the notice of meeting for the acquisition of the Vicwest Shares by Bendigo Bank in 2012 not containing certain shareholder disclosure information required under item 7 of Section 611 of the Corporations Act and under ASIC's regulatory guide for an acquisition of this nature.

The potential breach was inadvertent and came to light during the consideration of the Merger by Bendigo Bank and Vicwest.

Bendigo Bank and Vicwest have notified ASIC of the potential breach. The Vicwest Directors consider that the potential breach will be addressed as part of the implementation of the proposed Merger. However, Vicwest Shareholders should refer to Section 11.5 to understand better the circumstances surrounding the breach and the views of the Vicwest Board.

2.18 Other alternatives considered

Given the nature of the Vicwest business and its existing relationships with Bendigo Bank and Community Telco Australia as described in Section 3 (Profile of Vicwest), the Vicwest Directors consider that a Superior Proposal is unlikely to emerge, and none has arisen, since Vicwest's announcement on 22 February 2016 that it had executed a non-binding Memorandum of Understanding with Bendigo Telco, Bendigo Bank and Community Telco Australia to investigate potential entry into the Transactions (see Section 2.1).

Accordingly, the Vicwest Directors consider that the only real alternative to the Merger that is available to Vicwest would be to continue operating as a stand-alone entity. For the reasons described on page 11 onwards under the heading "Reasons to vote in favour of the Merger", the Independent Directors of Vicwest consider that the Merger is in the best interests of the Vicwest Shareholders in the absence of a Superior Proposal.

3 PROFILE OF VICWEST

3.1 Overview

Vicwest is a community-based telecommunication and internet service provision business, providing retail and telecommunications products to business customers in the Western Victoria region (principally the Geelong and Ballarat regions) and Melbourne.

A number of Vicwest's customers have operations both locally and nationally.

Vicwest's vision is to be the premier telecommunications solutions supplier in the Western Victoria region.

Vicwest aims to do this by delivering professional and personal services which ensure a profitable business, while also building a sustainable community asset which provides competitive telecommunications, local employment and capital retention for the local communities it services.

3.2 Operations and assets

Vicwest delivers its services from its head office in Geelong and also from its regional office in Ballarat.

Vicwest has 15 staff under the CEO, Geoff Hutchinson.

Key staff include Gareth Hagebols (General Manager Products and Innovation, natr, Geelong) and Chris Prehn (Business Services Manager, Ballarat).

Customer base

Vicwest targets all customers in the Western Victoria area.

Vicwest also focuses on building niche business customer segments, including health, education, accountants and car dealerships.

Vicwest aims to integrate a number of services for each customer, thereby improving the profitability and longevity of the relationship with the customer.

Service offering

Vicwest provides key products and services of traditional and IP telephony, data networks, mobile voice and data services, managed conference solutions, broadband, data service management and design, business telephony systems, network design and support.

In addition to the above, Vicwest also provides video conferencing services, phone system sales cabling and installation work.

To provide these services, Vicwest adapts and/or resells infrastructure or products. For example, Vicwest uses Bendigo Telco's data centre and the Optus mobile network.

Vicwest also introduced a hosted video conferencing service in 2014 called "natr". The service uses Vidyo, which is a video hosting technology that provides high quality video conferencing services over low bandwidth. With natr, Vicwest is targeting the health and education sectors.

The Vidyo natr platform was completed in February 2015. Vicwest purchases and hosts its own platform for natr from Vidyo.

Franchise model

To provide its services, Vicwest operates within a franchise model and supplies telecommunications services sourced by its franchisor, Community Telco Australia. Community Telco Australia is a wholly-owned subsidiary of Bendigo Bank.

Community Telco Australia is the franchisor of the community telco initiative started by Bendigo Bank approximately 13 years ago. Community Telco Australia provides Vicwest with the wholesale supply of telecommunication products and operating support services.

In addition, Vicwest also adapts its own services using the franchisor's group data services and suppliers' infrastructure.

Vicwest pays Community Telco Australia a franchise fee to be part of the initiative and in return, Community Telco Australia manages contracts with key suppliers and provides other support services such as back office accounting, billing, provisioning and call centre support.

3.3 Key revenue streams and recent performance

Vicwest's main income streams are derived from sales of fixed line telephone services, mobile telephone services, data services, telephone and video hardware and more recently cloud based products and services, including video conferencing.

Its primary operating costs are cost of services, staff overheads and office operating expenses, as well as the franchise fees it pays to Community Telco Australia referred to above.

After several years of sustained growth income levels have flattened out in line with recent industry trends, as fixed line revenues are reducing following the introduction of bundled services and NBN in some areas. Please see section 3.6 below for the further information on the recent financial performance of the business.

Vicwest has sought to respond to these challenges by selling more data services and developing its own cloud-based video conferencing infrastructure called "natr" as referred to in Section 3.2 above.

Over the last three financial years (2013, 2014 and 2015), Vicwest has delivered a consistent modest profit (following its early years of start-up losses). However, it anticipates a trading loss of approximately \$368,000 for the 2016 financial year (excluding the costs of the Merger).

The current outlook over the next few years will see the continuing challenge of increasing sales of data services and cloud-based product services (e.g. natr video) to offset downward pressure on diminishing fixed line telephone services revenue.

Vicwest seeks to have major customers provide further sales growth as they expand their services with Vicwest.

If the Merger does not proceed, the Vicwest Board believes its major challenges will be ensuring that its new cloud-based video conferencing service reaches profitability and increasing its marketing and sales efforts to attract new customers in respect of its other products and services. See Section 2.15 for further details on the implications for Vicwest if the Merger is not implemented.

3.4 Vicwest Board and senior management

(a) Vicwest Board

As at the date of this Scheme Booklet, the Vicwest Board comprises:

Name	Position and Profile
Patrick Murnane	Chairman Appointed November 2006 46 Years in the banking industry Senior Manager, Business and Community Engagement at Bendigo and Adelaide Bank Committee Member of Committee for Geelong and Director St Lawrence Housing Ltd Member of Vicwest Finance Committee Chair of Vicwest Remuneration Committee
Rod Payne Bachelor of Law	Director Appointed November 2006 Principal at Harwood Andrews Lawyers Chair of Karingal Inc Director of Geelong Connect Communities Ltd
Kevin Roache LLB, B Com, CPA, FATI, FICD	Director Appointed on November 2009 Chairman of Partners, Coulter Roache Lawyers Committee Member, Committee for Geelong
James Sargeant	Director Appointed November 2009 Transport Operator Director of Sargeant Transport Services. Director of Transport Tyres, Director of Western Victoria Crane Trucks
Robert Glass B Ec Dip Ag Sci, FCA	Director Appointed on December 2009 Registered Company Auditor Accountant, Crowe Horwath Director, Fiona Elsey Cancer Research Institute Member of Vicwest Finance Committee
Jonathan Selkirk Bbus CA GAICD	Director Appointed on March 2010 Chief Financial Officer, Selkirk Pty Ltd Member of Vicwest Finance Committee
Justine Finlay	Director Appointed on December 2009 Bachelor of Laws, Graduate Diploma in Notarial Practice

Name	Position and Profile
	Managing Director of Wightons Lawyers Chairperson of Bellarine Peninsular Community Branch Ltd
Lyndelle Zuccolin Bcom CPA	Director Appointed on April 2013 Director – Just Add Colour Management Consulting Member of Vicwest Remuneration Committee
Janelle Wehsack Bcom	Director Appointed on February 2014 Senior Manager, Retail Delivery of Bendigo and Adelaide Bank Ltd

(b) Vicwest senior management

As at the date of this Scheme Booklet, the key members of Vicwest's senior management comprise:

Name	Position and Profile
Geoff Hutchinson Bcom, FCPA, AFAIM	Chief Executive Officer Geoff has over 27 years of commercial management experience at CEO/CFO level in organisations ranging from large international and national public companies to small start-ups. Concentrating on technology companies over the last 15 years, Geoff provides a well-developed understanding of business needs from a customer's perspective. Geoff has achieved success across a range of industries including banking, finance, construction, importing and technology in national and international markets.
Gareth Hagebols	Manager Products and Innovation Gareth has 20 years' experience in the delivery of ICT services, across a range of industries and environments. This has included diverse and challenging roles in a variety of industries and sectors including Government, Private and Corporate. Gareth's technical experience includes video conferencing and telehealth, telephony and unified communications, radio engineering and wireless technologies, as well as having vast network and IT infrastructure experience.
Christopher Prehn	Manager Business Solution Chris has over 20 years' experience as a senior technician and communications consultant, with a sound understanding of IT&T and experience in organisations such as Queensland Rail, Rural Ambulance. Chris's primary role of Business Solution's Manager provides sales team management and a consultative solutions approach to customer's needs. The role includes overseeing operational and customer service delivery management to ensure business solutions, provide

Name	Position and Profile
	benefits to customers and deliver improved customer satisfaction.

3.5 Substantial shareholders

Based on the details contained in the Register as at the date of this Scheme Booklet, the following persons have substantial holdings of Vicwest Shares:

Shareholder	Number of Vicwest Shares	Voting interest at the time of notice
Bendigo and Adelaide Bank Limited	1,555,504 (of 3,111,008 Vicwest Shares on issue)	50%

3.6 Financial information

(a) Basis of presentation of historical financial information

The historical financial information below relates to Vicwest on a stand-alone basis and accordingly does not reflect any impact of the Merger.

It is a summary only and the full financial accounts for the financial periods described below, which include the notes to the accounts, can be found in Vicwest's financial reports for those periods.

(b) Historical financial information

The summarised historical financial information set out below is extracted from Vicwest's FY13, FY14 and FY15 annual reports, representing the last three audited full-year financial periods reported by Vicwest before the date of this Scheme Booklet.

Also set out below is a summary of Vicwest's historical financial information for the half-year ending 31 December 2015 as extracted from Vicwest's reviewed financial report for the half-year ending 31 December 2015.

The financial information has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards (including Australian Accounting Interpretations) (AAS) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The audit and review opinions in these financial reports were issued by PPT Audit Pty Ltd and were unqualified. Included within each of the FY13, FY14 and FY15 audit reports was an emphasis of matter regarding the fact there is inherent uncertainty regarding the ability for Vicwest to continue as a going concern without the continued support of its financiers. These audit reports also each included an emphasis of matter regarding the recoverability of intercompany loans payable to the Vicwest parent entity by its subsidiaries which eliminate upon consolidation.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation.

A complete copy of Vicwest's FY13 annual report, FY14 annual report, FY15 annual report and H1FY16 Interim Financial Report can be requested from Vicwest, free of charge, by contacting Geoff Hutchinson, CEO, on (03) 5228 0808.

(i) **Historical Statements of Financial Position**

\$000	30 Jun 2013 Audited	30 Jun 2014 Audited	30 Jun 2015 Audited	31 Dec 2015 Reviewed
Current assets				
Cash and cash equivalents	610	322	168	166
Trade and other receivables	1,388	1,309	1,448	1,517
Prepayments	489	435	572	553
Inventories	101	114	105	141
Taxation	-	-	-	-
Total current assets	2,588	2,180	2,294	2,377
Non-current assets				
Property, plant and equipment	73	78	225	201
Intangible assets	3,709	3,724	3,736	3,729
Deferred tax asset	0	-	-	-
Prepayments	-	-	-	-
Total non-current assets	3,781	3,802	3,960	3,930
Total assets	6,369	5,982	6,254	6,307
Current liabilities				
Trade and other payables	1,626	1,217	1,473	1,688
Provisions	65	114	142	125
Taxation	-	-	-	-
Borrowings	9	9	-	-
Total current liabilities	1,699	1,340	1,614	1,814
Non-current liabilities				
Borrowing cost	25	16	-	-
Provisions	47	14	16	20
Borrowings	3,500	3,500	3,450	3,450
Total non-current liabilities	3,572	3,530	3,466	3,470
Total liabilities	5,271	4,870	5,080	5,284
Net Assets	1,099	1,112	1,174	1,023
Equity				
Issued capital	2,292	2,292	2,292	2,292
Reserves	-	-	14	17
Retained earnings	(1,193)	(1,180)	(1,131)	(1,286)
Total Equity	1,099	1,112	1,174	1,023

(ii) **Historical Statements of Profit or Loss and other Comprehensive Income**

\$000	FY2013 Audited	FY2014 Audited	FY2015 Audited	H1 FY2016 Reviewed
Revenue	10,191	10,353	10,201	5,013
Costs of products sold	(7,345)	(7,467)	(7,154)	(3,547)
Gross profit	2,845	2,887	3,048	1,466
Other revenue	9	8	8	0
Salaries and employee benefit costs	(1,469)	(1,343)	(1,501)	(813)
Occupancy and associated costs	(91)	(95)	(102)	(54)

General administration costs	(1,201)	(1,225)	(1,219)	(635)
Depreciation and amortisation costs	(36)	(39)	(85)	(70)
Advertising and promotion costs	(16)	(36)	(16)	(10)
System costs	-	(35)	(53)	(37)
Borrowing costs	-	(78)	-	-
Net profit before tax	42	44	80	(154)
Income tax expense	-	(0)	-	-
Profit/(loss) for the period	42	44	80	(154)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	42	44	80	(154)

(iii) Historical Statements of Cash Flows

	FY2013	FY2014	FY2015	H1 FY2016
\$000	Audited	Audited	Audited	Reviewed
Cash flows from operating activities				
Receipts from customers	11,390	11,180	11,068	5,429
Interest paid	-	-	-	-
Payments to suppliers and employees	(11,714)	(11,376)	(10,883)	(5,391)
Income tax paid	-	-	-	-
Interest received	4	8	2	0
Net cash from operating activities	(320)	(188)	188	38
Cash flows from investing activities				
Payment for intangible assets	(30)	(34)	(39)	(15)
Purchase of property, plant and equipment	(22)	(35)	(220)	(26)
Proceeds from disposal of property, plant and equipment	8	5	21	-
Net cash used in investing activities	(44)	(63)	(237)	(40)
Cash flows from financing activities				
Proceeds from issue of shares	1,536	-	-	-
Proceeds from/(repayment of) borrowings	992	(9)	(75)	-
Dividends paid	-	(29)	(29)	-
Net cash used in financing activities	2,528	(38)	(104)	-
Net cash movements during the year	2,164	(289)	(153)	(2)
Cash and cash equivalents at the beginning of the year	(1,554)	610	322	168
Cash and cash equivalents at the end of the year	610	322	168	166

(c) Commentary on historical financial information

The trading results have been consistent for the FY13 to FY15 with Vicwest recording modest profits in each of those years. However, these results would not have been possible without the ongoing financial support of Bendigo Bank which has provided interest free loan facilities totalling \$3,500,000 to cover loans inherited when Vicwest took over the operations of its two subsidiaries, BCE and GCT, in FY10. The amount outstanding under the loan facilities was reduced by Vicwest by \$50,000 in June 2015.

In FY13 to FY15 Vicwest has concentrated on maintaining and building its core business of providing telecommunication and data management systems to a range of business, both large and small across western Victoria.

However, the rapidly evolving telecommunications marketplace has necessitated Vicwest having to look beyond its core business if it is to continue to grow. In the last 2 years an opportunity has arisen to provide high quality video conferencing facilities to the health sector in particular. During this period Vicwest has made a significant investment developing a video conferencing platform known as “natr” which is now being marketed Australia wide, in particular to the health industry. The loss in the 6 months to 31 December 2015 was predominately due to the ongoing investment in infrastructure and staff required to support the ongoing development and marketing of natr, which is being well received. However, due to the prevailing general economic conditions, the uptake of natr has been slower than initially anticipated.

Vicwest has operated since its incorporation under the franchise agreements originally put in place between Community Telco Australia and Vicwest’s two subsidiaries, Ballarat Community Enterprises Pty Ltd and Geelong Community Telco Pty Ltd. Included with these agreements, have been incubation agreements whereby Community Telco Australia has provided accounting support to the Vicwest group. Since FY13, the total of the franchise fees and incubation fees paid by Vicwest to CTA have been in the vicinity of \$750,000 to \$800,000 annually.

Also included in the results summarised above is a share of the revenue generated by Community Telco Australia in providing telecommunication services to Bendigo Bank in the western Victorian region. On average this revenue has been approximately \$600,000 per annum.

The Vicwest management team under Chief Executive Officer, Geoff Hutchinson, has continued to review the position of Vicwest in the market place and continues to implement strategies which seek to set up Vicwest group for continued growth.

Operationally since FY15, Vicwest has been cash flow positive, but the ongoing investment in natr and other infrastructure has reduced the cash reserves of Vicwest. However, this investment has been made to seek to secure the long term success of the group and to underpin future revenue streams.

(d) Material changes in Vicwest’s financial position since 31 December 2015

The latest published financial report for Vicwest is the H1FY16 Interim Financial Report. A copy of this report can be requested from Vicwest, free of charge, by contacting Geoff Hutchinson, CEO, on (03) 5228 0808.

To the knowledge of the Vicwest Board, and except as disclosed elsewhere in this Scheme Booklet, the financial position of Vicwest has not changed materially since 31 December 2015, except that:

- (i) Vicwest has traded profitability in the last three years, relying on existing loan facilities provided by Bendigo Bank. However the costs of the Merger (estimated to be approximately \$620,000) have placed a significant strain on Vicwest’s cash reserves. A breakdown of the costs of the Merger is contained in Section 11.9. To assist, Bendigo Bank has provided additional debt finance of \$350,000 (see Section 11.6). The costs of the Merger will be met by the additional debt finance of \$350,000, existing cash reserves of Vicwest and a delay or reduction in franchise payments to Community Telco Australia. However, if the Merger does not proceed, it is expected that Vicwest will require additional financial support from Bendigo Bank and a change of trading terms with Community Telco Australia to assist with cash flow. Vicwest has already approached Bendigo Bank and Community Telco Australia on this basis. However, any such arrangements would need to be further negotiated and agreed at the relevant time if necessary;
- (ii) since 31 December 2015, there has been a continued slower than budgeted uptake of natr, which has had an impact on the trading results of Vicwest;

- (iii) based on current management accounts and expectations, Vicwest currently anticipates a trading loss of approximately \$368,000 for the 2016 financial year (excluding the expenses of the Merger referred to above of approximately \$620,000);
- (iv) whether there will be any change to the carrying value of Vicwest's goodwill for the purposes of the 2016 full financial year accounts will need to be assessed and determined at the time of finalisation of the financial accounts for the 2016 financial year.

At the present time, the Vicwest Board expects that there are essentially two potential scenarios in relation to the carrying value of goodwill for the purposes of the 2016 full financial year accounts.

First, if the Merger proceeds, the Vicwest Board does not expect that any change to the carrying value of Vicwest's goodwill would be required, as Vicwest would be acquired by Bendigo Telco and continue to operate on substantially the same basis as it does today, together with the anticipated additional benefits expected to occur if it becomes part of the Merged Group.

Secondly, if the Merger does not proceed, the Vicwest Board does not currently anticipate that it would necessarily need to write down the carrying value of goodwill for the purposes of the 2016 full financial year accounts. However, at the relevant time, the Vicwest Board would need to assess the ongoing outlook for the business and whether there is any expectation of a potential decline in future profitability.

If the Merger does not proceed, the Vicwest Board would consider pursuing alternative arrangements for the business, including additional borrowing to fund the growth of the business, new capital from shareholders and investigating other alternative arrangements with Bendigo Bank and CTA.

The views above are the expectations of the Vicwest Board as at the date of this Scheme Booklet and are subject to preparation and audit of the Vicwest 2016 full financial year accounts following the Scheme Meeting in due course.

The Vicwest Board notes that the Independent Expert currently believes that there is potential for impairment of Vicwest's goodwill given its trading results (see page 51 of the Independent Expert's Report).

The Vicwest Board intends to further consider the likelihood of the company needing to write down the carrying value of goodwill for the purposes of the 2016 full financial year accounts in the lead up to the Scheme Meeting when more information is expected to be available. The Vicwest Board will provide a further update to Vicwest Shareholders on this issue in advance of the Scheme Meeting in due course; and

- (v) Vicwest has included a provision in its management accounts for \$47,000 relating to a bill in excess of this amount that was accrued by one of its customers as a result of the customer's phone system being hacked. The customer has made an insurance claim so Vicwest may be able to recover this amount but the outcome of the claim is yet to be determined.

Further information regarding Vicwest's financial performance is set out in the Independent Expert's Report, which forms Annexure A to this Scheme Booklet.

If Vicwest becomes aware of any material change to its financial position after the Scheme Booklet has been despatched to Vicwest Shareholders, Vicwest will prepare a supplementary explanatory statement disclosing such material change and, depending on the date that Vicwest becomes aware of such material change, either post it to Vicwest Shareholders or provide it to the attendees at the Scheme Meeting prior to the Scheme Resolution being voted on. The supplementary explanatory statement will also be lodged with ASIC in accordance with Vicwest's ongoing continuous disclosure obligations.

3.7 Capital Structure

As at the date of this Scheme Booklet, Vicwest has 3,111,008 fully paid ordinary shares on issue.

Bendigo Telco does not have a Relevant Interest in any of the above shares as at the date of this Scheme Booklet and, accordingly, does not have any voting power in Vicwest.

3.8 Share Trading History

No Vicwest Shares were sold in the 6 months immediately before the date on which this Scheme Booklet was lodged with ASIC.

3.9 Relevant Interests of Vicwest Directors

(a) Relevant Interests in Vicwest Shares

The following table lists the Relevant Interests of the Vicwest Directors in Vicwest Shares as at the date of this Scheme Booklet:

Director	Executive or Non-Executive	Relevant Interest in Vicwest Shares
Pat Murnane	Non-executive	20,000 shares – Direct
Rod Payne	Non-executive	100,000 shares – Indirect (Gheringhap Properties Pty Ltd) 10,000 shares – Indirect (Linrod Holdings Pty Ltd)
Robert Glass	Non-executive	20,000 shares – Indirect (Scriba Holdings Pty Ltd)
Kevin Roache	Non-executive	4,000 shares – Direct
James Sargeant	Non-executive	20,000 shares – Direct
Justine Paige Finlay (together with Murray Pegg)	Non-executive	10,000 shares – Indirect (as trustees of the estate of FED Buckley)

(b) Relevant Interests in Bendigo Telco Shares

As at the date of this Scheme Booklet, none of the Vicwest Directors have a Relevant Interest in Bendigo Telco Shares.

3.10 Conflicts of interests and establishment of an Independent Board Committee

Two of Vicwest's Directors, namely Mr Patrick Murnane and Ms Janelle Wehsack are also employees of Bendigo Bank.

Bendigo Bank has certain interests in the implementation of the Merger, including as 50% shareholder of, and lender to, Vicwest, a 19.4% shareholder of Bendigo Telco and 100% owner of Community Telco Australia.

An Independent Board Committee comprising all Vicwest Directors except Mr Murnane and Ms Wehsack has been established to oversee all aspects of the consideration and implementation of the Merger.

The Independent Board Committee has convened as a separate sub-committee of the Vicwest Directors throughout the consideration and implementation of the Merger.

To avoid any potential conflict of interest, Mr Murnane and Ms Wehsack have not been present at or participated in or voted on, any consideration by the Independent Board Committee of the Merger or related matters.

The Vicwest Directors have also adopted a set of protocols for managing any potential conflicts of interest for the purposes of the Merger.

3.11 No Pre-Transaction benefits

During the period of four months before the date of this Scheme Booklet, neither Vicwest nor any associate of Vicwest gave, or offered to give, a benefit to another person which was likely to induce the other person, or an associate of the other person to:

- (a) vote in favour of the Scheme and/or Amending Resolution; or
- (b) dispose of Vicwest Shares,

and which will not be provided to all Scheme Shareholders under the Scheme.

3.12 Benefits in connection with the Merger or retirement from office

Except as disclosed in this Scheme Booklet:

- (a) no payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of Vicwest (or its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from office in Vicwest or any of its Related Bodies Corporate in connection with the Merger;
- (b) there are no contracts or arrangements between a Vicwest Director and any person in connection with or conditional upon the outcome of the Merger; and
- (c) no Vicwest Director has any interest in relation to the Merger other than in their capacity as a Vicwest Shareholder.

As at the date of this Scheme Booklet executive officers of Vicwest (or its Related Bodies Corporate) will continue to hold office in the Merged Group. However, the company secretary of Vicwest will cease to hold office in the Merged Group on the Implementation Date.

As described in Section 5.2(c), two current directors of Vicwest, namely Rod Payne and Jonathan Selkirk, will join the board of the Merged Group following implementation of the Merger.

In connection with the Merger, Harwood Andrews (a firm of which Director Rod Payne is a Principal) and Crowe Horwath (a firm of which Director Robert Glass is a Consultant) will be paid fees of approximately \$18,182 and \$8,600 respectively (excluding GST) for the provision of professional legal and tax services for the purposes of the Merger respectively.

In terms of director remuneration, it is noted that at the October 2007 annual general meeting of Bendigo Telco, the Bendigo Telco Shareholders approved a payment of \$15,000 per Bendigo Telco Director for each full year of service from 1 July 2007 onwards.

Current Vicwest Director, Pat Murnane, is also expected to be engaged by Bendigo Telco in a consulting role following implementation of the Merger. The terms are yet to be agreed but will be on arm's length terms.

3.13 Litigation

As at the date of this Scheme Booklet, Vicwest is not aware of any material contractual dispute or litigation matters in respect of Vicwest, including with customers or other third parties.

3.14 Continuous disclosure

Vicwest is a “disclosing entity” for the purposes of the Corporations Act and is subject to periodic reporting and continuous disclosure obligations.

Pursuant to the Corporations Act, Vicwest is required to prepare and lodge with ASIC annual financial statements accompanied by a statement and report from the Vicwest Directors and an audit or review report.

In addition, Vicwest is required to lodge various documents with ASIC, copies of which may be obtained from, or inspected at, ASIC offices. Information is also available on Vicwest’s website www.communitytelco.com.au.

4 PROFILE OF BENDIGO TELCO

4.1 Overview

Bendigo Telco is an NSX listed company. Bendigo Telco is a broad based business providing telecommunications and data management services to customers located throughout Australia.

Bendigo Telco was founded in 1999 by the Bendigo Bank and a group of Bendigo based enterprises who were seeking to improve their options for the supply of telecommunications services. The company adopted a philosophy based on the Community Bank® model which led to Bendigo Telco becoming part of the Community Telco Australia franchise model of which Vicwest currently remains the last franchise.

In 2014 Bendigo Telco underwent significant restructuring in order to position the company to address a truly national market with both its business and consumer products.

4.2 Recent performance

For the year ended 30 June 2015, the consolidated profit of Bendigo Telco amounted to \$1,126,650, after providing for income tax. Despite recording a decrease from the results reported in 2014, Bendigo Telco has been able to maintain a consistent revenue base whilst improving cost efficiencies resulting in an improved gross margin from the previous year.

The decrease in profit for 2015 was predominately a result of Bendigo Telco investing in three key areas; staff, infrastructure and sales/marketing. The rapidly evolving telecommunications marketplace has mandated this investment in order to establish a platform for sustainable growth over the short to medium term. In addition, the profit has been affected by a number of one-off transactions relating to the company's restructure including costs associated with the migration of services to a new billing system whereby two systems were operating in parallel for a period of time as well as costs associated with the restructuring of the management team to support the new direction of the group.

The net assets of Bendigo Telco at 30 June 2015 amounted to \$5,851,586 representing a growth of \$25,515 over the previous year. As at 30 June 2015, Bendigo Telco has strong working capital with current assets exceeding current liabilities by \$1,860,809.

Bendigo Telco delivered a net profit after tax for the six months to 31 December 2015 of \$427,726. The net assets of Bendigo Telco were \$5,704,780 at 31 December 2015. Bendigo Telco maintained good working capital, with current assets exceeding current liabilities by \$1,323,639 as at 31 December 2015.

4.3 Overview of operations and assets

Bendigo Telco is a reseller of telecommunication services. Bendigo Telco's service offering has grown from basic telephony into a range of sophisticated data networking and information technology cloud services, including; data centre services, technical support services, broadband internet, mobile phone, wholesale data products, supply and installation of telephone systems, and data cabling.

Recently, Bendigo Telco has made significant investments to replace some of the ageing core network infrastructure with more efficient, scalable equipment that are expected to deliver improved redundancy and cost efficiencies for Bendigo Telco into the future.

Since leaving the Community Telco Australia franchise model in October 2014, Bendigo Telco has changed its name from Bendigo Community Telco Limited to Bendigo Telco Limited and undergone associated corporate rebranding. It has also acquired a new business, McPherson Media Pty Ltd (now called BCT Shepparton Pty Ltd but still utilising the trading name

McPherson Media), a small internet service provider located in Shepparton, Victoria. The acquisition has greatly expanded the range of locally supported telecommunication products that Bendigo Telco can offer in the Shepparton region.

Bendigo Telco now has a number of direct wholesale agreements with suppliers including AAPT, NBNCo, Telstra and M2.

Bendigo Telco's strategy is to be a principal provider of telecommunications services to both small and medium enterprises.

Bendigo Telco's major customer is Bendigo Bank. Bendigo Telco has a number of contractual arrangements in place to provide telecommunications services to Bendigo Bank. As noted in Section 9 of this Scheme Booklet, certain ancillary transactions will be undertaken by Bendigo Bank, Vicwest and Bendigo Telco to give efficacy to the Merger. This includes Bendigo Bank and Bendigo Telco entering into a new managed wide area network services agreement under which Bendigo Telco will supply wide area network services and certain related services to Bendigo Bank for a 5 year term commencing on 1 January 2017.

In 2015, Bendigo Telco implemented a new sales strategy with a particular focus on industry verticals; financial services, retail and health. Bendigo Telco has identified these target industries as a good fit for the types of products and services that it offers and has already yielded new business with more in the pipeline.

Bendigo Telco has and will continue to invest in infrastructure to secure its long-term success. In particular, investment in cloud and national networks will continue to be made in future years as these services underpin Bendigo Telco's key revenue streams.

4.4 Bendigo Telco board and senior management

(a) Bendigo Telco Board

As at the date of this Scheme Booklet, the Bendigo Telco Board comprises:

Name	Position and Profile
Donald Erskine	<p>Chairman</p> <p>Mr Erskine was appointed as a director on 16 March 2000.</p> <p>Mr Erskine is trained as a mechanical engineer. He is Managing Director of Industrial Conveying (Aust.) Pty Limited which was formed by Mr Erskine in 1979 and DJE Investments Pty Ltd (Yourland Developments).</p> <p>His previous appointments include non-executive Director of Bendigo Bank and a member of the Bank's Credit, IT Strategy and Property Committees, Director of North West Country Credit Union Co-op Ltd, Director of Coliban Water, Director of Community Telco Australia and Director of Bendigo Economic Development Committee, Chairman of Australian Technical College and Director of Bendigo Regional Institute of TAFE.</p>
Robert Hunt	<p>Director</p> <p>Mr Hunt was appointed as a director on 23 November 1999.</p> <p>Mr Hunt retired as Managing Director of Bendigo and Adelaide Bank on 3 July 2009 after 21 years as Chief</p>

Name	Position and Profile
	<p>Executive Officer.</p> <p>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.</p> <p>Mr Hunt continues his involvement in a number of community organisations and enterprises across Victoria.</p>
Graham Bastian	<p>Director</p> <p>Mr Bastian was appointed as a director on 1 May 2002.</p> <p>Mr Bastian 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, Mr Bastian became the Principal of Charlton College. He then became the Regional Principal Consultant for Bendigo, the Principal of Golden Square Secondary College and recently retired as Principal of Bendigo Senior Secondary College.</p> <p>Since this career change, Mr Bastian has been providing consultancy services to the Department of Education Central Office as well as many schools across the state. In addition, he serves as an independent member of the Audit Committee of the City of Greater Bendigo.</p>
Michelle O'Sullivan	<p>Director</p> <p>Ms O'Sullivan was appointed as a director on 23 June 2011.</p> <p>Ms O'Sullivan has had experience on various boards including, Loddon Mallee Women's Health and the Bendigo Street Surfer Board. Ms O'Sullivan was a committee member of the Bendigo Law Association Inc. and a past president of the Bendigo Law Association Inc. She is currently a director of Rochester and Elmore District Health Services.</p>
Andrew Watts	<p>Director</p> <p>Mr Watts was appointed as a director on 12 February 2014.</p> <p>Mr Watts joined Bendigo and Adelaide Bank in 1994 and has held various senior positions. He has been a member of Bendigo and Adelaide Bank's Executive Committee for 7 years.</p>

(b) Bendigo Telco senior management

As at the date of this Scheme Booklet, the key members of Bendigo Telco's senior management comprise:

Name	Position and Profile
Jeff Jordan	<p>Chief Executive Officer</p> <p>Mr Jordan brings a wealth of international business and technology experience to Bendigo Telco – with a focus on the needs of Financial Institutions. Mr Jordan's early work was with Olivetti Corporation where he was responsible for the implementation of technology systems for the banking and finance industry. Mr Jordan gained further experience with Corillian Corporation in the deployment of internet-based banking systems. Later Mr Jordan joined S1 Corporation, a global provider of payments systems and financial services software where he established new overseas markets for the company in Asia Pacific, with a special focus on the Australian banking sector. He was hired by worldwide ICT services company Getronics as Vice President, Sales, and was also VP Sales for Sales Vision Corporation where he was responsible for sales to banks and credit unions in USA West Coast and ASPAC regions. Mr Jordan's background has spanned both the technical and sales areas and he has broad experience in the USA, Asian and Australian marketplaces.</p>
Jim Nielsen	<p>Chief Operating Officer</p> <p>Mr Nielsen is responsible for Bendigo Telco's PCI DSS compliance certification program, and has led the business through three successful PCI DSS certifications. Prior to joining Bendigo Telco, Mr Nielsen worked for a number of prominent companies including National Mutual – one of the first non-bank financial institutions in Australia. Mr Nielsen was one of the initial Australian employees of Synoptics Communications – a Silicon Valley based leader in 10BaseT technology. Mr Nielsen moved to the USA to continue his career with Synoptics as Manager of Technical Support – Asia. After SynOptics merged with Wallfleet Corp to become BayNetworks, Mr Nielsen moved into a Product Management role, responsible for ATM products. Later, Jim joined FORE Systems, as Director of Marketing for LAN products. Whilst with Bay Networks and FORE Systems Mr Nielsen participated in many international networking forums, delivering the companies positioning and meeting with their largest customers. Later, Mr Nielsen joined a classic Silicon Valley 'start-up' called FVC.COM as VP Marketing. Mr Nielsen was a key part of FVC's successful public offering on the NASDAQ stock exchange. Mr Nielsen has worked with all major networking technologies and is experienced at working with end users, manufacturers and investors alike.</p>
Adam Murdoch	<p>Chief Technology Officer</p> <p>Mr Murdoch has more than fifteen years' experience working in IT Management & Strategy positions in the Financial Services sector (RegionalOne Credit Union and Goulburn Murray Credit Union). Prior to Bendigo Telco, Mr</p>

Name	Position and Profile
	Murdoch ran a successful business consulting to credit unions on core banking migrations leading a number of major credit union projects. He joined Bendigo Telco in January 2008 as a Senior Account Manager focussing on Bendigo Bank and was instrumental in the implementation of data services for the Bank including an Australian wide Virtual Private Network for Branch Banking and ATM services. Mr Murdoch has a strong technical knowledge of the business requirements that financial institutions have for Networking and Cloud solutions. Mr Murdoch utilises his in-depth industry knowledge to enable Bendigo Telco to expand its vast range of products and services.
Jason Sim	<p>General Manager Sales & Marketing</p> <p>Mr Sim brings more than thirteen years sales management experience to Bendigo Telco. He has a proven ability to develop and lead a sales team while building a positive and enthusiastic culture. Mr Sim developed his skills as a general manager of sales in the ultra-competitive world of luxury vehicle sales. His various management roles have seen him responsible for all aspects of sales and marketing while leading a team of over sixty staff. Mr Sim is passionate about developing lasting customer relationships based on trust, exceptional customer service and outstanding communication. A Bendigo local, Mr Sim has a real passion for our community and completed his education with a Bachelor's Degree at Latrobe University.</p>

4.5 Corporate governance

Bendigo Telco 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 has adopted the following corporate governance policies. The policies may be viewed on Bendigo Telco's website www.bendigotelco.com.au:

- (a) a board charter which outlines the responsibilities of the board by formalising and disclosing functions reserved to the board and those delegated to management;
- (b) an audit committee charter and the appointment of the audit committee as a sub-committee of the board. The members of the audit committee are Graham Bastian, Andrew Watts and Don Erskine;
- (c) 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 Bendigo Telco's share price;
- (d) a remuneration policy which sets out the terms and conditions for the chief executive officer and other senior managers. Don Erskine is the sole member of the remuneration committee; and
- (e) a continuous disclosure policy which complies with the obligations imposed by NSX Business and Listing Rules and the Corporations Act. 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.

4.6 Substantial shareholders

Based on the details contained in the company register of Bendigo Telco as at the date of this Scheme Booklet, the following persons have substantial holdings of Bendigo Telco Shares:

Shareholder	Number of Bendigo Telco Shares	Percentage Shareholding
Bendigo and Adelaide Bank Limited	1,112,146	19.36%
Erskine Investments Pty Limited	939,326	16.35%
Hunters Ridge Pty Limited	451,048	7.85%
Ron Poyser Administrators Pty Limited	438,400	7.63%

4.7 Financial information

(a) Basis of presentation of historical financial information

The historical financial information below relates to Bendigo Telco on a stand-alone basis and accordingly does not reflect any impact of the Merger.

It is a summary only and the full financial accounts for the financial periods described below, which include the notes to the accounts, can be found in Bendigo Telco's financial reports for those periods.

(b) Historical financial information

The summarised historical financial information set out below is extracted from Bendigo Telco's FY13, FY14 and FY15 annual reports, representing the last three audited full-year financial periods reported by Bendigo Telco before the date of this Scheme Booklet.

Also set out below is a summary of Bendigo Telco's historical financial information for the half-year to 31 December 2015 as extracted from Bendigo Telco's reviewed financial report for the half-year to 31 December 2015.

The financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**) and the Corporations Act. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The audit and review opinions in these financial reports were issued by Andrew Frewin Stewart and were unqualified.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation.

A complete copy of Bendigo Telco's FY13 Annual Report, FY14 Annual Report, FY15 Annual Report and H1FY16 Interim Financial Report can be found on the NSX website at

www.nsga.com.au or the 'Shareholder information' section of the Bendigo Telco's website at www.bendigotelco.com.au.

(i) **Historical Statements of Financial Position**

\$000	30 Jun 2013 Audited	30 Jun 2014 Audited	30 Jun 2015 Audited	31 Dec 2015 Reviewed
Current assets				
Cash and cash equivalents	2,372	3,157	947	2,087
Trade and other receivables	1,568	1,010	1,527	1,025
Prepayments	765	681	1,375	1,592
Inventories	130	109	131	171
Taxation	-	-	-	25
Total current assets	4,835	4,957	3,980	4,900
Non-current assets				
Property, plant and equipment	1,836	1,998	2,368	4,161
Intangible assets	1,536	1,525	1,506	1,411
Deferred tax asset	160	187	232	217
Prepayments	-	-	-	295
Total non-current assets	3,532	3,710	4,106	6,084
Total assets	8,367	8,667	8,086	10,984
Current liabilities				
Trade and other payables	2,490	1,960	1,392	2,500
Provisions	452	512	643	530
Taxation	59	223	84	-
Borrowings	88	-	-	546
Total current liabilities	3,089	2,695	2,119	3,576
Non-current liabilities				
Provisions	101	146	115	138
Borrowings	-	-	-	1,565
Total non-current liabilities	101	146	115	1,703
Total liabilities	3,190	2,841	2,234	5,279
Net Assets	5,177	5,826	5,852	5,705
Equity				
Issued capital	3,484	3,484	3,533	3,533
Retained earnings	1,693	2,342	2,319	2,172
Total Equity	5,177	5,826	5,852	5,705

(ii) **Historical Statements of Profit or Loss and other Comprehensive Income**

\$000	FY2013 Audited	FY2014 Audited	FY2015 Audited	H1 FY2016 Reviewed
Revenue	22,601	22,031	22,115	11,394
Costs of products sold	(11,807)	(11,241)	(10,997)	(5,410)
Gross profit	10,794	10,790	11,118	5,984
Other revenue	103	59	145	6
Salaries and employee benefit costs	(4,712)	(4,595)	(5,298)	(2,908)
Occupancy and associated costs	(604)	(619)	(646)	(372)
General administration costs	(968)	(817)	(1,021)	(511)
Depreciation and amortisation costs	(947)	(880)	(1,033)	(710)
Advertising and promotion costs	(280)	(162)	(234)	(89)

System costs	(1,469)	(1,313)	(733)	(388)
Borrowing costs	(277)	(328)	(697)	(388)
Net profit before tax	1,640	2,135	1,601	624
Income tax expense	(505)	(543)	(474)	(196)
Profit/(loss) for the period	1,135	1,592	1,127	428
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	1,135	1,592	1,127	428

(iii) **Historical Statements of Cash Flows**

	FY2013	FY2014	FY2015	H1 FY2016
\$000	Audited	Audited	Audited	Reviewed
Cash flows from operating activities				
Receipts from customers	26,109	25,065	23,025	12,517
Interest paid	(10)	(2)	-	(42)
Payments to suppliers and employees	(22,872)	(21,867)	(21,593)	(9,749)
Income tax paid	(455)	(406)	(658)	(291)
Interest received	32	59	106	6
Net cash from operating activities	2,804	2,849	880	2,441
Cash flows from investing activities				
Purchase of BCT Shepparton	-	-	(596)	-
Payment for intangible assets	(176)	(320)	(283)	(62)
Purchase of property, plant and equipment	(365)	(731)	(1,120)	(457)
Proceeds from disposal of property, plant and equipment	101	19	58	-
Net cash used in investing activities	(440)	(1,032)	(1,941)	(519)
Cash flows from financing activities				
Repayment of finance lease	(52)	(88)	-	(209)
Dividends paid	(709)	(943)	(1,149)	(574)
Net cash used in financing activities	(761)	(1,031)	(1,149)	(783)
Net cash movements during the year	1,603	786	(2,210)	1,139
Cash and cash equivalents at the beginning of the year	768	2,371	3,157	947
Cash and cash equivalents at the end of the year	2,371	3,157	947	2,086

(c) **Commentary on historical financial information**

Bendigo Telco has recorded profits in FY13 to FY15. Bendigo Telco also delivered a net profit after tax for the H1FY2016 of \$427,726.

The decrease in profit from FY14 to FY15 was predominately the result of the group, investing in three key areas; staff, infrastructure and sales/marketing. The rapidly evolving telecommunications marketplace has mandated this investment in order to establish a platform for sustainable growth over the short to medium term. In addition, the profit was affected by a number of one-off transactions relating to the company's restructure including costs associated with the migration of services to a new billing system whereby two systems were operating in parallel for a period of time as well as costs associated with the restructuring of the management team to support the new direction of the group.

Bendigo Telco has continued to reposition its revenue stream away from traditional fixed-voice services through investments into the key growth areas of virtual private networks and cloud services. Other major revenues continued to come from products such as data centre services, technical support services, broadband internet, mobile phone, wholesale data products, supply and installation of telephone systems, and data cabling.

In October 2014, Bendigo Telco acquired McPherson Media Pty Ltd (now named BCT Shepparton Pty Ltd), a small ISP located in Shepparton, Victoria. The acquisition has greatly expanded the range of locally supported telecommunication products in the Shepparton region. BCT Shepparton Pty Ltd contributed \$23,881 to the Bendigo Telco profits during FY2015.

The management team was bolstered during FY15 with the appointments of Mr Jeffery Jordan as Chief Executive Officer and Mr Jason Sim as General Manager, Sales & Marketing. The management team continued to review the group's operations during the year and continue to implement strategies which will set the group up for continued growth.

The net assets of the group increased by \$25,515 from FY14 to \$5,851,586 in FY15 and were \$5,704,780 for the H1FY2016. The group maintained strong working capital in FY15 with current assets exceeding current liabilities by \$1,860,809. In the H1FY2016, Bendigo Telco has maintained this good working capital, with current assets exceeding current liabilities by \$1,323,639.

Bendigo Telco continued to invest in infrastructure to secure its long-term success. In particular, investment in Cloud and National Networks were made during H1FY16 as this continues to underpin Bendigo Telco's key revenue streams.

(d) Matters arising subsequent to the end of the 2015 financial half-year

Bendigo Telco is not aware of any material changes in the financial position of Bendigo Telco and its Subsidiary since 31 December 2015, except as publicly disclosed on Bendigo Telco's NSX profile located on the NSX's website at www.nsx.com.au or in this Scheme Booklet.

4.8 Capital Structure

(a) Bendigo Telco Shares

As at the date of this Scheme Booklet, Bendigo Telco has 5,745,322 fully paid ordinary shares on issue, held as follows:

Shareholder	Number of Bendigo Telco Shares	Percentage
Bendigo Bank (including Community Telco Australia)	1,112,146	19.36%
Other Bendigo Telco Shareholders	4,633,176	80.64%
Total	5,745,322	100%

5,685,516 Bendigo Telco Shares are quoted on NSX. 59,806 Bendigo Telco Shares are not quoted on NSX. These shares are currently escrowed in accordance with the Bendigo Telco Employee Share Scheme.

(b) Trading history

Bendigo Telco Shares are listed on the NSX under the trading symbol "BCT".

The chart below shows Bendigo Telco's share price performance over the 6 months to 9 June 2016.

Figure 1: Bendigo Telco's Share Price over 6 months to 9 June 2016



Legend:

- **A** = non-price sensitive announcements, (e.g. notification of change of directors interest on 9 December 2015 and release of restricted shares under employee share scheme on 1 March 2016 and quotation of additional securities following release of certain employee staff shares on 2 May 2016); and
- **PS** = price sensitive statements.

The price sensitive statements included:

- a business combination notice on 16 February 2016;
- half year financial statements and an interim dividend notice on 19 February 2016; and
- notification of entry into binding transaction documents with Vicwest, Bendigo Bank and Community Telco Australia to give effect to the Transactions on 27 May 2016.

The recorded closing price for Bendigo Telco Shares on the NSX on 8 July 2016, the last practicable trading day before the Scheme Booklet was lodged for registration was \$2.04.

During the three months ended 8 July 2016:

- (i) the highest recorded daily closing price for Bendigo Telco Shares was \$2.05 from 22 February 2016 to 17 June 2016; and
- (ii) the lowest recorded daily closing price for Bendigo Telco Shares was \$1.90 from 20 June 2016 to 22 June 2016.

The closing price of Bendigo Telco Shares on the NSX on 8 February 2016, the date of trade before the Scheme was announced, was \$1.99.

(c) **Dividend history**

The table below sets out the dividends determined and paid by Bendigo Telco for the last three financial years:

Year ended June (cps)	2014	2015	2016
Interim dividend	7.0	7.0	7.0
Final dividend	13.0	10.0	TBA
Full year dividend	20.0	17.0	TBA

For the financial year ended 30 June 2016, Bendigo Telco expects to determine a fully franked final dividend of up to 75% of net profit after tax before the Implementation Date. Vicwest Shareholders will not participate in this dividend.

(d) **Employee Share Scheme**

The Bendigo Telco Limited Employee Share Scheme (**Plan**) is based on the standard form Tax Exempt Plan Rules “No Trust Version”. Under the Plan, Bendigo Telco may offer Bendigo Telco Shares to eligible employees by invitation. No invitation has been made in the current financial year.

Bendigo Telco Shares are acquired by eligible employees through salary sacrifice. The Plan is operated on a non-discriminatory basis and participation is open to at least 75% of permanent employees. Any Bendigo Telco Shares issued pursuant to the Plan are held under a three year restriction during which time they cannot be traded.

No invitation can be made to an eligible employee if the total number of Bendigo Telco Shares issued under the Plan, and Bendigo Telco Shares issued during the past 5 years under any employee share scheme of Bendigo Telco, exceeds 5% of the total number of issued Bendigo Telco Shares at the time the invitation is made.

(e) **Rights attaching to, and ranking of, New Bendigo Telco Shares**

The rights attaching to Bendigo Telco Shares are governed by the Bendigo Telco Constitution, the Corporations Act and the common law. A broad summary of those rights is set out below:

(i) **General meetings**

Each holder of Bendigo Telco Shares is entitled to receive notice of and to attend and vote at all meetings of Bendigo Telco. They are entitled to be present and vote at meetings in person, or by proxy, attorney or authorised representative.

(ii) **Voting**

Each Bendigo Telco Share confers the right to vote at general meetings. On a show of hands, each Bendigo Telco shareholder has one vote. On a poll, each Bendigo Telco shareholder has one vote for each fully paid share held by the shareholder and a fraction of a vote equivalent to the proportion which the amount paid is to the total amounts paid and payable on the share.

(iii) **Dividends**

Bendigo Telco shareholders are entitled to receive dividends declared in respect of ordinary shares in proportion to the number of Bendigo Telco Shares they hold. The

dividend to be paid to the holder of a partly-paid share must not exceed that proportion of the dividend to be paid to the holder of a fully-paid shares that the amount paid up on the share bears to the total issue price of the share.

The directors may authorise the company to pay interim and final dividends as and when they see fit.

(iii) Prohibited Shareholding Interest

A person must not have voting power in Bendigo Telco of 40% or more (**Prohibited Shareholding Interest**). A person who has a Prohibited Shareholding Interest must dispose of, or cause to be disposed of, as many of the shares so as to ensure that, after the disposal, the person no longer has a Prohibited Shareholding Interest. Bendigo Telco is authorised to dispose of these shares if the relevant shareholder fails to dispose of these shares in accordance with the constitution. The voting and dividend rights in excess of 40% are suspended.

(iv) Transfer of Bendigo Telco Shares

A Bendigo Telco shareholder may transfer all or any of the shares held by the member to a third party, subject to formal requirements.

The Bendigo Telco board may refuse to register a transfer of shares in any circumstances permitted by the NSX Listing Rules. The Bendigo Telco board must refuse to register a transfer:

- (A) during an applicable escrow period;
- (B) if in the reasonable opinion of the Directors it is likely to lead to a person holding a Prohibited Shareholding Interest; or
- (C) in circumstances where it is required to do so by the NSX Listing Rules.

(v) Winding up

All Bendigo Telco Shares attract the right in a winding up to participate equally in the distribution of the assets of the company, subject only to any amount unpaid on shares.

If Bendigo Telco is wound up, the liquidator may, with the sanction of a special resolution of the company divide among the members in kind all or any of the company's assets and for that purpose determine how the liquidator will carry out the division between the members. The liquidator may also vest all or any of Bendigo Telco's assets in a trustee on trusts determined by the liquidator for the benefit of the contributories.

A copy of Bendigo Telco's constitution is available from Bendigo Telco on (03) 5454 5000 or by email to ken.belfrage@bendigotelco.com.au.

4.9 Relevant Interests of Bendigo Telco Directors

(a) Relevant Interests in Bendigo Telco Shares

The following table lists the Relevant Interests of the Bendigo Telco Directors in Bendigo Telco Shares as at the date of this Scheme Booklet:

Director	Executive or Non-Executive	Relevant Interest in Bendigo Telco Shares
Donald Erskine	Non-Executive	939,326 (16.35%) – Indirect (as beneficiary of the Erskine Investments Trust)
Robert Hunt	Non-Executive	451,048 (7.85%) – Indirect (Hunters Ridge Pty Ltd)
Graham Bastian	Non-Executive	2,000 (0.03%) – Indirect (Jeanette Bastian)
Michelle O’Sullivan	Non-Executive	29,711 (0.52%) – Indirect (as beneficiary of the DBM Trust)
Andrew Watts	Non-Executive	Nil

(b) Relevant Interests in Vicwest Shares

No Bendigo Telco Director has a Relevant Interest in Vicwest Shares as at the date of this Scheme Booklet.

4.10 No Pre-Transaction benefits

During the period of four months before the date of this Scheme Booklet, neither Bendigo Telco nor any associate of Bendigo Telco gave, or offered to give, a benefit to another person which was likely to induce the other person, or an associate of the other person to:

- (a) vote in favour of the Scheme and Amending Resolution; or
- (b) dispose of Vicwest Shares,

and which will not be provided to all Scheme Shareholders under the Scheme.

4.11 Benefits in connection with the Merger or retirement from office

Except as disclosed in this Scheme Booklet:

- (a) no payment or other benefit is proposed to be made or given to any director, company secretary or executive officer of Vicwest (or its Related bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from office in Vicwest or any of its Related Bodies Corporate in connection with the Transactions;
- (b) there are no contracts or arrangements between a Bendigo Telco Director and any person in connection with or conditional upon the outcome of the Transactions; and
- (c) no Bendigo Telco Director has a material interest in relation to the Transactions other than in their capacity as a Bendigo Telco Shareholder.

4.12 Litigation

As at the date of this Scheme Booklet, Bendigo Telco is not aware of any material contractual dispute or litigation matters in respect of Bendigo Telco, including with customers or other third parties.

4.13 Continuous disclosure

As an NSX listed company and a “disclosing entity” under the Corporations Act, Bendigo Telco is subject to regular reporting and disclosure obligations. Among other things, these obligations require Bendigo Telco to announce price sensitive information to the NSX without delay, subject to some exceptions. Bendigo Telco has complied with its continuous disclosure obligations at all times.

Pursuant to the Corporations Act, Bendigo Telco is required to prepare and lodge with ASIC and NSX both annual and half-yearly financial statements accompanied by a statement and report from the Bendigo Telco directors and an audit or review report. Copies of each of these documents can be obtained (free of charge) by contacting Bendigo Telco on www.nsx.com.au.

ASIC also maintains a record of documents lodged with it by Bendigo Telco, and these may be obtained from, or inspected at, any office of ASIC. Information is also available on Bendigo Telco’s website at www.bendigotelco.com.au.

Bendigo Telco’s continuous disclosure notices to the NSX after lodgement with the NSX of its financial statements for the year ended 30 June 2015 on 27 August 2015 and before the lodgement for registration of this Scheme Booklet by ASIC are listed in the table below.

Date	Announcement
27 May 2016	Merger Implementation Deed
27 May 2016	Announcement of Merger
2 May 2016	Quotation of additional securities
1 March 2016	Release restricted securities issued under employee share scheme
19 February 2016	Interim dividend notice
19 February 2016	Form 2a interim financial statements
19 February 2016	Half Year financial statements
16 February 2016	Business combination
9 December 2015	Notice of change in Director’s interest in shares
21 October 2015	Company name change
21 October 2015	Results of AGM amended
20 October 2015	Results of AGM
11 September 2015	Proxy form
11 September 2015	Notice of annual general meeting
11 September 2015	Concise annual report 2015
27 August 2015	Chairman and CEO report
27 August 2015	Final dividend notice
27 August 2015	Form 2a financial report 2015
27 August 2015	Financial statements 2015

Bendigo Telco’s recent announcements are available from the NSX’s website at www.nsx.com.au. Further announcements concerning Bendigo Telco will continue to be made available on this website after the date of this Scheme Booklet.

5 PROFILE OF THE MERGED GROUP

5.1 Ancillary Transactions

In connection with the Merger, certain ancillary transactions will be undertaken. These transactions are described in detail in Section 9. In particular, Bendigo Telco will be acquiring Community Telco Australia's managed telecommunications customer business pursuant to the Business Sale Agreement. This Section and the description of the Merged Group therefore includes this business.

5.2 Overview of the Merged Group

Implementation of the Transactions is expected to result in the combination of three highly complementary businesses to create a leading regional telecommunications provider.

The scale of the Merged Group's network and product suite is expected to present an enlarged addressable market inclusive of corporate and personal customers across regional Victoria.

The Transactions are also expected to provide the Merged Group with an enlarged network of customers, which should enhance its ability to offer product and services to its 4,700 customers.

In addition to a larger combined product offering, the Merged Group is expected to generate value for Vicwest and Bendigo Telco shareholders and the local communities in which the Merged Group will operate, with identifiable cost-out opportunities and potential revenue synergies.

(a) Revenue synergies

Implementation of the Transactions will result in the following:

- (i) provision of services to a broader market with opportunities to gain greater reach within these market sectors. The Merged Group will have a presence throughout Victoria, Queensland and Tasmania, as well as broader access throughout Australia;
- (ii) provision of an enhanced product offering across the broadened market. A wider service range will be available across all of the market sectors; and
- (iii) ability to create efficiencies that will allow a competitive market offering.

(b) Cost Synergies

Implementation of the Transactions is expected to result in the following cost synergies:

- (i) enhanced utilisation of existing infrastructure and resources to avoid cost duplications. It is expected that the Merged Group will benefit from the sharing of knowledge and technical expertise as well as the further utilization of existing infrastructure and systems;
- (ii) the Merged Group will be expected to unlock value through certain operational cost savings and a reduction in corporate costs which would not otherwise be available to either company on a stand-alone basis. This will include the removal of the franchise fee currently incurred by Vicwest with the costs associated with such services being absorbed within the Bendigo Telco operations; and
- (iii) provide the enlarged entity with improved buying power for services. The enhanced scale of the Merged Group will attract greater interest from both suppliers and customers.

Please note that there is a risk that synergies may not be realised at all or not realised to their full extent, or that they may be realised over a longer period of time than anticipated. Further detail regarding these risks is in Section 7 (Risk Factors).

(c) Strategy

The strategic objectives of Vicwest and Bendigo Telco are closely aligned.

Both organisations aim to provide highly competitive telecommunications prices and exceptional service delivery to their regions.

The organisations also create jobs and economic value, and make significant direct financial contributions to local community projects.

These objectives would continue with the Merged Group. They are also expected to be further enhanced with the Merged Group being a larger and more sustainable community enterprise, and also as a result of the proposed BEN4 Agreement between Bendigo Bank and Bendigo Telco under which Bendigo Telco will supply wide area network services and certain related services to Bendigo Bank for a 5 year term commencing on 1 January 2017 (see Section 9.5 for a summary of this proposed agreement).

Under the Merger, two current directors of Vicwest, namely Rod Payne and Jonathan Selkirk, will join the board of the Merged Group. This will ensure appropriate ongoing representation for the Bendigo, Shepparton, Geelong and Ballarat communities in relation to the Merged Group.

5.3 Bendigo Telco's intentions following implementation of the Scheme

(a) Overview

This Section 5.3 sets out Bendigo Telco's intentions in relation to:

- (i) the continuation of the business of Vicwest;
- (ii) any major changes to the business of Vicwest, including any redeployment of the fixed assets of Vicwest;
- (iii) members of the Merged Group's board of directors;
- (iv) the future employment of the present employees of Vicwest; and
- (v) the intended dividend policy for the Merged Group,

if the Scheme is implemented.

The statements of intention made in this Section 5.3 are based on the information concerning Vicwest and the circumstances affecting the business of Vicwest that are known to Bendigo Telco at the date of this Scheme Booklet. Final decisions on these matters will only be made in light of all material information, facts and circumstances at the relevant time if the Scheme is implemented. Accordingly, it is important to recognise that the statements set out in this Section 5.3 are statements of current intention only, which may change as new information becomes available or circumstances change.

(b) General review of business

If the Scheme is implemented, Bendigo Telco intends to continue the business of Vicwest largely in its current form. Bendigo Telco intends to collaborate with Vicwest's staff and existing management team to optimise Vicwest's prospects and operating performance.

In order to achieve these outcomes, Bendigo Telco intends to undertake a review of Vicwest's business to verify (or identify any deviation from) Bendigo Telco's understanding of the information, facts and circumstances concerning Vicwest's assets, strategies and operations as at the date of this Scheme Booklet. Bendigo Telco will then work with Vicwest's staff and management team to determine how to further develop the Merged Group's business in order to maximise its operating performance.

While Bendigo Telco does not have any specific intentions in relation to this review or its outcomes, the review may identify opportunities to optimise capital requirements and returns and other opportunities to improve the business.

(c) Business integration

Bendigo Telco has no current intention to make significant changes to Vicwest nor redeploy any of Vicwest's fixed assets or transfer any of Vicwest's current businesses or material assets.

Bendigo Telco and Vicwest's existing businesses share some common requirements in terms of infrastructure and operations. Through the integration of these businesses, Bendigo Telco expects to achieve increased efficiency and synergy benefits over time.

(d) Members of the Merged Group's board of directors

In accordance with the Transaction Framework Agreement, Bendigo Telco will procure that resolutions for the appointment of two nominees of Vicwest and one nominee of Bendigo Bank as directors of Bendigo Telco are proposed at the Bendigo Telco Shareholder Meeting. If those resolutions are passed, the Bendigo Telco board will comprise 2 nominees of Bendigo Bank, 2 nominees of Vicwest and 4 nominees of Bendigo Telco. See Section 5.4 for further information on the proposed board of the Merged Group.

Further, under the Transaction Framework Agreement, Bendigo Telco will procure that resolutions for the appointment of the above nominees as directors are proposed at the Bendigo Telco Shareholder Meeting. If any such appointment is not approved, Bendigo Telco will procure that the relevant nominee is appointed as a director of Bendigo Telco as a casual appointee as soon as practicable after that meeting.

(e) Employment of the present employees of Vicwest

Under the TFA, Bendigo Telco acknowledges and agrees that upon implementation of the Merger:

- (i) Vicwest will retain all its employees under their existing terms and conditions of employment; and
- (ii) Geoff Hutchinson will be employed by Bendigo Telco in an executive role on its management team on terms and conditions that are not less favourable to him than the existing terms and conditions of his employment with Vicwest.

All positions in the Merged Group will be reviewed as a part of implementation of the Merger.

(f) Dividend policy of the Merged Group

If the Scheme is implemented, Bendigo Telco intends that the Merged Group's board of directors will determine the dividend policy for the Merged Group having regard to its profits, its financial position and an assessment of the capital required to grow its businesses.

Bendigo Telco's current dividend policy is to pay a maximum of 70% of net profit after tax.

5.4 Board of directors and senior management of the Merged Group

In accordance with the Transaction Framework Agreement, Bendigo Telco will procure that resolutions for the appointment of two nominees of Vicwest and one nominee of Bendigo Bank as directors of Bendigo Telco are proposed at the Bendigo Telco Shareholder Meeting.

Assuming those resolutions are passed, following the Scheme the Bendigo Telco board will be comprised as follows:

Name	Position
Donald Erskine	Non-Executive Chairman
Robert Hunt	Non-Executive Director
Graham Bastian	Non-Executive Director
Michelle O'Sullivan	Non-Executive Director
Andrew Watts	Non-Executive Director
Kevin Dole	Non-Executive Director
Rod Payne	Non-Executive Director
Jonathan Selkirk	Non-Executive Director

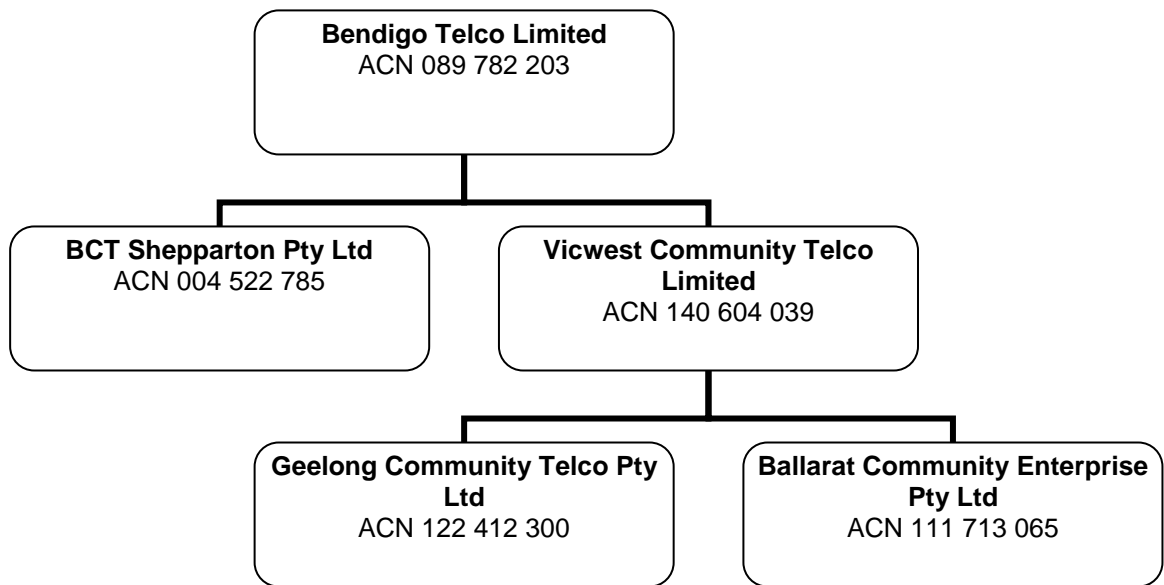
Mr Jeff Jordan will be the Chief Executive Officer and Mr Jim Nielsen will be Chief Operating Officer of the Merged Group.

Geoff Hutchinson will be employed by Bendigo Telco in an executive role on its management team on terms and conditions that are not less favourable to him than the existing terms and conditions of his employment with Vicwest. The remaining members of the Merged Group's senior management team have not been finalised at the date of this Scheme Booklet and will be determined by the Merged Group's board following completion of, and having regard to the outcomes of, the general operational review described above.

5.5 Corporate structure following implementation of the Scheme

Bendigo Telco's corporate structure following implementation of the Scheme is set out below.

Figure 2: Post Merger Corporate Structure



5.6 Capital Structure of the Merged Group

Bendigo Telco's capital structure will remain unchanged as a result of the Scheme and the Ancillary Transactions, other than for the issue of:

- (a) Bendigo Telco Shares to Scheme Shareholders in accordance with the Scheme and Bendigo Telco Deed Poll; and
- (b) Bendigo Telco Shares to Community Telco Australia in accordance with the Business Sale Agreement.

Bendigo Telco will have 7,745,322 fully paid ordinary shares on issue following implementation of the Scheme and the Ancillary Transactions (an increase of 2,000,000 shares, subject to rounding), held as follows:

Shareholder	Number of Bendigo Telco Shares	Percentage
Bendigo Bank (including Community Telco Australia)	2,362,146	30.50%
Vicwest Shareholders (excluding Bendigo Bank)	750,000	9.68%
Current Non-Associated Bendigo Telco Shareholders	4,633,176	59.82%
Total	7,745,322	100%

5.7 Financing arrangements

Bendigo Telco currently has two debt facilities provided by Bendigo Bank. They comprise an overdraft facility to a maximum value of \$0.5 million and a standard lease facility for equipment to a maximum value of \$2.182 million.

If the Scheme is implemented, Bendigo Bank will provide a further loan in the amount of \$3.8 million to Bendigo Telco pursuant to the Loan Agreement for the purpose of repaying the loan from Bendigo Bank to Vicwest. The current Vicwest loan balance is \$3.8 million. The balance of the Vicwest loan facility will be reduced by \$150,000 to \$3.65 million immediately prior to implementation of the Scheme, to reflect Bendigo Bank's agreed share of the costs of the Merger. Accordingly, Bendigo Telco will have a \$3.8 million facility, initially drawn down to \$3.65 million to extinguish Vicwest's current loan. The key terms of the loan facility are set out in Section 9.4.

Following the implementation of the Transactions, Bendigo Telco's total available debt facilities will increase to approximately \$6.4 million.

5.8 Risks associated with an investment in Bendigo Telco

The risk factors in this Section 5.8 are existing risks relating to Bendigo Telco's business and the industry in which it operates.

These risks will be relevant to Scheme Shareholders if the Scheme is implemented and will continue to be relevant to the Merged Group:

(a) Lack of liquidity

The liquidity of Bendigo Telco Shares has historically been low. Accordingly there is a risk that a shareholder may not be able to sell its Bendigo Telco Shares at a price acceptable to it or at all.

(b) Competition

Bendigo Telco competes against telecommunications companies which have considerable scale and market power. Bendigo Telco's financial performance and operating margins could be adversely affected by the actions of its competitors or if new competitors enter the market.

(c) Reliance on major customer

Bendigo Bank is Bendigo Telco's major customer and accounts for a significant amount of its annual revenue. There is a risk that Bendigo Bank may change to another provider, may reduce their volume or may not renew their contracts in the normal course of business. This will have a significantly adverse effect on both the revenues and profits of Bendigo Telco.

(d) Reliance on suppliers

Bendigo Telco relies on a number of key wholesale suppliers to provide its retail services. The loss of a supplier may have an adverse effect on Bendigo Telco's operations as Bendigo Telco will need to seek an alternative wholesale supplier which could cause delays or increased costs in the provision of its retail services.

(e) Reliance on key personnel

Bendigo Telco's growth and profitability may be limited by the loss of key executive management personnel, the inability to attract new suitably qualified personnel or by increased compensation costs associated with attracting and retaining key personnel.

(f) Service failures

The performance of Bendigo Telco's services is critical to its reputation and to its ability to achieve market acceptance of its services. Any service failure or failure of a service to meet a customer's needs and requirements could have a material adverse effect on Bendigo Telco's business, results of operations and financial conditions.

(g) Operating costs

Bendigo Telco's ability to operate profitably is dependent on a combination of the scalability of its operations and the costs of its operating structure. Bendigo Telco has continually sought to deliver improvements in operating margins through, among other things, reducing operational expenses, however there is no guarantee that these improvements can be maintained.

(h) Technology changes

There is no guarantee that Bendigo Telco can effectively keep up with changes in technological developments and any failure could result in Bendigo Telco finding it increasingly difficult to compete.

6 FINANCIAL INFORMATION OF THE MERGED GROUP

6.1 Overview

The Merged Group Pro Forma Historical Financial Information, reflecting the combined businesses of Vicwest and Bendigo Telco (including the business to be acquired from Community Telco Australia pursuant to the Business Sale Agreement) is set out in Section 6.4 below. It is presented to provide Vicwest Shareholders with an indication of the Merged Group's assets and liabilities as if the Merger had occurred at 31 December 2015.

The Merged Group Pro Forma Historical Financial Information is indicative only and does not illustrate the financial position that may be contained in future Bendigo Telco financial statements when the Merger is implemented.

The Merged Group Pro Forma Historical Financial Information should be read in conjunction with the information contained elsewhere in this Scheme Booklet, including the risk factors set out in Section 7, and also the accounting policies of Bendigo Telco as disclosed in its most recent annual and half yearly financial reports.

6.2 Basis of preparation

With the exception of the key assumptions set out in Section 6.3, the Merged Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards (including Australian Accounting Interpretations) (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**) and the Corporations Act. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The Merged Group Pro Forma Historical Financial Information contained in Section 6.4 is based on:

- (a) Vicwest's reviewed historical consolidated statement of financial position as at 31 December 2015; and
- (b) Bendigo Telco's reviewed historical consolidated statement of financial position as at 31 December 2015,

adjusted for certain pro forma adjustments described in the notes to the pro forma historical statement of financial position presented in Section 6.4.

The Merged Group Pro Forma Historical Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements and comparative information required by the Australian Accounting Standards as they are applicable to financial reports prepared in accordance with the Corporations Act.

The Merged Group Pro Forma Historical Financial Information is provided for illustrative purposes and is prepared on the assumption that for the purposes of Merged Group Pro Forma Historical Financial Information, the Scheme had been implemented on 31 December 2015.

This is not intended to reflect the financial position that would have actually resulted had the Scheme (and other Transactions) been implemented on this date, or the results that may be obtained in the future. If the Merger (and other Transactions) had occurred in the past, Bendigo Telco's financial position would likely have been different from that presented in the Merged Group Pro Forma Historical Financial Information.

Due to the nature of pro forma information, it may not give a true picture of the Merged Group's financial position. The Merged Group Pro Forma Historical Financial Information is not represented as being indicative of Bendigo Telco's views on its future financial position.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand dollars.

BDO Corporate Finance (East Coast) Pty Ltd has been engaged as the Investigating Accountant to prepare an Investigating Accountant's Report on the Merged Group's Pro Forma Historical Financial Information. The Investigating Accountant's Report is set out in Annexure B. Vicwest Shareholders should note the scope and limitations of the Investigating Accountant's Report.

6.3 Key assumptions

The Merged Group Pro Forma Historical Financial Information has been prepared based on the key assumptions set out below.

(a) Acquisition accounting – Fair value of identifiable assets and liabilities acquired

For the purposes of preparing the Merged Group Pro Forma Historical Financial Information, it has been assumed that there will be no adjustments to the carrying value of the Vicwest and Community Telco Australia identified assets and liabilities acquired. In the event that any fair value adjustments are subsequently identified, this will have an equal but opposite effect on goodwill arising on acquisition.

(b) Acquisition accounting – Other intangibles

For the purposes of preparing the Merged Group Pro Forma Historical Financial Information, it has been assumed that there will be no separately identifiable intangible assets other than those already recognised in Vicwest's 31 December 2015 statement of financial position. It is, however, likely that separately identified intangibles, particularly in the form of customer contracts and other amortisable intangible assets, will be identified, with the resulting effect of reducing non-amortisable goodwill arising on acquisition. Given that customer contracts will have finite lives, net profit after tax will decrease as a result of the requirement to amortise these intangibles over their estimated useful life. This will not, however, have an impact on cash flows.

(c) Deferred tax

For the purposes of preparing the Merged Group Pro Forma Historical Financial Information, it has been assumed that there will be no resetting of Vicwest's tax cost bases following the Merger. It is, however, likely that the Allocable Cost Amount calculation will result in a deferred tax position which is different to the position presented in the Merged Group Pro Forma Historical Financial. Any resulting adjustment will have an equal but opposite impact on the amount of goodwill recognised (assuming that the business combination accounting is completed within 12 months of the acquisition).

(d) Variation in accounting policies

The Merged Group Pro Forma Historical Financial Information applies the individual accounting policies of Bendigo Telco and Vicwest respectively to the financial information of each entity. No allowance for variations in accounting policies between Bendigo Telco and Vicwest has been made in the Merged Group Pro Forma Historical Financial Information. A preliminary comparison of the Vicwest and Bendigo Telco accounting policies has not identified any material differences.

6.4 Merged Group Pro Forma Historical Statement of Financial Position

The Merged Group Pro Forma Historical Statement of Financial Position has been derived from combining:

- (a) the Bendigo Telco historical consolidated Statement of Financial Position as at 31 December 2015, which was extracted from Bendigo Telco's financial report for the half year ended 31 December 2015, which was reviewed by Andrew Frewin Stewart and on which an unqualified review opinion was provided;
- (b) the Vicwest historical consolidated Statement of Financial Position as at 31 December 2015, which was extracted from Vicwest's financial report for the half year ended 31 December 2015, which was reviewed by PPT Audit Pty Ltd and on which an unqualified review opinion was provided; and
- (c) the pro forma adjustments noted below.
 - (i) Bendigo Telco will issue 1,500,000 shares at \$2.00 to Vicwest Shareholders as Scheme Consideration.
 - (ii) Bendigo Telco will issue 500,000 shares at \$2.00 to Community Telco Australia as consideration for the acquisition of Community Telco Australia's managed telecommunications business, and will offer employment to a number of Community Telco Australia employees.
 - (iii) Bendigo Telco will enter into a new loan facility to assist the funding of the Merger with funds to be used specifically to repay Vicwest's existing loan with Bendigo Bank and working capital.
 - (iv) Total transaction costs of \$970,000 of which \$620,000 are incurred by Vicwest pre-merger and hence reduce the Vicwest net assets balance acquired and \$350,000 incurred by Bendigo Telco and expensed pre-merger.
 - (v) Goodwill has been adjusted to reflect the impact of the above adjustments.

Merged Group Pro forma Historical Statement of Financial Position

\$000 (As at 31 December 2015)	Notes	Bendigo Telco Reviewed	Vicwest Reviewed	Pro forma adjustments	Merged Group Pro forma
Current assets					
Cash and cash equivalents	1	2,087	166	(586)	1,667
Trade and other receivables		1,025	1,517	-	2,542
Prepayments		1,592	553	-	2,145
Inventories		171	141	-	312
Taxation		25	-	-	25
Total current assets		4,900	2,377	(586)	6,691
Non-current assets					
Property, plant and equipment		4,161	201	25	4,387
Intangible assets	2	1,411	3,729	3,447	8,587
Deferred tax asset		217	-	-	217
Prepayments		295	-	-	295
Total non-current assets		6,084	3,930	3,472	13,486

Total assets		10,984	6,307	2,886	20,176
Current liabilities					
Trade and other payables		2,500	1,688	-	4,188
Provisions		530	125	59	714
Borrowings		546	-	-	546
Total current liabilities		3,576	1,814	59	5,449
Non-current liabilities					
Provisions		138	20	-	158
Borrowings	3	1,565	3,450	200	5,215
Total non- current liabilities		1,703	3,470	200	5,373
Total liabilities		5,279	5,284	259	10,822
Net Assets		5,705	1,023	2,627	9,355
Equity					
Issued capital	4	3,533	2,292	1,708	7,533
Reserves		-	17	(17)	-
Retained earnings	5	2,172	(1,286)	936	1,822
Total Equity		5,705	1,023	2,627	9,355

Notes to the Merged Group Pro Forma Historical Statement of Financial Position

Note 1: Cash and cash equivalents

CASH AND CASH EQUIVALENTS	\$
Reviewed balance of Bendigo Telco as at 31 December 2015	2,087
Reviewed balance of Vicwest as at 31 December 2015	166
<i>Pro forma adjustments:</i>	
Refinancing facility from Bendigo and Adelaide Bank	350
Contribution of CTA towards the unfunded employee entitlements acquired	34
Estimated total transaction costs for the Scheme	(970)
	(586)
Pro forma Balance	1,667

Note 2: Intangible assets

Intangible assets	\$
Reviewed balance of Bendigo Telco as at 31 December 2015	1,411
Reviewed balance of Vicwest as at 31 December 2015	3,729
<i>Pro forma adjustments:</i>	
1.5 million shares in Bendigo Telco issued at \$2/share to existing VicWest shareholders	3,000
0.5 million shares in Bendigo Telco issued at \$2/share to CTA	1,000
(Note that the net assets of CTA acquired are valued at \$nil)	4,000
Less: Net assets of Vicwest as at 31 December 2015	(1,023)
Plus: Vicwest net transaction costs incurred pre-merger	470
	3,447

Pro forma Balance	8,587
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The initial determination of goodwill and other assets and liabilities (including intangible assets) related to the acquisition of Vicwest will be reported as “provisional” values with adjustments made to finalise these values within twelve months of the Scheme Implementation Date. At the date of this Scheme Booklet it is not possible to determine the fair values of the assets acquired and the liabilities and contingent liabilities assumed. As a result the actual determination of goodwill may change. The goodwill balance recognised will be subject to annual impairment testing. Should an impairment be identified the resulting impact on earnings could be significant.

Note 3: Non-Current Borrowings

Non Current borrowings	\$
Reviewed balance of Bendigo Telco as at 31 December 2015	1,565
Reviewed balance of Vicwest as at 31 December 2015	3,450
<i>Pro forma adjustments:</i>	
Refinancing facility from Bendigo and Adelaide Bank	350
Reduction in outstanding borrowings from Bendigo and Adelaide Bank (netted against Vicwest transaction costs)	(150)
	200
Pro forma Balance	5,215

Note 4: Issued capital

Issued capital	\$
Fully paid ordinary share capital of Bendigo Telco as at 31 December 2015	3,533
Fully paid ordinary share capital of Vicwest as at 31 December 2015	2,292
<i>Pro forma adjustments:</i>	
Issue of ordinary shares in Bendigo Telco to acquire Vicwest	708
Issue of ordinary shares in Bendigo Telco to CTA to acquire certain assets and liabilities	1,000
	1,708
Pro forma Balance	7,533

Note 5: Retained earnings

Retained earnings	\$
Reviewed balance of Bendigo Telco as at 31 December 2015	2,172
Reviewed balance of Vicwest as at 31 December 2015	(1,286)
<i>Pro forma adjustments:</i>	
Vicwest net transaction costs incurred pre-merger	(470)
Elimination of Vicwest retained earnings balance on Acquisition	1,756
Estimated Bendigo Telco transaction costs for the Scheme	(350)
	936
Pro forma Balance	1,822

6.5 Matters arising subsequent to the end of the 2015 financial half-year

As noted in Sections 3.6(d) and 4.7(c), neither Vicwest nor Bendigo Telco is aware of any material changes in the financial position of Vicwest and its Subsidiaries or Bendigo Telco and its Subsidiary since 31 December 2015, except as stated in those sections.

6.6 Forecast financial information

Bendigo Telco has given careful consideration as to whether forecast financial information can and should be included in this Scheme Booklet in respect of the Merged Group. In particular, Bendigo Telco has considered whether there is a reasonable basis for the preparation and disclosure in this Scheme Booklet of reliable and useful forecast financial statements. Bendigo Telco has concluded that forecast financial statements for the Merged Group cannot be provided in this Scheme Booklet as Bendigo Telco does not have a reasonable basis for such forecasts as required by applicable law and practice, and that inclusion of such forecasts could be potentially misleading. The considerations which have resulted in this conclusion include:

- (a) Bendigo Telco is not currently in a position to determine in a reliable manner the impact which the integration of the Vicwest and Bendigo Telco businesses following implementation of the Merger may have on the financial performance of the Merged Group;
- (b) changes in variables which are beyond the control of Bendigo Telco, such as the competitive environment and general economic conditions, can have a material impact on the Merged Group's future financial performance; and
- (c) information is not available to Bendigo Telco to calculate potential fair value adjustments in relation to the assets of Vicwest following implementation of the Merger. Consequently, depreciation, amortisation and tax expenses cannot be calculated accurately and may be materially different when finalised.

6.7 Key Accounting Policies

Following implementation of the Scheme, the Merged Group will adopt the key accounting policies of Bendigo Telco, as set out in the relevant notes to the financial statements in Bendigo Telco's FY15 Annual Report. A complete copy of Bendigo Telco's FY15 Annual Report can be found on the NSX website at www.nsx.com.au or the 'Shareholder information' Section of the Bendigo Telco website at www.bendigotelco.com.au

7 RISK FACTORS

7.1 Introduction

There are a range of factors, both specific to the Merged Group and which apply more generally to the commercial and retail telecommunications industry and equity market participants, which may, individually or in combination, affect the business, future operating and financial performance, reputation or prospects of the Merged Group and/or the value at which Merged Group Shares may trade in the future.

Many of the circumstances giving rise to these risks are beyond the control of the Merged Group, its directors and management.

In a number of instances, risk factors for the Merged Group are also risk factors which apply or may apply, to varying degrees, to Vicwest as a standalone entity.

This Section 7 (Risk factors) sets out the risk factors considered by Vicwest to be the material risks relating to:

- (a) the Merger – see Section 7.2 (Risks relating to the Merger);
- (b) implementation of the Merger – see Section 7.3 (Specific risks relating to the Merged Group); and
- (c) the Merged Group – see Section 7.4 (General risks relating to the Merged Group).

The risk factors described in this Section 7 (Risk factors) are not an exhaustive list of the risk factors relating to the Merger, the implementation of the Merger or the Merged Group, and should be read in conjunction with the other information described in this Scheme Booklet.

There may be additional risks and uncertainties not currently known that may also have an adverse effect on the Merged Group's business and the value of Merged Group Shares. The risk factors described are not necessarily set out in order of significance or likelihood.

The risk factors described in this Section 7 (Risk factors) do not take into account the investment objectives or financial circumstances of individual Vicwest Shareholders.

Vicwest Shareholders should have regard to their own investment objectives and financial circumstances and seek professional advice from their legal, financial and other independent advisers before determining whether or not to vote in favour of the Merger.

7.2 Risks relating to the Merger

(a) Implications for Vicwest if the Merger is not implemented

The implications for Vicwest if the Merger is not implemented are described in Section 2.15.

In summary, if the Merger is not implemented, Vicwest will continue to operate its current business as a standalone entity, and each Vicwest Shareholder will retain their Vicwest Shares and will not receive the Scheme Consideration. Vicwest will also remain liable to repay the Vicwest Loan (see Section 11.6 for a summary of the terms of the Vicwest Loan).

Additionally, Vicwest will likely require additional funding from Bendigo Bank in order to continue to operate its business as a going concern, if the Merger is not implemented. In particular, the key challenges to the Vicwest business will be:

- ensuring that its new cloud-based video conferencing service (“natr”) reaches profitability (see Section 3.3); and

- increasing its marketing and sales efforts to attract new customers in respect of its other products and services.

Vicwest will also incur transaction costs associated with the proposal and preparation of the Merger if the Merger is not implemented (refer to the “Costs of implementing the Merger” risk factor below).

(b) Non-fulfilment of Conditions Precedent

The Merger is subject to a number of Conditions Precedent (see Section 2.7), which, if not satisfied or waived by the relevant parties, could result in the Merger not being implemented. Section 2.15 describes the implications for Vicwest if the Merger is not implemented.

Some of these Conditions Precedent are outside the control of Vicwest. In particular, Community Telco Australia is party to the Business Sale Agreement pursuant to which it must achieve specified gross margin targets before 8.00am on the Second Court Date, failing which Bendigo Telco may elect (without having to consult with any party) not to proceed with the Merger, in which case it will not be implemented (see Section 9.3 for a description of this gross margin target). Vicwest is not a party to the Business Sale Agreement and cannot influence or control whether or not Community Telco Australia is able to achieve the gross margin target.

(c) Risk profile of the Merged Group

If the Merger is implemented, there will be a change in the risk profile to which Vicwest Shareholders are exposed.

In the absence of the Merger, Vicwest Shareholders are exposed to the risks associated with Vicwest’s business and an investment in Vicwest. If the Merger is implemented, Scheme Shareholders will receive New Bendigo Telco Shares in consideration for their Vicwest Shares. As a result, those Scheme Shareholders will be exposed to the risk factors which apply to Bendigo Telco, as well as risk factors which apply to the Merged Group and the integration of the two companies.

Such risks may include risks associated with a broader suite of assets, to which Vicwest Shareholders are not currently exposed.

A number of these risks are described in Section 7.4.

Information regarding the profiles of Vicwest, Bendigo Telco and the Merged Group is set out in Sections 3, 4 and 5, respectively.

(d) Change in investment risk profile

If the Merger is implemented, the operational profile, capital structure, size and geographic focus of the Merged Group will be different to that of Vicwest on a standalone basis.

Some Vicwest Shareholders may wish to maintain an interest in Vicwest as a standalone entity to maintain their exposure to the specific profile of the Vicwest business.

Information regarding the profiles of Vicwest, Bendigo Telco and the Merged Group is set out in Sections 3, 4 and 5, respectively.

(e) Value of Scheme Consideration

If the Merger is implemented, Scheme Shareholders will receive Scheme Consideration of one New Bendigo Telco Shares for every 2.074 Vicwest Shares they hold on the Scheme Record Date.

The implied value of the Scheme Consideration will depend on the price at which the Merged Group Shares trade on the NSX after the Effective Date and is not fixed.

The price of the Merged Group Shares, following implementation of the Merger, will vary and may be volatile as a result of a number of factors, including the financial and operating performance of the Merged Group and general market conditions.

In addition, downward pressure to the price of the Merged Group Shares may arise if Vicwest Shareholders that prefer not to maintain an investment in the Merged Group elect to trade the New Bendigo Telco Shares received as Scheme Consideration following implementation of the Merger.

(f) Costs of implementing the Merger

There are a number of costs which Vicwest will incur in connection with the Merger, including legal and financial adviser costs, the costs associated with preparing the Scheme Booklet (including the Independent Expert's Report and Investigating Accountant's Report) and the costs associated with convening and holding the Scheme Meeting.

Under the terms of a 22 March 2016 variation to the Vicwest Loan, Bendigo Bank increased the facility limit of the Vicwest Loan by \$350,000 to \$3,800,000, with the additional amount to be made available to Vicwest by Bendigo Bank to pay for the costs of the Transactions. See Section 11.6 for a summary of the terms of the Vicwest Loan. Vicwest estimates that it has incurred or will have incurred or committed one-off transaction costs of approximately \$620,000 in relation to the Merger, regardless of whether the Merger is implemented or not.

If the Merger is not implemented, further details regarding the expected implications for Vicwest are described in Section 2.15.

(g) Tax consequences for Scheme Shareholders

If the Merger is successfully implemented, there may be tax consequences for Scheme Shareholders. The tax consequences for Scheme Shareholders will vary depending on a number of factors, including their place of residence for tax purposes and their individual financial and tax circumstances.

A summary of the general Australian income tax, stamp duty and GST consequences for Vicwest Shareholders participating in the Merger is set out in Section 10.

Vicwest Shareholders are encouraged to seek independent professional advice regarding the individual tax consequences applicable to them.

7.3 Specific risks relating to the Merged Group

(a) Integration of Vicwest into the Merged Group

The performance of the Merged Group will be influenced by, among other things, the success of integrating the businesses of Vicwest and Bendigo Telco and the strength of management of the Merged Group.

As outlined in Sections 3, 4 and 5, there is a significant degree of overlap between the businesses of Vicwest and Bendigo Telco.

However, there can be no guarantee as to the extent to which the businesses of the Merged Group will be successfully integrated or the time period over which integration will be undertaken.

There are risks that the integration of the Vicwest and Bendigo Telco businesses will take longer than currently expected and that the anticipated benefits of that integration may be less than estimated.

Potential risks include differences in organisational culture, inability to achieve anticipated cost savings and the potential loss of key personnel.

Any failure by the Merged Group to ensure the integration process proceeds as anticipated or to realise estimated integration cost savings may have a material adverse effect on the financial performance and future prospects of the Merged Group.

(b) Contractual events on change of control or a material transaction

The implementation of the Merger may give rise to contractual consequences under material contracts to which Vicwest or Bendigo Telco are a party, including rights for the contractual counterparty to review the contractual arrangements or exercise other rights such as termination rights, rights of pre-emption or a deemed transfer. If a contractual counterparty elects to exercise such rights upon the implementation of the Merger, this may have a material adverse effect on the financial performance of the Merged Group. See Section 11.2 for further information.

(c) Accounting treatment of Vicwest assets in the Merged Group

Following implementation of the Merger, the Merged Group will be required to perform a fair value assessment of all of the assets and liabilities of the Merged Group, including tangible and intangible assets. As a result of that fair value assessment, the Merged Group's charges (for example, depreciation expense and amortisation expense) and asset carrying values may be substantially different to the corresponding charges and asset carrying values applied by Vicwest and Bendigo Telco as standalone entities and, to that extent, may impact upon the future financial performance and financial results of the Merged Group.

The Merged Group will also be subject to risks arising as a result of any future changes in accounting policies applied by the Merged Group which may have an adverse impact on the Merged Group.

Changes to accounting standards may also adversely affect the Merged Group's reported earnings performance in any given reporting period and its consolidated statement of financial position from time to time.

7.4 General risks relating to the Merged Group

(a) Economic conditions and capital markets

New Bendigo Telco Shares issued as Scheme Consideration if the Merger is implemented carry no guarantee in respect of the profitability of the Merged Group, future dividends or returns of capital by the Merged Group, or the price at which Merged Group Shares will trade in the future.

The value of Merged Group Shares will be determined by securities trading and the market, and subject to a range of factors beyond the control of Vicwest and Bendigo Telco (and their respective directors and management).

Factors which may affect the value of the Merged Group Shares include general economic conditions, investor sentiment in relation to the telecommunications industry and equity markets generally, movements in domestic and international interest rates and changes in government policies. Returns from an investment in the Merged Group Shares will also be influenced by the future financial and operating performance, and future prospects of the Merged Group.

(b) General economic conditions

Domestic and global economic conditions may affect the performance of the Merged Group.

Adverse changes in macroeconomic conditions, including global, regional and local economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending and sentiment, and levels of unemployment,

amongst others, are outside of the control of the Merged Group and may result in material adverse impacts on the Merged Group's financial performance and operating results.

(c) Access to funding

The future prospects of the Merged Group, including the successful development of the Merged Group's assets and/or the acquisition of new assets, will be influenced by the ability of the Merged Group to obtain funding via operating cash flows or access to debt and equity capital markets on commercially acceptable terms.

Operating cash flows and access to debt and equity capital markets on commercially acceptable terms is affected by a number of factors beyond the control of the Merged Group, including commodity prices and general economic conditions.

There can be no assurance that the Merged Group will be able to obtain funding as and when required. Volatile market conditions for commodities may prevent or make it difficult for the Merged Group to obtain debt financing or equity financing on commercially acceptable terms.

If access to adequate funding is not maintained by the Merged Group, the Merged Group may not be able to take advantage of opportunities or otherwise respond to market conditions. Failure to obtain funding on a timely basis and on reasonably acceptable terms may also cause the Merged Group to postpone or abandon development plans, or to relinquish or forfeit rights in relation to the Merged Group's assets.

7.5 Business and operating risks of the Merged Group

(a) Migration of CTA customer contracts

As part of the Business Sale Agreement, approximately 1,200 customer contracts (across approximately 220 managed customers) will be transferred from CTA to Bendigo Telco. CTA and Bendigo Telco have agreed the overall process of working together to transfer these contracts and migrating the underlying services associated with those contracts, having regard to their respective obligations pursuant to the Telecommunications Consumer Protection Code and privacy laws. However, there is a risk that not all customer contracts will be migrated to Bendigo Telco successfully. Any failure to migrate customer contracts in the manner anticipated may have a material adverse effect on the financial performance of the Merged Group.

(b) Renewal of major Vicwest customer contracts

Vicwest is currently in the process of negotiating the renewal of existing contracts for the supply of its services to five major customers.

While these negotiations are yet to be concluded, Vicwest is confident that each of these contracts will be renewed. Given the current state of negotiations, however, no guarantee can be provided that any (or all) of the contracts will be renewed.

(c) Regulatory risk

The Merged Group's business activities are subject to the extensive laws and regulations which govern the business activities of the Merged Group. Relevant laws and regulations include the *Telecommunications Act 1997 (Cth)* (including the Telecommunications Consumer Protection Code) and the *Privacy Act 1988 (Cth)* (including the Australian Privacy Principles).

The possible nature and extent of changes to legislation, regulations or guidelines or their interpretation or administration by relevant courts and authorities that may affect the Merged Group's business activities cannot be predicted with any certainty.

Such changes may result in the imposition of more onerous obligations on the Merged Group and, in turn, impact on the planned activities of the Merged Group and its operating and financial performance.

(d) Insurance

The Merged Group will maintain insurance, either through its corporate entity or through a joint venture, for certain activities within ranges of coverage that it believes to be consistent with industry practice. However, in certain circumstances insurance proceeds may not be adequate to cover all potential liabilities and losses including replacement cost, lost revenues, increased expenses, fines and penalties, financial loss or third party liability.

In addition, recovery under insurances is subject to the terms and conditions of the relevant insurance policies which may include material exclusions and uninsured excess amounts (or deductibles). Where the Merged Group does not have insurances in place in respect of a relevant loss or hazard, or a relevant insurance policy does not respond as anticipated, the Merged Group may be exposed to material uninsured losses which, in turn, may impact upon the financial performance of the Merged Group. There is a risk that insurance premiums may increase to a level where the Merged Group considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice. No assurance can be given that the Merged Group will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate and available to cover claims.

(e) Claims, liability and litigation

The risk of litigation is a general risk to the Merged Group's business. The Merged Group may incur costs in making payments to settle any such claims or complying with any court order which may not be adequately covered by insurance, or at all. Such payment may have an adverse impact on the Merged Group's profitability and financial position, and may impact the Merged Group's ability to execute its development plans in part or in full.

8 IMPLEMENTATION OF THE MERGER

8.1 Implementation Deed

On 26 May 2016, Vicwest and Bendigo Telco entered into an Implementation Deed in relation to the Merger under which Vicwest agreed to propose the Merger to its shareholders.

The implementation of the Merger is subject to a number of Conditions Precedent which are summarised in Section 2.7 (Conditions of the Merger).

The Merger will not proceed unless all of these Conditions Precedent are satisfied or waived (if applicable) in accordance with the Implementation Deed.

Vicwest and Bendigo Telco have agreed to use their respective best endeavours to procure the satisfaction of the Conditions Precedent.

A high-level summary of the Implementation Deed is set out in the table below.

Item	Summary
Parties	Vicwest and Bendigo Telco
Interpretation	All capitalised terms used in this summary not otherwise defined in Section 12 have the same meaning as in the Implementation Deed.
Purpose	<p>The purpose of the Implementation Deed is to document the principal terms on which the parties will give effect to the Merger by way of the Scheme.</p> <p>Under the Implementation Deed:</p> <ul style="list-style-type: none">• Vicwest agrees to propose the Scheme on and subject to the terms of the Implementation Deed;• Bendigo Telco agrees to assist Vicwest to propose the Scheme on and subject to the terms of the Implementation Deed; and• the parties agree to carry out certain steps prior to implementing the Scheme (which for Vicwest includes, but is not limited to, preparing and registering the Scheme Booklet, consulting with Bendigo Telco as to the content and presentation of this Scheme Booklet, appointing an Independent Expert, convening and holding the Scheme Meeting and liaising with ASIC).
Conditions Precedent	<p>The implementation of the Scheme is subject to a number of Conditions Precedent as summarised in Section 2.7 of this Scheme Booklet (Conditions of the Scheme).</p> <p>The Scheme will not proceed unless all of these Conditions Precedent are satisfied or waived (if applicable) in accordance with the Implementation Deed.</p> <p>Each of Vicwest and Bendigo Telco must use its reasonable endeavours to procure the satisfaction of the Conditions Precedent.</p>
Termination Rights	<p>Either Vicwest or Bendigo Telco may terminate the Implementation Deed by written notice to the other in the following circumstances:</p> <ul style="list-style-type: none">• if any event occurs which would prevent any of the Conditions Precedent being satisfied, or there is an occurrence that will

Item	Summary
	<p>prevent any of the Conditions Precedent being satisfied by the time and date specified in the Implementation Deed for its satisfaction, or if it becomes probable that the Scheme will not become Effective by 30 September 2016 (or any later date agreed in writing between Vicwest and Bendigo Telco);</p> <ul style="list-style-type: none"> • if, at any time before 8.00am on the Second Court Date, any party has materially breached the Implementation Deed and not rectified the breach within 10 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date) after being notified by the other party of an intention to terminate the Implementation Deed as a result of such breach; and • if, at any time before 8.00am on the Second Court Date, a Court or Government Agency has taken any action permanently restraining or otherwise prohibiting the Scheme, or has refused to do any thing necessary to permit the Scheme, and the action or refusal has become final and cannot be appealed.
Representations and warranties	<p>Each of Vicwest and Bendigo Telco give customary representations and warranties to each other including that:</p> <ul style="list-style-type: none"> • information relating to each of them as contained in this Scheme Booklet will not contain any statement which is materially misleading or deceptive, including by way of omission from that statement; • all information provided to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing its report for inclusion in this Scheme Booklet; • as a continuing obligation, they will ensure that information relating to each of them as contained in this Scheme Booklet will be updated by all further or new information which may arise after the date of this Scheme Booklet until the Second Court Date, which is necessary to ensure that this Scheme Booklet is not misleading or deceptive in any material respect (including because of any material omission); • each of them is a validly existing corporation registered under the laws of its place of incorporation, the execution and delivery of the Implementation Deed has been properly authorised by all necessary corporate action, and they have full power and lawful authority to execute and perform their respective obligations under the Implementation Deed; and • the Implementation Deed does not conflict with or result in the breach of or default under any provision of their respective constitutions or any writ, order or injunction, judgment, law, rule or regulation to which they are party or subject or by which they are bound.

8.2 Bendigo Telco Deed Poll

On 26 May 2016, Bendigo Telco executed the Bendigo Telco Deed Poll, pursuant to which Bendigo Telco has agreed to perform its obligations under the Merger, including the obligation

to provide the Scheme Consideration to Scheme Shareholders, subject to the Scheme becoming Effective.

The Bendigo Telco Deed Poll may be relied upon by a Scheme Shareholder, despite the fact that they are not a party to it.

A copy of the Bendigo Telco Deed Poll is attached at Annexure E to this Scheme Booklet.

8.3 Effective Date

The Merger will, subject to the Conditions Precedent being satisfied or waived (if applicable) as referred to above, become Effective on the Effective Date (being the date an office copy of the Second Court Order from the Second Court hearing is lodged with ASIC).

8.4 Determination of persons entitled to the Scheme Consideration

(a) Scheme Record Date

Those Vicwest Shareholders on the Register on the Scheme Record Date (i.e. 7pm on 26 August 2016) will become entitled to the Scheme Consideration in respect of the Vicwest Shares they hold at that time, if the Merger is implemented.

(b) Dealings on or prior to the Scheme Record Date

For the purposes of calculating entitlements under the Scheme, any dealing in Vicwest Shares will only be recognised if registrable transmission applications or transfers in respect of those dealings are received on or before the Scheme Record Date at the Vicwest registry.

Subject to the Corporations Act and the Constitution, Vicwest must register registrable transmission applications or transfers of the kind recognised above by the Scheme Record Date.

Vicwest will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Vicwest Shares received after the Scheme Record Date.

(c) Dealings after the Scheme Record Date

For the purposes of determining the entitlement to the Scheme Consideration, Vicwest must maintain the Register until the Scheme Consideration has been paid to Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.

From the Scheme Record Date, except as evidence of entitlement to the Scheme Consideration in respect of the Vicwest Shares relating to that entry:

- all statements of holding in respect of Vicwest Shares cease to have effect as documents of title in respect of such Vicwest Shares; and
- each entry current at that date on the Register will cease to have effect.

8.5 Fractional entitlements and share splitting

(a) Fractional entitlements

Where the calculation of the number of New Bendigo Telco Shares to be issued to a particular Scheme Shareholder would result in the issue of a fraction of a New Bendigo

Telco Share, the fractional entitlement will be rounded down to the nearest whole number of New Bendigo Telco Shares.

(b) Share splitting

If Vicwest or Bendigo Telco are of the opinion, formed reasonably, that several Scheme Shareholders (each of whom holds a number of Vicwest Shares that results in rounding under Section 8.5(a) (Fractional entitlements)) have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to such rounding, Bendigo Telco and Vicwest may give notice to those Scheme Shareholders:

- (i) setting out the names and registered addresses of all of them;
- (ii) stating that opinion; and
- (iii) attributing to one of them specifically identified in the notice the Vicwest Shares held by all of them.

After such notice has been given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of the Scheme, be taken to hold all of those Vicwest Shares and each of the other Scheme Shareholders whose names and registered addresses are set out in the notice shall, for the purposes of the Scheme, be taken to hold no Vicwest Shares.

8.6 Payment of the Scheme Consideration

On the Implementation Date, Scheme Shareholders will be issued one New Bendigo Telco Shares for every 2.074 Scheme Shares they hold on the Scheme Record Date.

8.7 Implementation Date

The Implementation Date is the date that is five Business Days after the Scheme Record Date. The Implementation Date is expected to be 1 September 2016.

On the Implementation Date, Bendigo Telco must issue New Bendigo Telco Shares to each Scheme Shareholder as the Scheme Consideration, and cause their names and addresses to be entered in the Bendigo Telco Register in respect of the New Bendigo Telco Shares to which they are entitled. As soon as practicable after the Implementation Date, Bendigo Telco must send a certificate or holding statement (or equivalent document) to each Scheme Shareholder representing the number of New Bendigo Telco Shares issued to the Scheme Shareholder pursuant to the Scheme.

Once the Scheme Consideration has been issued, the Scheme Shares will be transferred to Bendigo Telco without any need for further actions by any Scheme Shareholder.

8.8 Commencement of Trading of New Bendigo Telco Shares

Bendigo Telco will apply for the quotation of New Bendigo Telco Shares issued as the Scheme Consideration on the Effective Date, and these shares are expected to commence trading on the NSX on 1 September 2016.

The exact number of New Bendigo Telco Shares to be issued to Scheme Shareholders will not be known until after the Scheme Record Date and will not be confirmed to them until they receive their holding statements/confirmations following the Implementation Date.

It is the responsibility of each Scheme Shareholder to confirm their holdings of New Bendigo Telco Shares before they trade them to avoid the risk of committing to sell more than will be issued to them.

8.9 Amending Resolution

As currently drafted, the Constitution prohibits the ownership of greater than 10% of all the shares on issue in Vicwest. However, if the Merger is implemented, it will result in Bendigo Telco owning all of the Scheme Shares, which will be in breach of the Constitution, unless it is amended.

The purpose of the Amending Resolution is to amend the Constitution to enable Bendigo Telco to own all of the Scheme Shares following the implementation of the Scheme.

The Amending Resolution is contained in the Notice of Extraordinary General Meeting annexed as Annexure F and will be voted on by Scheme Shareholders during the Extraordinary General Meeting. Approval of the Amending Resolution will be subject to approval of the Scheme by the Scheme Shareholders at the Scheme Meeting.

At least 75% of the votes cast by Scheme Shareholders at the Extraordinary General Meeting will be required to approve the Amending Resolution.

9 OVERVIEW OF THE ANCILLARY TRANSACTIONS

9.1 Overview

As referred to in Section 2.4, in connection with the Merger, certain Ancillary Transactions will be undertaken by Vicwest and Bendigo Telco, together with Bendigo Bank and its wholly-owned subsidiary, Community Telco Australia to give effect to the efficacy of the Merger.

The Ancillary Transactions are conditional on implementation of the Scheme.

The terms of the Ancillary Transactions are governed by a Transaction Framework Agreement between Vicwest, Bendigo Telco and Bendigo Bank. A summary of the key terms of the Transaction Framework Agreement is contained in Section 9.7.

In summary, the Ancillary Transactions comprise the following key components:

- Termination of the existing Vicwest franchise arrangements (Section 9.2);
- Sale of parts of Community Telco Australia's business to Bendigo Telco (Section 9.3);
- Provision of a new loan facility by Bendigo Bank to Bendigo Telco (Section 9.4);
- Entry into a new wide area network services agreement between Bendigo Telco and Bendigo Bank (known as the 'BEN4 Agreement') (Section 9.5); and
- Certain other incidental contractual arrangements (Section 9.6).

Further detail regarding each of these Ancillary Transactions is set out below.

As referred to in Section 2.4, the Independent Expert has reviewed the Ancillary Transactions and confirmed that nothing has come to its attention that causes it to believe that:

- The Ancillary Transactions are not on arm's length terms by having regard to the existing relationships between the parties and the genesis of, and the links between, the Merger and the Ancillary Transactions; or
- There is a net benefit being provided to Bendigo Bank insofar as the benefits that it is receiving under the terms of the Merger (including the Ancillary Transactions) will exceed the benefits being provided by Bendigo Bank under those transactions.

9.2 Termination of the existing Vicwest franchise arrangements

To currently provide its services, Vicwest operates within a franchise model and supplies telecommunications services sourced by its franchisor, Community Telco Australia. Community Telco Australia is a wholly-owned subsidiary of Bendigo Bank.

Under the franchise arrangements, Vicwest currently pays franchise fees of approximately \$800,000 per annum to Community Telco Australia.

In return, Community Telco Australia provides certain associated supply discount and gross margin subsidy arrangements to Vicwest. These subsidies equate to approximately \$600,000 per annum in respect of certain telecommunications services acquired by Bendigo Bank that are attributed to Vicwest supply.

If the Merger proceeds, Vicwest will become a wholly-owned subsidiary of Bendigo Telco and so no longer require franchise services from Community Telco Australia.

Accordingly, if the Merger proceeds, Vicwest and Community Telco Australia have mutually agreed to terminate such franchise arrangements.

As the franchise arrangements will be terminated, Vicwest will no longer pay Community Telco Australia a franchise fee. In addition, the associated subsidy arrangements will also be terminated.

9.3 Sale of parts of Community Telco Australia's business to Bendigo Telco

Bendigo Bank will procure Community Telco Australia to sell parts of its managed telecommunications resupply business to Bendigo Telco pursuant to the Business Sale Agreement (which includes the issue of Bendigo Telco Shares to Community Telco Australia as consideration for that sale).

The key terms of the Business Sale Agreement are as follows:

- (i) Bendigo Telco will acquire the following key assets associated with Community Telco Australia's telecommunication services resupply business:
 - (A) approximately 1,200 customer contracts (from approximately 220 customers); and
 - (B) plant and equipment;
- (ii) Bendigo Telco will issue 500,000 Bendigo Telco Shares to Community Telco Australia at an issue price of \$2.00 per share, valuing the transaction at \$1 million, and will make a cash payment to Community Telco Australia of approximately \$25,000 for the plant and equipment;
- (iii) Bendigo Telco will offer employment to 7 Community Telco Australia employees on substantially the same terms as their current employment;
- (iv) Community Telco Australia will supply to Bendigo Telco, Optus post-paid mobile digital services on a wholesale basis for the duration of Community Telco Australia's contractual arrangements with Optus; and
- (v) Bendigo Telco will assume from Community Telco Australia its minimum spend obligations to AAPT in respect of the customer contracts to be transferred to the Company pursuant to the Business Sale Agreement.

The anticipated gross margin (revenue less the cost of goods and services sold) associated with the customer contracts to be acquired from Community Telco Australia for the 12 month period just prior to the Second Court Date is anticipated to be \$2.3 million.

A calculation will be done by Community Telco Australia just prior to the Second Court Date.

If the gross margin at the time of calculation is less than \$2.07 million, Community Telco Australia has the right to top up the transferring customer base. If the gross margin remains less than \$2.07 million, this will trigger a material adverse change with respect to Community Telco Australia, which will enable Bendigo Telco to terminate the Implementation Deed (see Section 2.7).

The Business Sale Agreement contains customary warranties and representations from both Community Telco Australia and Bendigo Telco.

9.4 Execution of a new Loan Agreement between Bendigo Telco and Bendigo Bank

Bendigo Bank will provide a loan in the amount of \$3,800,000 to Bendigo Telco (**Bendigo Telco Loan**) for the purpose of repaying the existing \$3,800,000 loan from Bendigo Bank to Vicwest (**Vicwest Loan**) and for working capital purposes.

The key terms of the Bendigo Telco Loan are as follows:

- (i) the facility is split into two types as follows:

- (A) \$1.5 million, which is interest only for the whole term; and
- (B) \$2.3 million, which is interest only for 12 months, followed by principal and interest for the remaining term;
- (ii) the term is 84 months from initial drawdown;
- (iii) the interest rate is the Reserve Bank of Australia cash rate. The interest rate will immediately convert to a market rate of interest if a person other than Bendigo Bank acquires a relevant interest in 20% or more of Bendigo Telco Shares or Bendigo Telco lists on the ASX or takes action to list on the ASX; and
- (iv) the facility will be initially secured by a general security deed over all present and after acquired property of Bendigo Telco and BCT Shepparton and a guarantee and indemnity from BCT Shepparton. Within 21 days of the initial drawdown, similar security will be provided by Vicwest, BCE and GCT.

A summary of the key terms of the existing Vicwest Loan is set out in Section 11.6.

This Bendigo Telco Loan will be in addition to Bendigo Telco's existing debt facilities with Bendigo Bank, which as at the date of this Scheme Booklet, are as follows:

- overdraft facility of \$500,000; and
- standard lease facility of \$2,182,000.

9.5 Entry into new BEN4 Agreement

For in excess of 15 years, Bendigo Telco has provided a variety of data network and data related services to Bendigo Bank on commercial terms. Over that extended period, the data services provided by Bendigo Telco have changed over time to meet the evolving business needs of the Bendigo Bank, to leverage the benefits derived from the introduction of new technologies and to access new ubiquitous networks (such as the National Broadband Network).

The BEN4 Agreement is a proposed agreement under which Bendigo Telco will supply wide area network services and certain related services to Bendigo Bank for a 5 year term commencing on 1 January 2017 on terms to be agreed between Bendigo Telco and Bendigo Bank (both acting reasonably). The purpose of this agreement is to enter into a new five year supply agreement, but on different terms (including as to fees) to the existing managed wide area network services agreement dated 1 July 2011 entered into between Bendigo Bank and Bendigo Telco, as extended until 31 December 2016 by an agreement entered into between Bendigo Bank and Bendigo Telco (**BEN3 Agreement**).

Utilising much of their existing core infrastructure currently incorporated in their BEN3 offering, Bendigo Telco's BEN4 solution is optimised to allow access to now available internet and cloud services, to provide flexibility in network design changes, is engineered to enable future technology convergences, to provide the same high reliability low risk performance as BEN3 and to provide the same Network Operation Management service as provided in BEN3. The Network Operation Management service offered by Bendigo Telco enables them to remotely monitor and manage the performance and status of the routers, switches, transmission equipment and links of the Bank's data network.

In accordance with normal business practices and as has been done in previous contract negotiations between the parties, the technical staff from the Bendigo Bank's IT Department and Bendigo Telco are currently negotiating the BEN4 Agreement with all matters being considered on commercial terms. In addition, although the execution of the BEN4 contract is a condition precedent to the Scheme, all BEN4 negotiations are being undertaken at arm's length to the Scheme. Bendigo Bank and Bendigo Telco (both acting reasonably) are aiming to conclude negotiations and to execute the BEN4 Agreement by the end of July 2016.

The BEN4 Agreement will commence on the Implementation Date but the 5 year service term under it will not commence until 1 January 2017. Until 31 December 2016, Bendigo Telco will continue to supply services to Bendigo Bank under the BEN3 Agreement.

The BEN4 Agreement will replace the BEN3 Agreement with effect from 1 January 2017.

9.6 Certain other incidental contractual arrangements

Certain other less material incidental contractual arrangements are to be amended or implemented to reflect the post-Merger structure, including the following:

(a) Transitional Services Agreement

Community Telco Australia and Bendigo Telco will enter into a transitional services agreement pursuant to which Community Telco Australia will supply services to Bendigo Telco in connection with the migration of customer services acquired by transferring customers under the Business Sale Agreement.

(b) Other contractual arrangements

The parties have agreed to enter into, or procure the entry into, the following contractual arrangements which are incidental to the other Ancillary Transactions described above:

- A variation of the wholesale standard services agreement dated 28 November 2012 between Community Telco Australia and AAPT Limited (as varied by an agreement entered into in September 2014 between Community Telco Australia, AAPT Limited and Bendigo Bank). The purpose of the variation is to secure from AAPT Limited for Community Telco Australia's benefit (and on terms acceptable to it, acting reasonably) a promise to reduce Community Telco Australia's minimum spend obligations under this agreement in recognition of the transfer of various customer contracts from Community Telco Australia to Bendigo Telco under the Business Sale Agreement;
- A variation of the wholesale standard service agreement entered into between Bendigo Telco and AAPT Limited on 12 September 2014. The purpose of the variation is to obtain AAPT Limited's consent to the potential change of control of Bendigo Telco as a consequence of the Merger, to secure a commitment from AAPT Limited to supply services to Bendigo Telco in respect of the various customer contracts transferred by Community Telco Australia to Bendigo Telco under the Business Sale Agreement and to record Bendigo Telco's promise to assume Community Telco Australia's minimum spend obligations following the transfer of customer contracts referred to above;

In relation to the AAPT agreements above, Bendigo Telco and Community Telco Australia have separate Telecommunication Wholesale Supply Agreements with AAPT for the provision of voice and data services. Although the separate contracts cover a variety of products and services, the AAPT supply pricing to both companies is almost identical without any material difference.

- The termination of a master telecommunications services supply agreement entered into between Community Telco Australia, Bendigo Telco and Bendigo Bank dated 29 September 2014; and
- Termination of the wholesale telecommunication supply discount arrangement between Community Telco Australia and Vicwest, under which the benefit of up to 50% of any past price reductions in wholesale charges negotiated between Community Telco Australia and its wholesale providers is retained by Community Telco Australia.

9.7 Summary of Transaction Framework Agreement

As referred to above, the terms of the Ancillary Transactions are governed by a Transaction Framework Agreement between Vicwest, Bendigo Telco and Bendigo Bank.

The key terms of the Transaction Framework Agreement in addition to those already set out in this Section 9 above are as follows.

(a) Conditions precedent

The obligations of the parties under the TFA to (as applicable) implement the Scheme, enter into the Ancillary Transactions or otherwise implement the Merger are subject to:

- (i) satisfaction of the conditions precedent set out in the Implementation Deed; and
- (ii) each of the Implementation Deed, Business Sale Agreement, Bendigo Telco Loan Agreement, Scheme and Bendigo Telco Deed Poll not having been breached, varied, terminated, rescinded, altered, amended or found to be void, voidable or otherwise, before 8am on the Second Court Date.

(b) Warranties

Bendigo Bank, Bendigo Telco and Vicwest have provided warranties to one another in relation to valid existence, corporate capacity to enter into the TFA, solvency, accuracy of information contained in the Scheme Booklet and related matters.

(c) Third Party Proposal

If a proposal by a third party to acquire all the shares of Vicwest is publicly announced at any time between the date on which the Scheme Booklet is dispatched to Scheme Shareholders and the date on which the Scheme Meeting is to be held, Vicwest must:

- (i) ensure that Scheme Shareholders are provided with all information which is known to Vicwest and which is material to the Scheme Shareholders' consideration of the Scheme, including any material information concerning the third party proposal;
- (ii) consult in a timely manner with ASIC in relation to the material information concerning the third party proposal and the time by which such information is to be dispatched to Scheme Shareholders prior to the date on which the Scheme Meeting is to be held; and
- (iii) take such steps as reasonably required to adjourn the holding of the Scheme Meeting to allow the Scheme Shareholders at least 10 Business Days prior to the last date on which proxies may be lodged with Vicwest in relation to the Scheme Meeting to consider the material information concerning the third party proposal.

(d) Termination of the TFA

The parties may terminate the TFA by written notice in the following circumstances:

- (i) if there is a breach or non-fulfilment of a condition precedent of the TFA; or
- (ii) in the event of a material breach of any clause of the TFA, including the material breach of any warranty or representation given by a party under the TFA.

(e) Other provisions

The TFA also includes obligations relating to public announcements, indemnities and releases and other matters.

The Directors
Vicwest Community Telco Limited
Unit 3, 2-6 Rutland Street
NEWTOWN VIC 3220

24 June 2016

Dear Directors

AUSTRALIAN TAXATION IMPLICATIONS OF THE SCHEME

1. Background

We have been requested by the Directors of Vicwest Community Telco Limited (“**Vicwest**”) to provide a summary of the Australian taxation consequences for Vicwest Shareholders as a result of the implementation of the Scheme. We have provided our consent for the inclusion of this letter in the Scheme Booklet.

This letter provides a general summary of Australian taxation issues for Vicwest Shareholders who hold their Vicwest Shares on capital account. This letter does not consider the Australian taxation consequences for Vicwest Shareholders who:

- Are in the business of dealing or trading in securities or who otherwise hold their Vicwest Shares on revenue account for tax purposes; or
- Hold their Vicwest Shares through an employee share scheme.

It also does not consider the consequences for Vicwest Shareholders who are subject to Division 230 of the *Income Tax Assessment Act 1997* (the Taxation of Financial Arrangements regime) and have made fair value or financial reports elections.

This report has been drafted on the basis of Australian income tax legislation and interpretations of that legislation (including the administrative practices of the Australian Taxation Office) at the date of this report. It does not take into account the tax law of countries other than Australia.

This report is general in nature and is not intended to be an authoritative or complete statement of the applicable law. Vicwest Shareholders should seek independent professional advice taking into account their specific circumstances.

Capitalised terms that are not otherwise defined in this letter have the meaning given to them in the Scheme Booklet.

2. Australian tax resident Vicwest Shareholders

2.1. Disposal of Vicwest Shares

2.1.1. *CGT event A1*

If the Scheme is implemented, each Vicwest Shareholder will receive one Bendigo Telco Share for every 2.074 Vicwest Shares held and Vicwest will become a wholly-owned subsidiary of Bendigo Telco.

The transfer of Vicwest Shares to Bendigo Telco on the Implementation Date will result in CGT event A1 happening for Vicwest Shareholders. Accordingly, Vicwest Shareholders that are Australian tax residents will:

- Make a capital gain if the capital proceeds for their Vicwest Shares are greater than the cost base of their Vicwest Shares (subject to the availability of CGT roll-over relief, as discussed below); or
- Make a capital loss if the capital proceeds for their Vicwest Shares are less than the reduced cost base of their Vicwest Shares.

The capital proceeds for the transfer of Vicwest Shares will be the market value of the Bendigo Telco Shares received as consideration (determined as at the Implementation Date).

The cost base of the Vicwest Shares will generally be the purchase price of the Shares (or the deemed cost of acquisition) plus certain incidental costs of acquisition and disposal of the Vicwest Shares. The reduced cost base is determined in a similar manner.

2.1.2. *CGT scrip-for-scrip roll-over relief*

Vicwest Shareholders should generally be eligible to choose CGT scrip-for-scrip roll-over relief to the extent that they would otherwise make a capital gain. CGT scrip-for-scrip roll-over relief cannot apply where the relevant Shareholder incurs a capital loss.

Where CGT scrip-for-scrip roll-over relief applies in respect of the Scheme, any capital gain derived in respect of the disposal of Vicwest Shares is disregarded. The tax liability attached to that capital gain is effectively deferred until the disposal of the Bendigo Telco Shares received in exchange for the Vicwest Shares. That is, choosing CGT scrip-for-scrip roll-over relief will affect the cost base of the Bendigo Telco Shares acquired, which in turn will affect the tax consequences of a future disposal of the Bendigo Telco Shares.

No formal election is required to be lodged in order to choose CGT scrip-for-scrip roll-over relief. The choice would be evidenced by a Vicwest Shareholder lodging their income tax return for the income year in which the Scheme occurs in a manner consistent with having chosen CGT scrip-for-scrip roll-over relief to apply.

Where CGT scrip-for-scrip roll-over relief does not apply in respect of the disposal of a Shareholder's Vicwest Shares, the Vicwest Shareholder may make a capital gain or capital loss on the disposal.

Capital gains of a taxpayer in an income year are aggregated and then reduced by capital losses made during the income year. Any capital gain remaining is then further reduced by unused net capital losses of earlier years (subject to satisfying certain loss recoupment conditions) to determine whether the taxpayer has a net capital gain for the year. Any net capital gain is included in assessable income and is subject to income tax at the taxpayer's marginal tax rate. If a taxpayer's capital losses for an income year exceed its capital gains, the excess will be a net capital loss. A net capital loss cannot be deducted against other income for income tax purposes, but may be carried forward to offset capital gains derived in future income years (subject to certain conditions in the case of companies and trusts).

A CGT discount may be applied in relation to the net capital gain where:

- The relevant Vicwest Shareholder is an individual, complying superannuation entity or trustee;
- The shares have been held for at least 12 months; and
- Certain other conditions are satisfied.

Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a complying superannuation entity) may be reduced by 50% (after offsetting current year and prior year capital losses). For a complying superannuation entity, any capital gain may be reduced by 33⅓% (after offsetting current year and prior year capital losses). Corporate investors are not entitled to any CGT discount and are generally taxed at 30% on capital gains they derive.

Where a Vicwest Shareholder is a trustee, the CGT discount may flow through to the beneficiaries of that trust (other than corporate beneficiaries). Vicwest Shareholders that are trustees should seek specific advice in respect of the tax consequences of distributions to beneficiaries attributable to discounted capital gains.

The relative benefit of choosing to obtain CGT scrip-for-scrip roll-over relief is dependent on each Shareholder's particular circumstances. Vicwest Shareholders should obtain independent tax advice as to the most appropriate course of action.

The following examples demonstrate the CGT implications of the transfer of Vicwest Shares where CGT scrip-for-scrip roll-over relief does not apply. The example assumes (for illustrative purposes only) that:

- The Vicwest Shareholder has a cost base of \$1.00 for each Vicwest Share;
- On the Implementation Date the market value of each Bendigo Telco Share is \$2.30 (for Example 1(a));
- On the Implementation Date the market value of each Bendigo Telco Share is \$2.05 (for Example 1(b)).

EXAMPLE 1(a): No CGT roll-over relief

A Vicwest Shareholder, who is an Australian resident individual, owns 2,074 Vicwest Shares with a cost base of \$1.00 for each share (total cost base of \$2,074).

On the Implementation Date, the Vicwest Shareholder receives 1,000 Bendigo Telco Shares (i.e. 1 Bendigo Telco Share for every 2.074 Vicwest Shares). The market value of each Bendigo Telco Share on the Implementation Date is \$2.30.

CGT roll-over relief does not apply in respect of the transfer of the Vicwest Shareholder's Vicwest Shares.

Capital proceeds	\$2,300 (1,000 x \$2.30)
Cost base of Vicwest Shares	\$2,074
Capital gain	= Capital proceeds - Cost base of Vicwest Shares = \$2,300 - \$2,074 = \$226

If the Vicwest Shareholder held the Vicwest Shares for more than 12 months, the CGT discount may apply to reduce the capital gain by 50%, i.e. to \$113 (assuming the Vicwest Shareholder has no capital losses).

EXAMPLE 1(b): No CGT roll-over relief (capital loss)

A Vicwest Shareholder, who is an Australian resident individual, owns 2,074 Vicwest Shares with a cost base of \$1.00 for each share (total cost base of \$2,074).

On the Implementation Date, the Vicwest Shareholder receives 1,000 Bendigo Telco Shares (i.e. 1 Bendigo Telco Share for every 2.074 Vicwest Shares). The market value of each Bendigo Telco Share on the Implementation Date is \$2.05.

CGT roll-over relief is unavailable in respect of the transfer of the Vicwest Shareholder's Vicwest Shares as the Vicwest Shareholder has made a capital loss on the transaction.

Capital proceeds	\$2,050 (1,000 x \$2.05)
Cost base of Vicwest Shares	\$2,074
Capital loss	= Capital proceeds - Cost base of Vicwest Shares = \$2,050 - \$2,074 = (\$24)

2.2. Holding and disposing of Bendigo Telco Shares

For Australian tax resident Vicwest Shareholders the tax consequences of holding Bendigo Telco Shares will generally be comparable to the tax consequences of holding their existing Vicwest Shares.

That is, Vicwest Shareholders holding Bendigo Telco Shares will generally be taxable on:

- any dividends received from Bendigo Telco (although a tax offset for any franking credits attached to those dividends may be available - refer further below); and
- any capital gain arising from a future disposal of Bendigo Telco Shares.

2.2.1. Holding Bendigo Telco Shares

The Bendigo Telco shares should be treated as “equity interests” for Australian tax purposes. Any profits returned to Bendigo Telco Shareholders in respect of the shares should be treated as dividends for Australian taxation purposes. Dividends received by Australian tax resident shareholders will constitute assessable income.

Individuals and complying superannuation entities

Australian tax resident shareholders who are individuals or complying superannuation entities should include the dividend in assessable income in the year in which the dividend is paid, together with any franking credit attached to that dividend. The franking credit is generally available as an offset against the shareholder’s tax liability (subject to the shareholder being a “qualified person” - refer further comments below). Where the tax offset exceeds the tax payable on the shareholder’s taxable income, shareholders should be entitled to a refund.

Where a dividend is unfranked, shareholders will generally be liable for tax at their applicable marginal tax rate. No tax offset is available.

Corporate shareholders

Australian tax resident corporate shareholders should also include the dividend received (and attached franking credit) in their assessable income. A tax offset is available (up to the amount of the franking credit). Excess franking credits received do not give rise to a refund of tax but may be able to be converted into tax losses.

Such shareholders should also be entitled to a credit in their own franking account (to the extent of the franking credit received) that can in turn be passed back to their own shareholders on the payment of dividends.

The receipt of unfranked dividends will be subject to tax at the general company tax rate (30%).

Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the franking credit received by the trust or partnership.

“At risk” holding of shares

The above stated benefit of franking credits can be denied where a shareholder is not a “qualified person” in which case the shareholder will not be able to include an amount for the franking credit in their assessable income and will not be entitled to a tax offset. Broadly, to be a qualified person, a shareholder must satisfy the holding period rule, and, if necessary, the related payments rule.

The holding period rule requires a shareholder to hold the shares “at risk” for more than 45 days continuously (from the day after the shareholder acquires the shares to the 45th day after the shares become ex-dividend). Any day on which a shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over the shares, or entering into a disposal contract) will not be counted as a day on which the shareholder held the shares “at risk”. The holding period rule is subject to certain exceptions (including where the total franking offsets for an individual in an income year is less than \$5,000). Specific rules apply to trusts and beneficiaries.

Under the related payments rule, a different testing period applies where an shareholder has made, or is under an obligation to make, a “related payment” in relation to a dividend (broadly involving the benefit of the dividend being passed on to another party). The related payment rule requires the shareholder to have held the shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the shares become ex-dividend.

Shareholders should obtain their own tax advice to determine if these requirements have been satisfied.

2.2.2. Disposing of Bendigo Telco Shares

The tax consequences for a Vicwest Shareholder on a future disposal of Bendigo Telco Shares in a normal on-market transaction should generally be similar to the consequences of the disposal of Vicwest Shares without choosing CGT roll-over relief, as described in section 2.1.2 above.

To work out any capital gain (or capital loss) on a disposal of Bendigo Telco Shares it will be necessary to have regard to the cost base (or reduced cost base) of the Bendigo Telco Shares and their acquisition date. A shareholder’s cost base, reduced cost base and acquisition date for their Bendigo Telco Shares will depend on whether they choose to obtain CGT scrip-for-scrip roll-over relief in respect of the transfer of their Vicwest Shares under the Scheme.

(a) Where CGT scrip-for-scrip roll-over relief applies

Where CGT scrip-for-scrip roll-over relief applies in respect of the transfer of Vicwest Shares, in general terms a Vicwest Shareholder’s existing cost base for their Vicwest Shares is apportioned across their new Bendigo Telco Shares.

The following example demonstrates how the cost base and reduced cost base of Bendigo Telco Shares is determined where CGT scrip-for-scrip roll-over relief applies. This example is based on the same assumptions as in Example 1(a) in section 2.1.2 above.

EXAMPLE 2(a): Cost base of Bendigo Telco Shares where CGT scrip-for-scrip rollover relief applies

Cost base of Vicwest Shares	\$2,074
	= $\frac{\text{Cost base of Vicwest Shares}}{\text{Number of Bendigo Telco Shares}}$
Cost base of each new Bendigo Telco Share	= $\frac{\$2,074}{1,000}$
	= \$2.074

Each Bendigo Telco Share will be deemed to have been acquired by the relevant Vicwest Shareholder on the same date that they acquired the Vicwest Shares which gave rise to the entitlement to acquire the Bendigo Telco Share. This deemed acquisition date will be relevant for CGT discount purposes (where applicable).

(b) Where CGT scrip-for-scrip roll-over relief does not apply

Where CGT scrip-for-scrip roll-over relief does not apply, the cost base and reduced cost base of the Bendigo Telco Shares should be equal to the market value of the Vicwest Shares (determined on the Implementation Date) that are exchanged in return for the Bendigo Telco Shares. In this case, the Bendigo Telco Shares will be taken to have been acquired on the Implementation Date.

The following example demonstrates how the cost base and reduced cost base of the Bendigo Telco Shares is determined where CGT scrip-for-scrip roll-over relief does not apply. The example is based on the same assumptions as in:

- Example 1(a) in section 2.1.2 above and, in addition, the assumption that the market value of the Vicwest Shares exchanged equals the consideration received (i.e. the total market value of the Bendigo Telco Shares received, being \$2,300); and
- Example 1(b) in section 2.1.2 above.

EXAMPLE 2(b): Cost base of Bendigo Telco Shares where CGT scrip-for-scrip rollover relief does not apply

Market value of Vicwest Shares	=	\$2,300
	=	$\frac{\text{Market value of Vicwest Shares}}{\text{Number of Bendigo Telco Shares}}$
Cost base of each new Bendigo Telco Share	=	$\frac{\$2,300}{1,000}$
	=	\$2.30

EXAMPLE 2(c): Cost base of Bendigo Telco Shares where CGT scrip-for-scrip rollover relief does not apply (capital loss)

Market value of Vicwest Shares	\$2,050
	= $\frac{\text{Market value of Vicwest Shares}}{\text{Number of Bendigo Telco Shares}}$
Cost base of each new Bendigo Telco Share	= $\frac{\$2,050}{1,000}$
	= \$2.05

3. Non-resident Vicwest Shareholders

The information in this section dealing with Vicwest Shareholders that are non-residents of Australia for tax purposes does not apply to non-residents who hold their Vicwest Shares:

- on revenue account for tax purposes;
- through a permanent establishment in Australia; or
- via an interposed Australian entity or entities.

These Vicwest Shareholders should seek their own independent tax advice.

Vicwest Shares held by non-residents should only be subject to Australian CGT if the shares qualify as “taxable Australian property”. Very broadly, a share in Vicwest should not be “taxable Australian property” for a non-resident shareholder unless:

- that shareholder, together with its associates, held 10% or more of the shares in Vicwest at the time of disposal or for any continuous 12 month period within the 24 month period preceding the disposal; and
- more than 50% of Vicwest’s value is due to direct or indirect interests in Australian real property (defined to include interests in land as well as mining and exploration leases and licences).

There are special rules for determining whether a non-resident can qualify for CGT scrip-for-scrip rollover relief in respect of the disposal of shares that are “taxable Australian property”. Any non-resident shareholder that has held at least 10% of the shares in Vicwest at any time during the 24 month period prior to the Implementation Date should seek their own independent tax advice as to the Australian tax implications of the Scheme, including whether protection from Australian tax is available under an applicable double tax agreement.

4. Indirect taxes

Shareholders should not be liable for stamp duty in respect of their investment in shares. Further, under current legislation, no stamp duty should be payable in the event of a subsequent transfer of shares.

Shareholders should not be liable for GST in respect of their investment in shares. Shareholders may not be entitled to claim full input tax credits in respect of GST paid on costs incurred in connection with the acquisition of shares.

Shareholders should seek independent professional advice on the indirect tax implications of holding and disposing of the shares, taking into account their specific circumstances.

5. Tax file number (“TFN”) and Australian Business Number (“ABN”)

Shareholders who do not quote their TFN or ABN will automatically be subject to a withholding tax (at the highest marginal tax rate) on any unfranked dividend paid to them by Bendigo Telco. The highest marginal tax rate (including the Medicare levy and the Temporary Budget Repair levy) is currently 49%.

Bendigo Telco is required to withhold and remit such tax until the time that the TFN or ABN is supplied by the shareholder. The amount withheld by Bendigo Telco in these circumstances should be available as a credit against the shareholder’s tax liability.

Disclaimer

This taxation report does not constitute “financial product advice” under the Corporations Act 2001 as BDO East Coast Partnership is not licensed to provide financial product advice under the Corporations Act 2001.

This report has been prepared for general circulation and does not take into account the financial situation, objectives or needs of any shareholder. Therefore, any shareholder should, before acting on



this Prospectus, consider seeking advice from a person who is licensed to provide financial product advice under the Corporations Act 2001.

Yours sincerely

BDO EAST COAST PARTNERSHIP

A handwritten signature in black ink, appearing to read 'J. de Boer', is written over a light blue horizontal line.

Jason de Boer
Partner

CC:

11 ADDITIONAL INFORMATION

11.1 Introduction

This Section sets out additional information relating to the Merger.

11.2 Change of control

Vicwest has reviewed the contracts containing change of control or assignment provisions which may be triggered by implementation of the Merger.

This review has identified a small number of Vicwest contracts that will require the relevant counterparties to consent to the change in control of Vicwest that would result from the implementation of the Merger.

Vicwest is currently in the process of obtaining these counterparty consents. The Vicwest Independent Directors do not consider that this process should raise any material issues.

11.3 Deemed warranty on transfer of Scheme Shares to Bendigo Telco

Under clause 7.2 of the Scheme annexed at Annexure D, Scheme Shareholders are deemed to warrant to Vicwest and Bendigo Telco, and appoint and authorise Vicwest as its attorney to warrant to Bendigo Telco that:

- (a) all of their Vicwest Shares (including any rights and entitlements attaching to those Vicwest Shares) which are transferred under the Scheme will, at the date of transfer:
 - (i) be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) liens, encumbrances and interests of third parties of any kind, whether legal or otherwise; and
 - (ii) be free from any restrictions on transfer of any kind; and
- (b) they have full power and capacity to sell and to transfer their Vicwest Shares together with any rights attaching to those shares.

11.4 Deemed consent for other incidental actions

Under clause 7.5(b) of the Scheme annexed at Annexure D, each Scheme Shareholder will be deemed to have irrevocably appointed and consented to Vicwest, and all of its directors, officers and secretaries as its attorney and agent for the purpose of executing any document necessary to give effect to the Scheme.

11.5 2012 Acquisition of Vicwest Shares by Bendigo Bank

Bendigo Bank provides banking and financial services primarily to retail customers and small to medium sized businesses with a focus on providing these services to regional communities.

As part of its community banking business model, and in addition to being a shareholder of Vicwest, Bendigo Bank also provides franchise and telecommunications support services to Vicwest via its wholly-owned subsidiary, Community Telco Australia in order for Vicwest to operate its business.

Bendigo Bank has also provided Vicwest with financial accommodation in order to support Vicwest's business, including the provision of various facilities and money owing to Community Telco Australia.

In 2012, to assist Vicwest to manage its financial position, Bendigo Bank agreed to convert some of Vicwest's debt into equity (the **Swap**).

The Swap was effected by Vicwest issuing 1,535,504 ordinary \$1.00 shares to Bendigo Bank, resulting in Bendigo Bank holding 50% of the shares in Vicwest. At the time of Bendigo Bank's acquisition of 50% of Vicwest's shares pursuant to the Swap, there were over 50 Vicwest Shareholders.

In order to effect the Swap, Vicwest sent a Notice of Special Meeting (**Notice**) to the Vicwest Shareholders seeking approval to, amongst other things, amend the Constitution and to issue the shares to Bendigo Bank. A general meeting of Vicwest Shareholders was held on 11 October 2012 and approved an amendment to the Constitution allowing Bendigo Bank to hold 50% of the total number of Vicwest Shares and approved the issue of 1,535,504 ordinary \$1.00 shares to Bendigo Bank.

However, the Corporations Act prohibits a person acquiring more than 20% of the shares in a company with more than 50 shareholders (such as Vicwest) unless an exception applies. The Corporations Act provides an exception in item 7 of section 611 for such share acquisitions where they have been approved by the company's shareholders. Item 7 of section 611 requires that the shareholders are given all information known to the person proposing to make the acquisition or their associates, or that is known to the company, that is material to the decision on how to vote on a resolution for such an acquisition, including:

- the identity of the person proposing to make the acquisition and their associates; and
- the maximum extent of the increase in that person's voting power in the company that would result from the acquisition; and
- the voting power that person would have as a result of the acquisition; and
- the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
- the voting power that each of that person's associates would have as a result of the acquisition.

Further, and in order to ensure that non-associated shareholders can make an informed decision about the merits of such share acquisitions, ASIC has published a regulatory guide which outlines the material information that should be given to shareholders together with the notice of meeting, including:

- an explanation of the reasons of the proposed acquisition;
- a statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition;
- details about any person who is intended to become a director if members approve the acquisition; and
- an expert's or directors' report.

The Notice did not include all of the above information and, consequently, the disclosure to Vicwest Shareholders, and also Bendigo Bank's acquisition of Vicwest Shares in 2012, may have breached the requirements in item 7 of section 611 of the Corporations Act and also the requirements of the relevant ASIC guidance on acquisitions of this nature.

This potential breach was inadvertent and came to light during the consideration of the Merger by Bendigo Bank and Vicwest.

Bendigo Bank and Vicwest have notified ASIC of this potential breach and the Vicwest Directors consider that the potential breach will, nevertheless, be addressed as part of the implementation of the Merger, for the following reasons:

- in order to implement the Merger, Vicwest and Bendigo Telco will need to obtain shareholder approval and relevant regulatory approvals;
- both Vicwest and Bendigo Telco will provide independent expert reports to their shareholders, and a detailed Scheme Booklet (for Vicwest) and notice of meeting that complies with the requirements of item 7 of section 611 of the Corporations Act (for Bendigo Telco), when seeking approval for the Merger; and
- Bendigo Bank will not vote at either the Scheme Meeting or the Bendigo Telco shareholder meeting. Therefore, disinterested Vicwest and Bendigo Telco shareholders will decide whether the Merger will be implemented.

As at the date of this Scheme Booklet, neither Bendigo Bank nor Vicwest is aware of any Vicwest Shareholder who is aggrieved by any inadvertent breach of the Corporations Act in relation to Bendigo Bank's acquisition of Vicwest Shares in 2012.

11.6 Vicwest Loan

Vicwest is a borrower under a 10-year interest-free loan facility with Bendigo Bank, which prior to 22 March 2016 had a limit of \$3,450,000 (**Vicwest Loan**). On 22 March 2016, Bendigo Bank and Vicwest agreed to vary the Vicwest Loan by (among other things) increasing the facility limit by \$350,000 to \$3,800,000 to assist Vicwest with the costs of the Transactions. As part of this variation, Vicwest and Bendigo Bank also agreed to an annual repayment arrangement under which, within 180 days of the end of each financial year during the term of the Vicwest Loan, Vicwest will pay to Bendigo Bank 50% of its net profit in the preceding financial year. Upon implementation of the Transactions, it is proposed that the Vicwest Loan will be repaid in full by Bendigo Telco, using funds from the Bendigo Telco Loan. (See Section 9.4 for a summary of the terms of the Bendigo Telco Loan.)

The Vicwest Loan is secured by:

- a cross guarantee and indemnity from Vicwest, GCT and BCE in favour of Bendigo Bank; and
- a first ranking fixed and floating charge over all present and after-acquired commercial property of each of Vicwest, GCT and BCE.

11.7 Regulatory consents

ASIC has granted relief to Bendigo Telco from section 606 of the Corporations Act in respect of the acquisition of a relevant interest in the securities of Vicwest held by Bendigo Bank arising as a result of the entry by Vicwest, Bendigo Telco and Bendigo Bank into the TFA.

Paragraph 8302(h) of Part 3 of Schedule 8 to the *Corporations Regulations 2001* (Cth) requires this Scheme Booklet to set out whether, within the knowledge of the Vicwest Board, the financial position of Vicwest has materially changed since the date of the last balance sheet laid before Vicwest in general meeting or sent to Vicwest Shareholders in accordance with section 314 or 317 of the Corporations Act and, if so, full particulars of any change. ASIC has granted Vicwest relief from complying with paragraph 8302(h) of Part 3 of Schedule 8 to the *Corporations Regulations 2001* (Cth) on the basis that Vicwest:

- (a) has disclosed in the Scheme Booklet all material changes to Vicwest's financial position since 31 December 2015;
- (b) states in the Scheme Booklet that it will give a copy of the half year accounts free of charge to anyone who asks for it before the Scheme is approved by the Court;

- (c) Vicwest discloses to Vicwest shareholders any material changes to its financial position that occur after the date of lodgement of the Scheme Booklet for registration by ASIC but prior to the Scheme being approved by the Court; and
- (d) the Scheme Booklet sent to Vicwest shareholders is substantially in the form given to ASIC on 7 July 2016.

ASIC has also granted relief to Vicwest from the operation of paragraph 8302(d) of Part 3 of Schedule 8 to the *Corporations Regulations 2001* (Cth), which requires this Scheme Booklet to disclose particulars of payments made or benefits given to a director, secretary or executive officer of Vicwest in relation to their resignation or retirement from office, except where those payments or benefits are made in connection with the implementation of the Scheme, in the following respects:

- (a) Vicwest is not required to disclose particulars of payments or benefits proposed to be made or given to a person referred to in paragraph 8302(d) (**Relevant Person**) in relation to their loss of office or retirement from office, unless:
 - (i) the Relevant Person will lose office or retire from office as a consequence or, or in connection with, the Scheme; or
 - (ii) the amount of any payment or benefit which may be made to the Relevant Person upon their loss of office or retirement from office may be materially affected by the Scheme;
- (b) the explanatory statement is not required to state the identity of any Relevant Person who will lose office or retire from office in connection with the Scheme, unless that person is a director of Vicwest; and
- (c) the explanatory statement is not required to state particulars of payments or benefits to Relevant Persons, other than directors of Vicwest, that would otherwise be required to be disclosed under paragraph (a) above, provided:
 - (i) such payments or benefits are disclosed on an aggregate basis; and
 - (ii) the explanatory statement discloses the number of Relevant Persons who will receive a payment or benefit that is required to be disclosed under paragraph (a) and which falls within each successive \$10,000 band, commencing at nil, where the number of Relevant Persons is not less than one,

provided that the Scheme Booklet sent to Vicwest shareholders is substantially in the form given to ASIC on 7 July 2016.

11.8 Consents

- (a) The following persons have given and have not before the date of this Scheme Booklet withdrawn their consent to:
 - (iii) be named in this Scheme Booklet in the form and context in which they are named;
 - (iv) the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Scheme Booklet; and
 - (v) the inclusion of other statements in this Scheme Booklet which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included:

Name of Person	Named as	Reports or statements
Value Adviser Associates Pty Ltd	Independent Expert	Independent Expert's Report set out in Annexure A
BDO Corporate Finance (East Coast) Pty Ltd	Investigating Accountant	Investigating Accountant's Report set out in Annexure B
BDO East Coast Partnership	Taxation Adviser	Section 10 (Taxation Implications)
Clarendon Lawyers	Australian legal adviser to Vicwest	none

Each of the above persons:

- (vi) does not make, or purport to make, any statement in this Scheme Booklet other than those statements referred to above and as consented to by that person; and
 - (vii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet other than with respect to the statements and references included in this Scheme Booklet with the consent of that party (as set out above).
- (b) Bendigo Telco has given, and has not withdrawn before the date of this Scheme Booklet, its consent to be named in this Scheme Booklet in the form and context in which it is named, on the basis set out in the "Responsibility statement" paragraph contained in the Disclaimer and Important Notices section at the start of this Scheme Booklet.

11.9 Fees of advisers and others

Vicwest estimates that it will incur one- off external transaction costs of approximately \$563,000 (excluding GST) or \$620,000 (including GST) in relation to the Merger. This includes financial advisory, legal, accounting, independent expert and administrative fees, Scheme Booklet design and printing, marketing, registry and other expenses (including the cost of employee retentions).

A breakdown of the estimated transaction costs (excluding GST but including disbursements) is as follows:

- (a) Independent Expert – approximately \$90,000;
- (b) Clarendons Lawyers – approximately \$350,000;
- (c) Investigating Accountant and Taxation Adviser – approximately \$33,000 (Vicwest's share for the joint appointment of the Investigating Accountant and Taxation Adviser with Bendigo Telco); and
- (d) Other fees (including (including Senior and Junior Counsel fees) – approximately \$90,000.

Under the terms of a 22 March 2016 variation to the Vicwest Loan, Bendigo Bank increased the facility limit of the Vicwest Loan by \$350,000 to \$3,800,000, with the additional amount to assist Vicwest to pay for the costs of the Transactions, as set out above. See Section 11.6 for a summary of the terms of the Vicwest Loan.

11.10 Supplementary information

To the extent required by the Corporations Act or any other applicable law, Vicwest will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the date of the Scheme Meeting:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Vicwest may circulate and publish the supplementary document by any or all of:

- (e) placing an advertisement in a prominently published newspaper that is circulated in Australia;
- (f) posting the supplementary document on Vicwest's website; or
- (g) issuing a supplementary document.

11.11 Directors' statements

- (a) The issue of this Scheme Booklet has been authorised by the Independent Directors of Vicwest.
- (b) The Independent Directors of Vicwest have given (and not withdrawn) its consent to lodgement of this Scheme Booklet with ASIC.

11.12 No other information

Other than as contained in this Scheme Booklet, there is no information within the knowledge of any member of the Independent Directors of Vicwest material to the making of a decision in relation to the Merger to be voted on by Vicwest Shareholders, and that has not been previously disclosed to Vicwest Shareholders.

12 GLOSSARY

12.1 Definitions

The meanings of the terms used in this Scheme Booklet are set out below.

Defined Term	Meaning
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
Amending Resolution	the resolution to amend the Constitution to enable Bendigo Telco to, following implementation of the Scheme, acquire and own all of the Scheme Shares, as set out in the Notice of Extraordinary General Meeting set out in Annexure F.
Ancillary Transactions	each of the transactions described in Section 9 of this Scheme Booklet.
ASIC	Australian Securities and Investments Commission, or any replacement or successor authority.
Associate	has the meaning given to it in section 12 of the Corporations Act.
BCE	Ballarat Community Enterprises Pty Ltd (a wholly-owned subsidiary of Vicwest).
BCT Shepparton Pty Ltd	BCT Shepparton Pty Ltd ACN 004 522 785
BEN4 Agreement	the managed wide area network services agreement proposed to be entered into between Bendigo Bank and Bendigo Telco as summarised in Section 9.5.
Bendigo Bank	Bendigo and Adelaide Bank Limited ABN 11 068 049 178 and its Related Bodies Corporate
Bendigo Telco	Bendigo Telco Ltd ACN 089 782 203, or its relevant Subsidiary, as applicable.
Bendigo Telco Board	the board of directors of Bendigo Telco as constituted from time to time.
Bendigo Telco Deed Poll	the deed poll executed by Bendigo Telco as set out in Annexure E.
Bendigo Telco Director	a director of Bendigo Telco.

Defined Term	Meaning
Bendigo Telco Information	<p>the information contained in:</p> <ul style="list-style-type: none"> (a) “Letter from Bendigo Telco Chairman” on 10; (b) Section 1 – “The Merged Group”; (c) Section 2.9; (d) Section 4; (e) Section 5; (f) Section 6; (g) Section 8.8; (h) Section 9.3; (i) Section 9.4; (j) Section 9.5; and (k) Section 9.6, <p>(except to the extent that the information is based on information provided by Vicwest).</p>
Bendigo Telco Loan	the loan provided by Bendigo Bank to Bendigo Telco as summarised in Section 9.4.
Bendigo Telco Register	the register of members of Bendigo Telco from time to time.
Bendigo Telco Resolutions	the resolutions to be put to the Bendigo Telco Shareholders at the Bendigo Telco Shareholder Meeting to (among other things) approve the Merger as set out in annexure 5 of the Implementation Deed and as summarised in Section 2.9.
Bendigo Telco Share	an ordinary share in Bendigo Telco.
Bendigo Telco Shareholder	a registered holder of a Bendigo Telco Share.
Bendigo Telco Shareholder Meeting	the general meeting of Bendigo Telco Shareholders convened to consider the Bendigo Telco Resolutions.
Business Day	a day that is not a Saturday, Sunday or public holiday or bank holiday in Melbourne, Australia.
Business Sale	means the Business Sale Agreement dated 26 May 2016 between Community Telco Australia and Bendigo Telco relating to the sale of

Defined Term	Meaning
Agreement	Community Telco Australia's managed telecommunications resupply business to Bendigo Telco.
CEO	Chief Executive Officer.
Community Telco Australia or CTA	Community Telco Australia Pty Ltd ACN 094 908 326.
Competing Proposal	<p>any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement), other than as contemplated pursuant to the Implementation Deed, which, if ultimately completed substantially in accordance with its terms would result in a person or two or more persons who are Associates directly or indirectly:</p> <ul style="list-style-type: none"> (a) acquiring a Relevant Interest in or becoming the holder of 15% or more of the Vicwest Shares; or (b) acquiring, obtaining a right to acquire, or otherwise obtaining an interest (including an economic interest) in, 15% or more by value of the business or property of Vicwest; or (c) otherwise acquiring Control of Vicwest; or (d) otherwise acquiring, merging or amalgamating with Vicwest or amalgamating with, or acquiring a significant shareholding or economic interest in Vicwest of 15% or more by value of the total assets or business of Vicwest, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Vicwest or other synthetic merger or any other transaction or arrangement, <p>or which otherwise directly competes with, or is directly inconsistent in any material respect with the consummation of, the Merger.</p>
Conditions Precedent	the conditions to implementation of the Scheme set out in clause 3.1 of the Implementation Deed and summarised in Section 2.7.
Constitution	the constitution of Vicwest.
Contractual Arrangements	<p>means the contractual arrangements required to give effect to the Ancillary Transactions, being:</p> <ul style="list-style-type: none"> (a) Termination of the Vicwest franchise arrangements as referred to in Section 9.2; (b) Entry into the new BEN4 Agreement as referred to in Section 9.5; and (c) Entry into the other incidental contractual arrangements

Defined Term	Meaning
	referred to in Section 9.6.
Control	has the meaning given in section 50AA of the Corporations Act, except that for the purposes of this definition Bendigo Telco is to be regarded as a legal entity, unless the context requires otherwise.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	the Supreme Court of Victoria or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.
Dollars and \$	unless specified otherwise, the currency of Australian dollars.
Effective	when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme become Effective, as set out in the “Key Dates” on page 17.
EGM or Extraordinary General Meeting	the Extraordinary General Meeting of Vicwest Shareholders to consider, and if thought fit, approve the Amending Resolution.
Excluded Shareholders	Bendigo Telco or any of its Associates (excluding, if applicable, Bendigo Bank and its Related Bodies Corporate).
FY13	the financial year for the period from 1 July 2012 to 30 June 2013.
FY14	the financial year for the period from 1 July 2013 to 30 June 2014.
FY15	the financial year for the period from 1 July 2014 to 30 June 2015.
GCT	Geelong Community Telco Pty Ltd (a wholly-owned subsidiary of Vicwest).
Government Agency	any foreign or Australian government or governmental, semi governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.
GST	the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).

Defined Term	Meaning
H1FY16	the half year period from 1 July 2015 to 31 December 2015.
H1FY16 Interim Financial Report	the interim financial report for the half year period from 1 July 2015 to 31 December 2015.
Headcount Test	has the meaning given to it in Section 2.8 (Vicwest Shareholders' approvals).
Implementation Date	the date of transfer of all Scheme Shares to Bendigo Telco and issue of the Scheme Consideration to Scheme Shareholders, as set out in the "Key Dates" on page 17.
Implementation Deed	the merger implementation deed dated 26 May 2016 between Bendigo Telco and Vicwest relating to the implementation of the Scheme as summarised in Section 8.1 (Summary of the Implementation Deed).
Independent Board Committee	the committee of the Vicwest Board comprising the Independent Directors.
Independent Directors of Vicwest	each of: (a) Rod David Payne; (b) Kevin Edward Roache; (c) James Raymond Sargeant; (d) Robert Hugh Glass; (e) Jonathan David Selkirk; (f) Justine Paige Finlay; and (g) Lyndelle Marie Zuccolin.
Independent Expert	Value Adviser Associates Pty Ltd ACN 131 852 607.
Independent Expert's Report	the report prepared by the Independent Expert dated 7 July 2016 set out in Annexure A.
Investigating Accountant	BDO Corporate Finance (East Coast) Pty Ltd.
Investigating Accountant's Report	the report prepared by the Investigating Accountant dated 6 July 2016 set out in Annexure B.
Merged Group	Bendigo Telco and its Subsidiaries, immediately after implementation of the Merger (which, for the avoidance of doubt, will include Vicwest

Defined Term	Meaning
	and each of its Subsidiaries) as described in Section 5.
Merged Group Board	the re-constituted Bendigo Telco Board following implementation of the Merger.
Merged Group Shares	all Bendigo Telco Shares on issue immediately following implementation of the Scheme (including the New Bendigo Telco Shares).
Merger	the proposed merger of Bendigo Telco and Vicwest pursuant to the Scheme, as described in this Scheme Booklet.
natr	Vicwest's new cloud-based video conferencing service.
New Bendigo Telco Share	the new Bendigo Telco Shares to be issued under the terms of the Scheme as Scheme Consideration.
Notice of Scheme Meeting	the notice set out in Annexure C to convene the Scheme Meeting.
NSX	National Stock Exchange of Australia Limited ABN 11 000 902 063 and, where the context requires, the financial market that it operates.
NSX Business Rules And Listing Rules	the official business rules and listing rules of the NSX, as amended or replaced from time to time except to the extent of any express written waiver by the NSX.
Pro Forma Financial Information	the information set out in Section 6 (Financial information for the Merged Group) including the Pro Forma Statement of Financial Position.
Pro Forma Statement Of Financial Position	has the meaning given to that term in Section 6.2 (Basis of preparation).
Proxy Form	the proxy form which accompanies this Scheme Booklet and provides for Vicwest Shareholders to give voting instructions and appoint proxies for the Scheme Meeting and for the Extraordinary General Meeting (as applicable).
Register	the register of Vicwest Shareholders.
Related Body Corporate	of a person means a related body corporate of that person under section 50 of the Corporations Act.
Relevant Interest	has the same meaning given by sections 608 and 609 of the Corporations Act.

Defined Term	Meaning
Requisite Majority	has the meaning given to it in Section 2.8 (Vicwest Shareholders' Approvals).
Scheme	the proposed scheme of arrangement pursuant to part 5.1 of the Corporations Act between Vicwest and Vicwest Shareholders (other than Excluded Shareholders) in respect of all of their Vicwest Shares held at the Scheme Record Date, as set out in Annexure D, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by each party.
Scheme Booklet	this document, including all of the annexures and the Proxy Forms which accompany this Scheme Booklet.
Scheme Consideration	the consideration to be provided to Scheme Shareholders under the terms of the Scheme, being one New Bendigo Telco Share for every 2.074 Scheme Shares.
Scheme Meeting	the meeting of Vicwest Shareholders to be convened pursuant to an order of the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of such meeting.
Scheme Record Date	7pm on 26 August 2016.
Scheme Resolution	the resolution to be put to Vicwest Shareholders to approve the Scheme.
Scheme Share	a Vicwest Share on issue as at the Scheme Record Date other than any Vicwest Share then held by an Excluded Shareholder (but including any such Vicwest Share held on behalf of one or more third parties or otherwise in a fiduciary capacity).
Scheme Shareholder	a person who holds one or more Scheme Shares.
Second Court Date	the first day on which an application made to the Court for the Second Court Order is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.
Second Court Hearing	the hearing of an application made to the Court by Vicwest for the Second Court Order.
Second Court Order	the order, pursuant to section 411(4)(b) of the Corporations Act, approving the Scheme.
Section	is a reference to a section in this Scheme Booklet.

Defined Term	Meaning
Subsidiary	has the meaning given to that term in section 46 of the Corporations Act.
Superior Proposal	<p>a bona fide Competing Proposal which in the determination of the Independent Directors of Vicwest acting in good faith in order to satisfy what the Independent Directors of Vicwest consider to be their fiduciary or statutory duties (after having taken written legal advice from their external legal advisers and consultation with its financial advisers):</p> <p>(a) is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and</p> <p>(b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Vicwest Shareholders as a whole than the Merger, taking into account all of the terms and conditions of the Competing Proposal, including consideration, conditionality, funding, certainty and timing.</p>
Taxation Adviser	BDO East Coast Partnership.
Transactions	means the Scheme and each of the Ancillary Transactions.
Transitional Services Agreement	means the transitional services agreement to be entered into between Community Telco Australia and Bendigo Telco under which Community Telco Australia will provide transitional services to Bendigo Telco.
Transaction Framework Agreement or TFA	the transaction framework agreement entered into on 26 May 2016 between Vicwest, Bendigo Telco and Bendigo Bank.
Vicwest	Vicwest Community Telco Ltd ACN 140 604 039, or its relevant Subsidiary, as applicable.
Vicwest Board	board of directors of Vicwest as constituted from time to time.
Vicwest Director	a director of Vicwest.
Vicwest Information	the information contained in this Scheme Booklet (except to the extent that the information is based on information provided by Bendigo Telco), other than the Bendigo Telco Information, the Investigating Accountant's Report, the taxation implications in Section 10 and the Independent Expert's Report.
Vicwest Loan	the existing 10 year interest-free loan facility with a limit of \$3,800,000 provided to Vicwest by Bendigo Bank, as varied from time to time.

Defined Term	Meaning
Vicwest Share	an ordinary share in Vicwest.
Vicwest Shareholder	each person who is registered in the register maintained by Vicwest under section 168(1) of the Corporations Act as a holder of Vicwest Shares.
Voting Record Date	7:00pm on 10 August 2016, the time and date when the holdings of Vicwest Shareholders are ascertained for the purposes of attendance and voting at the Scheme Meeting and at the Extraordinary General Meeting.

12.2 Interpretation

Headings and words in bold are inserted for convenience and do not affect the interpretation of this Scheme Booklet and unless the contrary intention appears:

- (a) a reference to an instrument includes any variation or replacement of it;
- (b) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (c) the singular includes the plural and vice versa;
- (d) a word which suggests one gender includes other genders;
- (e) the word person includes an individual, a firm, a body corporate, an unincorporated association or an authority;
- (f) mentioning anything after includes, including, for example, or similar expressions, does not limit what else might be included;
- (g) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) a reference to time is a reference to Melbourne time;
- (i) a reference to anything (including any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to any one or more of them;
- (j) a reference to a section or annexure is a reference to a section of, or an annexure to, this Scheme Booklet;
- (k) a reference to a section, part, clause, annexure, exhibit or schedule is a reference to a section, part or clause of or an annexure, exhibit or schedule to, the relevant document;
- (l) a reference to \$, AUD, \$A, A\$ or cents is to Australian currency unless denominated otherwise; and
- (m) words and phrases defined in the Corporations Act have the same meaning in this Scheme Booklet.

ANNEXURE A – INDEPENDENT EXPERT’S REPORT

YOUR TRUSTED VALUE ADVISER



Independent Expert Report

Vicwest Community Telco Limited

7 July 2016



Contents

Executive Summary	4
Details of the proposal	4
Purpose of the report	5
Basis of evaluation	6
Summary of opinion	7
Glossary	15
Background	14
Overview of the Merger and Ancillary Transactions.....	14
Rationale for the Merger	15
Community telco model	15
Vicwest.....	17
Bendigo Telco	17
CTA	17
Profile of the Merged Group	17
Industry analysis	21
Key industry trends	21
Customers.....	22
Industry structure and competition	22
Forecast industry growth	23
Key success factors	24
Profile of Vicwest	25
History and overview	25
Historical financial performance	26
Historical cash flow	28
Historical balance sheets	29
Directors	31
Capital structure	32
Tax losses.....	32
Shareholders	32
Dividends	32
Profile of Bendigo Telco	33
History and overview	33
Historical financial performance	34
Historical cash flow	35
Historical balance sheets	36
Directors	37
Capital structure	38
Shareholders	38
Dividends	38
Employee share scheme	38
Share price performance	39
Profile of CTA.....	41
History and overview	41
Historical financial performance	41
Valuation	43
Regulatory guidance	43
Basis of assessment	44

Value of the Scheme Consideration	44
Implied Vicwest valuation multiples	48
Evaluation of Ancillary Transactions	52
Scope of opinion.....	52
Details of the Ancillary Transactions	52
Considerations relating to the CTA Franchise Termination	54
Considerations relating to the Bendigo Bank loan to Bendigo Telco	55
Approach 1	55
Approach 2	56
Considerations relating to the CTA Asset Sale	57
Considerations relating to BEN4	59
Conclusion.....	59
Appendix 1 – Financial Services Guide	61
Appendix 2 – Statement of qualifications and declarations	63
Appendix 3 – Valuation methodologies	65
Appendix 4 – Comparable companies and transactions	67
Appendix 5 – Sources of information.....	70

7 July 2016

The Directors
Vicwest Community Telco Limited
2-6 Rutland Street
Newtown VIC 3220

Dear Directors

Re: Independent Expert's Report in relation to the Merger of Vicwest Community Telco Limited with Bendigo Telco Limited by way of Scheme of Arrangement

Executive Summary

Details of the proposal

On 22 February 2016, Vicwest Community Telco Limited ["Vicwest"] announced that it had executed a non-binding Memorandum of Understanding with Bendigo Telco Limited ["Bendigo Telco"], Bendigo and Adelaide Bank Limited ["Bendigo Bank"] and Community Telco Australia ["CTA"] to investigate a potential combination of Vicwest and parts of CTA's business into Bendigo Telco ["Merged Group"].

The aim of the transactions is to expand and enhance the delivery of telecommunication services, technologies and products to Vicwest and Bendigo Telco's customers and the constituents of the communities they serve.

Subsequently on 27 May 2016, Vicwest, Bendigo Telco, Bendigo Bank and Community Telco Australia announced that they had entered into binding transaction documents to give effect to the Transactions.

Bendigo Bank owns shares and other financial interests in both Vicwest and Bendigo Telco.

Bendigo Telco, Vicwest, CTA and Bendigo Bank, have agreed that a number of transactions will, simultaneously and interconditionally take place.

The primary transaction comprises the merger of Bendigo Telco and Vicwest via a scrip for scrip scheme of arrangement between Vicwest and its shareholders pursuant to Part 5.1 of the Corporations Act ["Merger" or "Scheme"]. If the Scheme is approved, Vicwest shareholders will receive 1 Bendigo Telco share for every 2.074 Vicwest shares ["Scheme Consideration"], and Vicwest will become a wholly owned subsidiary of Bendigo Telco.

In connection with the Merger, certain ancillary transactions will be undertaken to effect a restructure of the Vicwest franchise and financing arrangements with Bendigo Bank. The full details of all the ancillary transactions are contained in Section 9 of the Scheme booklet. These ancillary transactions principally include:

- CTA, which is a wholly-owned subsidiary of Bendigo Bank and provides franchise services to Vicwest, will terminate its franchise arrangements with Vicwest ["CTA Franchise Termination"].



- CTA will sell its managed telco business to Bendigo Telco pursuant to the Business Sale Agreement ["BSA"] (which includes the issue of 500,000 Bendigo Telco shares to CTA as consideration for that sale) ["CTA Asset Sale"];
- Bendigo Bank will provide a loan in the amount of \$3.8m to Bendigo Telco pursuant to the Bendigo Telco Loan Agreement ["Bendigo Telco Loan"]. Bendigo Telco will use that facility to repay the existing loan from Bendigo Bank to Vicwest in accordance with the Vicwest Loan Agreement ["Vicwest Loan"]; and Bendigo Telco Loan; and
- The BEN4 Agreement ["BEN4" or "BEN4 agreement"] is a proposed agreement under which Bendigo Telco will supply wide area network services and certain related services to Bendigo Bank for a 5-year term commencing on 1 January 2017 on terms to be agreed between Bendigo Telco and Bendigo Bank (both acting reasonably). The purpose of this agreement is to enter into a new 5-year supply agreement, but on different terms (including as to fees) to the existing managed wide area network services agreement dated 1 July 2011 entered into between Bendigo Bank and Bendigo Telco, as extended until 31 December 2016 by an agreement entered into between Bendigo Bank and Bendigo Telco (BEN3 Agreement). The BEN4 Agreement will commence on the Implementation Date but the 5-year service term under it will not commence until 1 January 2017. Until 31 December 2016, Bendigo Telco will continue to supply services to Bendigo Bank under the BEN3 Agreement. The BEN4 Agreement will replace the BEN3 Agreement with effect from 1 January 2017.

The CTA Franchise termination, CTA Asset Sale, BEN4 and the Bendigo Telco Loan to repay the Vicwest Loan are collectively referred to as the "Ancillary Transactions".

The full terms of the Merger and Ancillary Transactions are set out in the Scheme Booklet.

Purpose of the report

Although there is no statutory requirement, the Independent Directors of Vicwest have appointed Value Adviser Associates Pty Ltd¹ ["Value Adviser Associates"] to prepare an independent expert's report ["IER"] setting out our opinion as to whether the Merger is in the best interests of the Vicwest shareholders as a whole ["Vicwest shareholders"].

Furthermore, since the Merger is associated with the Ancillary Transactions, the Independent Directors requested that Value Adviser Associates:

- Considers whether anything has come to its attention which would cause it to believe that:
 - The Ancillary Transactions between Bendigo Telco and Bendigo Bank (and CTA) are not on arm's length terms; or
 - The consideration payable under the Ancillary Transactions as a whole constitutes the receipt by Bendigo Bank of a collateral benefit for the purposes of the Corporations Act as interpreted by the Takeovers Panel Guidance Note 21: Collateral Benefits ["GN21"]; and

¹ Value Adviser Associates Pty Ltd (ABN: 54 131 852 607) is an authorised AFS Representative (AFS Representative Number 000342572) of Capital Value Securities Pty Ltd, able to arrange for a person to deal in a financial product/Issue, apply for, acquire, vary or dispose of a financial product and provide general financial product advice only.



- Confirms that nothing has come to its attention in respect of the Ancillary Transactions that would cause it to qualify the conclusions reached in its opinion regarding the merger.

This report has been prepared for inclusion into the Scheme Booklet to be provided to the Vicwest shareholders and has been prepared for the exclusive purpose of assisting the Vicwest shareholders in their consideration of the Merger and the Ancillary Transactions.

We note that, given Bendigo Bank's interests in Vicwest, Bendigo Telco and the Ancillary Transactions, Bendigo Bank has agreed that it will not vote its shares in Vicwest at the Scheme Meeting.

Basis of evaluation

Merger

This report has been prepared having regard to Australian Securities and Investments Commission ["ASIC"] Regulatory Guide 111 – Content of Expert Reports ["RG 111"] and ASIC Regulatory Guide 112 - Independence of Experts ["RG 112"].

RG 111 provides guidance as to the matters it expects an expert to consider in preparing its report and notes the following:

- If a scheme of arrangement is used as an alternative to a takeover bid, the form and analysis undertaken by the expert must be substantially the same as for a takeover bid. The expert should therefore consider whether the transaction is fair and reasonable to the target's shareholders as a whole;
- An offer or proposed transaction is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer or transaction;
 - The comparison above should be made assuming 100% ownership of the target;
 - When making this comparison the expert should not consider the percentage holding of the bidder in the target;
- An offer or transaction is reasonable if it is fair;
- Fair and reasonable is not regarded as a compound phrase;
- A transaction may be reasonable if, despite being not fair, the expert believes that there are sufficient reasons for security holders to vote for the proposal; and
- If an expert concludes that the proposed transaction is fair and reasonable if it was in the form of a takeover bid, it will also be able to conclude that the scheme of arrangement is in the best interests of the shareholders of the target.

Therefore, in determining whether the Scheme is in the best interests of the Vicwest shareholders we have considered:

- Whether the value to the Vicwest shareholders post the Merger is likely to be equal to or greater than the value to Vicwest shareholders before the Merger;
- The position of the Vicwest shareholders should the Merger not proceed; and
- Other factors which we consider to be relevant to the Vicwest shareholders in their assessment of the Merger.



Ancillary Transactions

In evaluating the Ancillary Transactions, we considered whether:

- The transaction between Bendigo Bank and Bendigo Telco is not on arm's length terms by having regard to any existing relationships between the parties and the genesis of, and the links between, the merger and the Ancillary Transactions;
- There is a net benefit being provided to Bendigo Bank insofar as the benefits that it is receiving under the terms of the Merger (including the Ancillary Transactions) will exceed the benefits being provided by Bendigo Bank under those transactions (as a whole).

We acknowledge that, in the absence of a statutory or other well defined framework, it may be possible to use approaches other than that set out above.

Summary of opinion

In our opinion the Merger is fair and reasonable and therefore in the best interests of Vicwest shareholders, including having regard to Ancillary Transactions.

In arriving at our opinion we have had regard to the following:

The Merger is fair

Vicwest shareholders will receive 1 Bendigo Telco share for every 2.074 Vicwest shares. We therefore estimated the value of the Scheme Consideration and calculated both the Vicwest value and valuation multiples being implied by the Scheme Consideration.

The Scheme Consideration will be fair if the Vicwest multiples being implied by the Scheme Consideration were equal to or greater than observed valuation multiples in the market.

Value of the Scheme Consideration

In estimating the value of the Scheme Consideration we considered a number of factors:

- To the extent that Bendigo Telco is paying a control premium for Vicwest, there may be a dilution effect on the value of Bendigo Telco's shares subsequent to the implementation of the Scheme;
- The impact of synergies being realised may impact on the trading price. Although a detailed analysis of available synergies has not been performed, we understand that there are synergies available to the Merged Group. However, given the inherent uncertainties associated with the realisation of expected post deal synergies, we have taken a conservative approach and excluded any expected synergies from our calculations; and
- Prior to implementation of the Merger, Bendigo Telco may declare a dividend for its own shareholders of up to 75% of the anticipated net profit after tax of Bendigo Telco for the financial year ending 30 June 2016, which will not be payable to Vicwest Shareholders.

Given the potential impact of the above factors on the Bendigo Telco share price, we have considered two scenarios to estimate a range of potential trading prices for the Bendigo Telco shares, post implementation of the Merger and Ancillary Transactions:



- The low value assumes that Vicwest and CTA add no value to Bendigo Telco;
- The high value assumes that Vicwest and CTA each add value to the Merged Group of at least \$2.00 per new share issued. We recognise that the post-Merger Bendigo Telco share price may trade above this high value as synergies and other potential benefits are being realised.

The observed low and high values were used as a value range for the Scheme Consideration.

Based upon the assumptions discussed above we estimated the value of the Merged Group to be between \$1.39 and \$1.90, and accordingly, the value of the Scheme Consideration to be \$0.67 to \$0.92.

Value of Vicwest

Vicwest is a relatively small company with customers in the Melbourne, Ballarat and Geelong regions. It is part of the community telco initiative which was started by Bendigo Bank. It employs 15 staff. Vicwest's size (and lack of scale) constantly places the business under pressure as evident from the below:

- More than 10% of Vicwest's total revenue is earned from Bendigo Bank. Revenue showed very little growth over the last three years and was \$10.2m, \$10.4m and \$10.2m respectively for the FY13, FY14 and FY15 financial years. During that same period earnings before interest, tax, depreciation and amortisation ["EBITDA"] was \$78k, \$161k and \$165k. The profitability of the business measured as EBITDA/revenue is significantly below that of Bendigo Telco and the listed comparable companies (refer Appendix 4);
- Management initially budgeted for FY16 revenues to increase significantly as a result of hosted video (natr) revenues but natr sales are lower than expected and FY16 revenue may be lower than FY15 revenue. In addition, fixed costs (due primarily to natr) have increased, resulting in trading losses to December 2015;
- Since December 2015 the natr uptake has been below expectations and management expect a trading loss for the 2016 financial year of approximately \$368,000;
- From a cash flow perspective, during its last three financial years Vicwest only generated cash from its operating activities in FY15 and cash and cash equivalents have consistently declined as the business utilised cash in either its operating or investing activities;
- Vicwest is relying on existing loan favourable facilities provided by Bendigo Bank to continue as a going concern;
- Merger costs have placed additional pressure of Vicwest's cash reserves and Bendigo Bank has provided additional debt finance to assist in this regard. Vicwest management has indicated that, if the Merger does not proceed, it is expected that the company will require additional support from Bendigo Bank and a change of trading terms with CTA;
- In addition, Vicwest's auditors drew attention to the going concern assumption underpinning Vicwest's FY15 annual financial statements and stated that *"On the basis that the company continues to receive the support of its financiers, it is considered*



that the going concern assumption is the appropriate basis for the preparation of this report".

It is within the context of the above that we considered the value of Vicwest implied by the Scheme Consideration being offered.

In order to determine if the Scheme Consideration is fair we calculated the EBITDA and revenue multiples being implied by the Scheme Consideration being offered and determined if these implied multiples were equal to or greater than observed listed comparable company multiples.

TABLE 1 CALCULATION OF IMPLIED MULTIPLES

Implied multiples for Vicwest under various scenarios	Low	High
Implied enterprise value for Vicwest		
No. of Vicwest shares on issue ('000)	3,111	3,111
Conversion ratio	2.074	2.074
No. of Bendigo Telco shares to be issued to Vicwest shareholders ('000)	1,500	1,500
Value of a Bendigo Telco share on a minority basis (\$)	1.39	1.90
Therefore, implied value of Vicwest shares (\$'000)	2,080	2,855
Net Debt (\$'000)	3,284	3,284
Implied enterprise value for Vicwest (\$'000)	5,364	6,139
EBITDA (\$'000)		
High Maintainable	200	200
Low Maintainable	100	100
Implied EBITDA multiples		
High Maintainable	26.8	30.7
Low Maintainable	53.6	61.4
Revenue (\$'000)		
High Maintainable	10,500	10,500
Low Maintainable	10,000	10,000
Implied Revenue multiples		
High Maintainable	0.5	0.6
Low Maintainable	0.5	0.6

Source: Value Adviser Associates analysis

The implied EBITDA multiple range of 26.8 to 61.4 were compared to the observed EBITDA multiples for listed comparable companies and comparable transactions as per the table below:



TABLE 2 COMPARABLE COMPANIES AND COMPARABLE TRANSACTIONS

	EBITDA multiples		Revenue multiples	
	Historical	Forecast	Historical	Forecast
Bendigo Telco	4.4		0.5	
Listed Comparable Companies				
Mean	9.9	8.7	1.4	1.1
Median	9.6	7.7	1.3	1.2
Max	22.3	14.7	3.1	1.5
Min	4.2	5.8	0.3	0.4
Comparable Transactions				
Mean	9.5	8.3	1.2	
Median	9.6	7.6	1.0	
Max	17.1	13.7	2.3	
Min	4.8	5.5	0.4	

Source: Bloomberg, MergerMarket and Value Adviser Associates analysis

We note the following in respect of the table above:

- The Scheme Consideration offered implies revenue multiples within the range of observed comparable company and comparable transaction multiples;
- The listed comparable company multiples reflect trading of portfolio interests in the companies and therefore exclude any premium for control; and
- The Scheme Consideration offered implies EBITDA multiples that are significantly higher than larger and more profitable listed comparable companies, including Bendigo Telco. The implied EBITDA multiples are also significantly higher than the observed multiples for comparable transactions.

As an additional test, we also considered the likely stand-alone enterprise and equity values of Vicwest. Taking into account the unique risks as they relate to Vicwest (as discussed in this report), we estimated the enterprise and equity values of Vicwest to be as follows:

TABLE 3 ESTIMATED ENTERPRISE AND EQUITY VALUES OF VICWEST

Description	Low	High
Maintainable EBITDA (\$'000)	100	200
EBITDA multiple	4	5
Enterprise value (\$'000)	400	1,000
Less: net debt (\$'000)	3,284	3,284
Equity value (\$'000)	-	-

Source: Value Adviser Associates analysis

In our opinion, it is unlikely that Vicwest will attract an EBITDA multiple higher than 5 times on a standalone basis given:

- Vicwest's trading results for its last three financial years;
- Vicwest reported a trading loss for the six months ended 31 December 2015 and is expected to report a trading loss for its financial year ended 30 June 2016;
- Vicwest's current levels of debt;



- The inherent uncertainty about Vicwest's ability to continue as a going concern; and
- The potential for impairment of Vicwest's intangible assets given its trading results.

In conclusion the enterprise value range of the Vicwest shares of \$5.36 million to \$6.14 million being implied by the Scheme Consideration is above our assessed enterprise value as per Table 3.

We also note that in terms of our calculations no value can be ascribed to the Vicwest equity on a standalone basis. We do, however, acknowledge that there could be upside to a specific buyer to the extent that there are synergies available to that buyer.

Accordingly, we conclude that the Merger is fair to Vicwest shareholders.

The Merger is reasonable

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, in our opinion the Merger is reasonable. We have also considered the following factors in assessing the reasonableness of the Merger:

Advantages

Vicwest shareholders will be able to participate in any synergies realised by the Merged Group. We understand from management that the Merged Group is expected to unlock value through certain operational cost savings and a reduction in corporate costs, which would not be available to Bendigo Telco on a standalone basis. In addition, the Bendigo Telco Board expects that the Merged Group will benefit from the sharing of knowledge and technical expertise between the two businesses.

The Merged Group is expected to be better positioned for future growth because it will have greater ability to obtain capital to pursue new projects and maintain innovation, which is critical in the highly-competitive telecommunications industry.

The Merged Group will provide Vicwest with access to new markets and with resources to exploit new opportunities for its existing products and services.

The Merger provides Vicwest shareholders with the opportunity to participate in a larger community organisation with similar values. It is expected that the Merger will ensure continued investment in the Geelong and Ballarat communities, but as part of a larger and more sustainable community enterprise.

The current Vicwest shares are illiquid as they are not quoted on a stock exchange. The Scheme will provide Vicwest shareholders with an opportunity to obtain shares that are more liquid and can be bought and sold on the National Stock Exchange of Australia ["NSX"]. We do however note that the Bendigo Telco shares are not highly liquid and that since April 2015 only approximately 70,000 Bendigo Telco shares traded.

Disadvantages

The Merger does not provide certainty as to the value of the consideration received by the Vicwest shareholders as there is no cash alternative. The Vicwest shareholders will therefore be dependent upon the trading price of the Bendigo Telco shares at the time the Scheme Shareholder decides to realise his or her investment. The final value to be received by the Vicwest shareholders is therefore uncertain. Vicwest shareholders must therefore consider the trading price of Bendigo Telco shares after the date of this report and the prospects for the combined business in deciding whether to approve the Merger.



The Merger will result in Vicwest shareholders holding an economic interest in approximately 9.68% of the Merged Group. Vicwest shareholders will no longer hold a direct 100% interest in Vicwest alone, but instead will hold a smaller share of a larger Merged Group.

If the Merger proceeds, Vicwest shareholders will no longer be a holder of Vicwest shares and Vicwest shareholders may consider the investment profile and operations of the Merged Group to be inferior to Vicwest as a standalone entity.

The success of the Merger and, in particular, the ability to realise the expected synergies, will be dependent, among other things, on Vicwest and Bendigo Telco (and the CTA assets) being integrated effectively, efficiently and in a timely manner, without material disruption to their businesses. There is no guarantee that the Merged Group will be able to complete this integration successfully or that synergies will be realised.

If the Merger is implemented, there will be a change in the risk profile to which Vicwest shareholders are exposed. Compared to Vicwest, the Merged Group will be a larger company with a more diversified asset and customer base, including an interest in long-term service arrangements with Bendigo Bank.

Further details of some of the risks associated with an investment in the Merged Group are set out in Section 7 of the Scheme Booklet (Risk Factors). Vicwest shareholders are encouraged to read this section carefully and in its entirety.

Other considerations

The Independent Directors of Vicwest unanimously recommend that the Vicwest shareholders vote in favour of the Merger, in the absence of a Superior Proposal. Each Independent Director intends (in the absence of a Superior Proposal) to vote, or procure the voting of, any Scheme Shares held by or on their behalf at the time of the Scheme Meeting in favour of the Scheme.

If the Merger does not go ahead, Vicwest will continue in its current form.

Without the merger it is likely that Vicwest operating as a standalone business will face ongoing cash flow challenges and declining profitability, due to high fixed costs and declining or static revenue streams.

To the extent that Bendigo Telco is paying a control premium for Vicwest, there is likely to be a dilution effect on the value of Bendigo Telco's shares subsequent to the implementation of the Merger.

If the Merger does not proceed, Vicwest shareholders may forgo an opportunity to receive a takeover premium in the short term.

Scrip for scrip rollover relief may be available to Vicwest Shareholders. The tax consequences of each individual investor varies. General tax advice in relation to the Merger is provided in Section 10 of the Scheme Booklet.

Evaluation of the Ancillary Transactions

Based upon our analysis and review of the Ancillary Transactions, nothing has come to our attention that causes us to believe that:



- The transaction between Bendigo Bank and Bendigo Telco is not on arm's length terms by having regard to any existing relationships between the parties and the genesis of, and the links between, the merger and the Ancillary Transactions;
- There is a net benefit being provided to Bendigo Bank insofar as the benefits that it is receiving under the terms of the Merger (including the Ancillary Transactions) will exceed the benefits being provided by Bendigo Bank under those transactions (as a whole).

The table below provides a summary of the calculations we have performed to estimate whether there is a net benefit to Bendigo Bank. The calculations suggest that Bendigo Bank is unlikely to obtain a net benefit from the Ancillary Transactions.

TABLE 4 NET LOSS TO BENDIGO BANK FROM ANCILLARY TRANSACTIONS

Ancillary Transaction	Approach 1	Approach 2
	\$'000	\$'000
CTA Asset Sale	(190)	(190)
Bendigo Bank Loan to Bendigo Telco	(871)	913
BEN4 Transaction	n/a	n/a
Vicwest Franchise Agreement Termination	(900)	(900)
Net loss to Bendigo Bank	(1,960)	(176)

n/a = Because the contract is based upon normal arm's length commercial contract terms, there is no net benefit or loss

Source: Value Adviser Associates analysis

Other matters

This report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the shareholders of Vicwest. It is not practical or possible to take into account the individual circumstances of every Scheme Shareholder as their financial circumstances are not known. The decision to accept or reject the Merger is a matter for individual shareholders. Vicwest shareholders should consider the advice in the context of their own circumstances and preferences. Vicwest shareholders who are in doubt as to the action they should take in relation to the Merger should consult their own professional adviser.

This IER has been prepared solely for the benefit of the Vicwest shareholders and for the purpose stated above. Neither Value Adviser Associates nor its employees, officers and agents undertake responsibility to any person other than the Vicwest shareholders in respect of the IER, including any errors or omissions howsoever caused. Value Adviser Associates does not assume any liability or responsibility to any other party for relying on this report or if this report is used for any other purpose. This report (or any section thereof) may not be attached to, copied or referenced in any document without Value Adviser Associates' prior written consent.

Vicwest has indemnified Value Adviser Associates and its employee's officers and agents against any claim, liability, loss of expense, cost or damage, including legal costs on a solicitor or client basis arising out of reliance on any information or documentation provided by Vicwest, which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.



Value Adviser Associates has prepared a Financial Services Guide in accordance with the Corporations Act, 2001. This is included in Appendix 1 to this report.

Unless otherwise stated, all references to dollar amounts are expressed in Australian dollars.

Our opinion is made as at the date of this report and reflects circumstances and conditions as at that date. Such conditions can change significantly over relatively short periods of time. We have not updated our report for events or circumstances arising after the date of this report.

The above must be read in conjunction with the remainder of this report including its appendices.

Yours faithfully

Danie van Aswegen
Managing Director

Megan Raynal
Executive Director



Glossary

ACCC	Australian Competition and Consumer Commission
ASIC	Australian Securities and Investments Commission
Ancillary Transactions	The CTA Franchise termination, CTA Asset Sale, BEN4 and the Bendigo Telco Loan to repay the Vicwest Loan
BCE	Ballarat Community Enterprises Pty Ltd ACN 111 713 065
BCT	BCT Shepparton Pty Ltd ACN 004 522 785
Bendigo Bank	Bendigo and Adelaide Bank Limited ACN 068 049 178
Bendigo Telco	Bendigo Telco Limited ACN:089 782 203
Bendigo Telco Loan	Bendigo Bank will provide a loan in the amount of \$3.8m to Bendigo Telco pursuant to the Bendigo Telco Loan Agreement. Bendigo Telco will use that facility to repay the existing loan from Bendigo Bank to Vicwest in accordance with the Vicwest Loan Agreement and to fund the Merged Group's working capital requirements
BSA	Business Sale Agreement
CDA	Community Developments Australia
CTA	Community Telco Australia Limited
CTA Asset Sale	CTA, which is a wholly-owned subsidiary of Bendigo Bank and provides franchise services to Vicwest, will terminate those arrangements. CTA will sell its managed telco business to Bendigo Telco pursuant to the BSA (which includes the issue of the Bendigo Telco Shares to CTA as consideration for that sale)
DaaS	Desktop as a Service
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
Ex Div	After dividends
FME	Future Maintainable Earnings
FY15	Financial Year ending 30 June 2015
FY16	Financial Year ending 30 June 2016
FY17	Financial Year ending 30 June 2017
GCT	Geelong Community Telco Pty Ltd ACN 122 412 300
GN21	Takeovers Panel Guidance Note 21: Collateral Benefits
HY15	Half Year ending 31 December 2015
IaaS	Infrastructure as a Service
IER	Independent Expert's Report
ISP	Internet Service Provider



Merged Group	Bendigo Telco and its Subsidiaries, immediately after implementation of the Merger (which, for the avoidance of doubt, will include Vicwest and each of its Subsidiaries)
NBN	National Broadband Network
NSX	National Stock Exchange of Australia
Plan	Bendigo Telco employee share scheme
Merger	Bendigo Telco will acquire all of the shares in Vicwest by way of a scheme of arrangement under Part 5.1 of the Corporations Act and pursuant to which Vicwest shareholders will receive 1 Bendigo Telco share for every 2.074 Vicwest shares
Scheme Shareholders	A person who holds one or more Scheme Shares
Transactions	Merger and Ancillary Transactions
RG111	ASIC Regulatory Guide 111 – Content of Expert Reports
RG112	ASIC Regulatory Guide 112 - Independence of Experts
Scheme	Bendigo Telco will acquire all of the shares in Vicwest by way of a scheme of arrangement under Part 5.1 of the Corporations Act and in terms of which Vicwest shareholders will receive 1 Bendigo Telco share for every 2.074 Vicwest shares
Scheme Consideration	1 Bendigo Telco share for every 2.074 Vicwest shares
Section 411	Section 411 of the Corporations Act 2001
SMB	Small Business
Target	Vicwest
Value Adviser Associates	Value Adviser Associates Pty Ltd
Vicwest	Vicwest Community Telco Limited ACN 140 604 039
Vicwest shareholder	Each person who is registered in the register maintained by Vicwest under section 168(1) of the Corporations Act as a holder of Vicwest Shares
VoIP	Voice Over Internet Protocol
VPN	Virtual Private Network

Background

Overview of the Merger and Ancillary Transactions

On 22 February 2016, Vicwest announced that it had executed a non-binding Memorandum of Understanding with Bendigo Telco, Bendigo Bank and CTA to investigate a potential combination of Vicwest and parts of CTA's business into Bendigo Telco.

The aim of the transactions is to expand and enhance the delivery of telecommunication services, technologies and products to Vicwest and Bendigo Telco's customers and the constituents of the communities they serve.

Subsequently on 27 May 2016, Vicwest, Bendigo Telco, Bendigo Bank and Community Telco Australia announced that they had entered into binding transaction documents to give effect to the Transactions.

Bendigo Bank owns shares and other financial interests in both Vicwest and Bendigo Telco.

Bendigo Telco, Vicwest, CTA and Bendigo Bank, have agreed that a number of transactions will, simultaneously and interconditionally take place.

The primary transactions comprise the merger of Bendigo Telco and Vicwest via a scrip for scrip scheme of arrangement between Vicwest and its shareholders pursuant to Part 5.1 of the Corporations Act. If the scheme is approved, Vicwest shareholders will receive 1 Bendigo Telco share for every 2.074 Vicwest shares, and Vicwest will become a wholly owned subsidiary of Bendigo Telco.

In connection with the Merger, certain ancillary transactions will be undertaken to effect a restructure of the Vicwest franchise and financing arrangements with Bendigo Bank. These ancillary transactions principally include:

- The CTA Franchise Termination, pursuant to which CTA, which is a wholly-owned subsidiary of Bendigo Bank and provides franchise services to Vicwest, will terminate its franchise arrangements with Vicwest;
- The CTA Asset Sale pursuant to which CTA will sell its managed telco business to Bendigo Telco pursuant to the BSA (which includes the issue of 500,000 Bendigo Telco shares to CTA as consideration for that sale);
- The Bendigo Telco Loan pursuant to which Bendigo Bank will provide a loan in the amount of \$3.8m to Bendigo Telco pursuant to the Bendigo Telco Loan Agreement. Bendigo Telco will use that facility to repay the Vicwest Loan; and
- The BEN4 Agreement, which is a proposed agreement under which Bendigo Telco will supply wide area network services and certain related services to Bendigo Bank for a 5-year term commencing on 1 January 2017 on terms to be agreed between Bendigo Telco and Bendigo Bank (both acting reasonably). The purpose of this agreement is to enter into a new 5-year supply agreement, but on different terms (including as to fees) to the existing managed wide area network services agreement dated 1 July 2011 entered into between Bendigo Bank and Bendigo Telco, as extended until 31 December 2016 by an agreement entered into between Bendigo Bank and Bendigo Telco (BEN3 Agreement). The BEN4 Agreement will commence on the Implementation Date but the 5-year service term under it will not commence until 1 January 2017. Until 31 December 2016, Bendigo Telco will continue to supply services to Bendigo Bank under the BEN3

Agreement. The BEN4 Agreement will replace the BEN3 Agreement with effect from 1 January 2017.

The full terms of the Merger and Ancillary Transactions are set out in the Scheme Booklet.

As the Chairman of Vicwest, Mr Patrick Murnane, and fellow board member, Ms Janelle Wehsack, are employees of Bendigo Bank (which is a major shareholder of Vicwest and Bendigo Telco and has certain interests in the Ancillary Transactions), Mr Murnane and Ms Wehsack have offered not to participate in any deliberations with respect to the Merger. Accordingly, an Independent Board Committee comprising all members of the Vicwest board other than Mr Murnane and Ms Wehsack has been established to assess all aspects of the Merger.

The Independent Directors of Vicwest unanimously recommend that the Vicwest shareholders vote in favour of the Merger, in the absence of a superior proposal. Each Independent Director intends (in the absence of a superior proposal) to vote, or procure the voting of, any scheme shares held by or on their behalf at the time of the scheme meeting in favour of the Merger.

Rationale for the Merger

The Independent Directors of Vicwest have reached their conclusion based on a number of factors which are explained in the Scheme Booklet, including that:

- The Merger provides Vicwest shareholders with the opportunity to participate in a larger organisation with greater financial and technical capability;
- Based on the implied value of the Scheme Consideration, the Merger provides Vicwest Shareholders with the opportunity to retain the value of their initial investment in Vicwest;
- Vicwest shareholders will receive shares in an NSX-listed company which provides a greater opportunity for liquidity with their shareholding;
- the Merged Group is expected to be better positioned for future growth by having greater scale and ability to obtain capital to pursue new projects which are essential to ensure viability in the highly-competitive telecommunications industry; and
- the Merger brings together two like-minded community organisations which will ensure continued investment in the Geelong and Ballarat communities, but as part of a larger and more sustainable community enterprise.

Community telco model

Bendigo Bank initiated the community telco initiative, drawing on the success of the community bank model. The core value proposition is using demand aggregation to accelerate access to new competition, services and technologies to facilitate community participation in the new economy.

In July 2000, Bendigo Bank adopted the community telco model and Bendigo Telco was established.

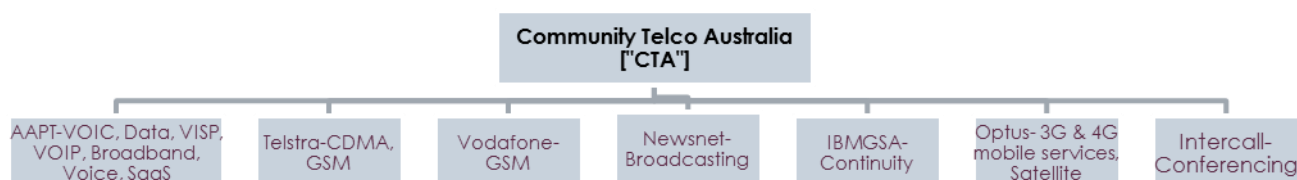
Following a successful pilot, a franchise model was established whereby CTA was set up to provide services to local community franchisees (e.g. iTel, which started in 2001). Community Developments Australia was set up to manage the franchisees.

Bendigo Bank was a key shareholder and provided referrals to the community telcos.

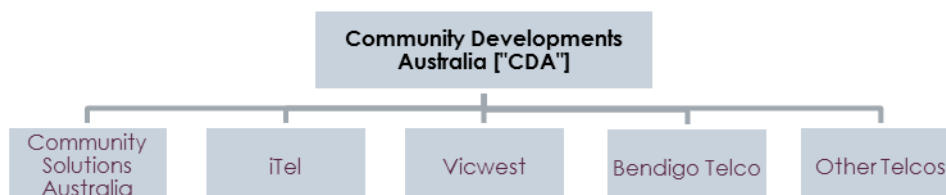
The initial community telco structure is shown in the diagram below:

FIGURE 1 COMMUNITY TELCO MODEL

CTA provides services to local community telcos



CDA initially, now CTA, has franchise agreements with local telcos



Source: Scheme documents, Value Adviser Associates analysis

At one stage there were nine franchisees including Geelong Community Telco Pty Ltd ["GCT"] and Ballarat Community Enterprises Pty Ltd ["BCE"]. However, over time, a number of changes to the model have occurred:

- Bendigo Bank novated the franchisor role from Community Developments Australia to CTA;
- In 2009 GCT and BCE merged to form Vicwest;
- Bendigo Telco listed on the NSX in 2004, with a stock exchange ticker of BCT. In November 2014 Bendigo Telco terminated its agreement with CTA and established relationships directly with suppliers;
- Since 2007, CTA has restructured the franchise group and subsequently retired the franchise agreements (aside from Bendigo Telco which is no longer part of the franchise), so that Vicwest is the final remaining franchisee;
- CTA allocates a proportion of its telco spend in the Vicwest region to Vicwest, as well as a share of some services in Adelaide. This amounts to approximately \$1.7m per annum and is recorded as revenue in Vicwest's accounts. This will not continue after implementation of the Merger; and
- Vicwest has an interest free loan from Bendigo Bank of circa \$3.8m. To be part of the community telco initiative, Vicwest pays franchise fees of circa \$800,000 per annum to CTA.

Vicwest

Vicwest is an unlisted public company. The company is 50% owned by Bendigo Bank and the remaining 50% is held by approximately 100 shareholders. Vicwest has two operating subsidiaries, GCT and BCE.

Vicwest has an interest free loan facility in place of approximately \$3.8 million from Bendigo Bank.

In addition to Bendigo Bank being a shareholder and lender, CTA (a wholly owned subsidiary of Bendigo Bank) provides franchise and telecommunications support services to Vicwest.

Bendigo Telco

Bendigo Telco is a public company listed on the NSX. Bendigo Telco has a market capitalisation of approximately \$11 million.

Bendigo Bank has an equity interest of 19.4% in Bendigo Telco. While CTA used to provide managed telecommunications services to Bendigo Telco in a similar manner to Vicwest, Bendigo Telco did not renew the agreement with CTA in November 2014 and now holds direct relationship with key suppliers such as AAPT, Optus, NBNCo, Telstra and NextGen.

CTA

CTA is 100% owned by Bendigo Bank and manages the telco community initiative. Vicwest pays CTA a franchise fee to be part of the initiative and in return, CTA manages contracts with key suppliers and provides other support services such as back office accounting, billing, provisioning and call centre support

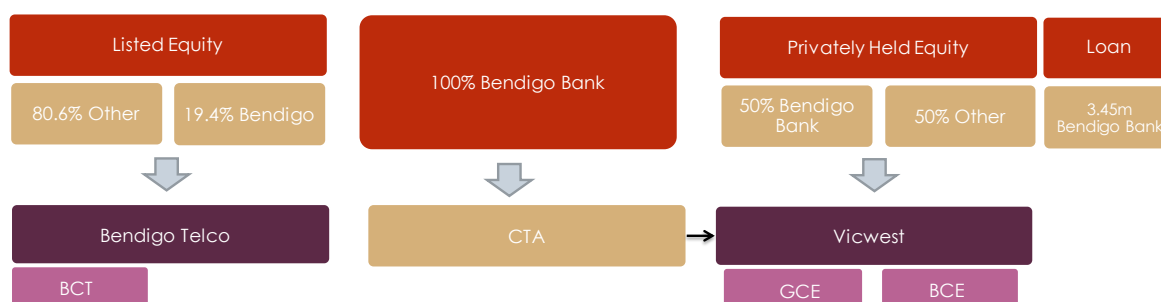
Profile of the Merged Group

The table below illustrates the structure and ownership of Vicwest, Bendigo Telco and CTA before and after the scheme.

After the Merger is implemented, Vicwest will be incorporated into Bendigo Telco under the ticker BCT. Vicwest shareholders will have shares in the Merged Group.

FIGURE 2 STRUCTURE AND OWNERSHIP BEFORE AND AFTER THE SCHEME

Existing Structure



Proposed Structure



Source: Scheme Booklet and Scheme documents

If the Scheme is implemented, Bendigo Telco intends to continue the business of Vicwest largely in its current form. Bendigo Telco will collaborate with Vicwest's staff and existing management team to review and optimise Vicwest's performance. For more detail on Bendigo Telco's intentions, refer to the Scheme Booklet.

Board of directors and senior management of the Merged Group

In accordance with the Transaction Framework Agreement, Bendigo Telco will procure that resolutions for the appointment of two nominees of Vicwest and one nominee of Bendigo Bank as directors of Bendigo Telco are proposed at the Bendigo Telco Shareholder Meeting. If those resolutions are passed, the Bendigo Telco board will comprise two nominees of Bendigo Bank, two nominees of Vicwest and four nominees of Bendigo Telco.

Mr Jeff Jordan will be the Chief Executive Officer and Mr Jim Nielsen will be Chief Operating Officer of the Merged Group. The proposed composition of the Merged Group's Board of Directors is as follows:

TABLE 5 BOARD OF THE MERGED GROUP

Name	Position	Nominee
Donald Erskine	Non-Executive Chairman	Bendigo Telco
Robert Hunt	Non-Executive Director	Bendigo Telco
Graham Bastian	Non-Executive Director	Bendigo Telco
Michelle O'Sullivan	Non-Executive Director	Bendigo Telco
Andrew Watts	Non-Executive Director	Bendigo Bank
Kevin Dole	Non-Executive Director	Bendigo Bank
Rod Payne	Non-Executive Director	Vicwest
Jonathan Selkirk	Non-Executive Director	Vicwest

Source: Scheme Booklet

Capital structure

After the Merger and Ancillary Transactions Bendigo Telco will have 7,745,322 fully paid ordinary shares on issue, held as follows:

TABLE 6 SHAREHOLDING OF THE MERGED GROUP

Shareholder	Number of Bendigo Telco Shares	Percentage
Bendigo Bank (including CTA)	2,362,146	30.50%
Vicwest shareholders	750,000	9.68%
Bendigo Telco shareholders	4,633,176	59.82%
Total	7,745,322	100%

Source: Scheme Booklet, Value Adviser Associates analysis

As a result of the Merger and Ancillary Transactions, Bendigo Bank's ownership of Bendigo Telco shares will increase by 1.25 million shares (750,000 from the Scheme and 500,000 from the CTA Asset Sale). Accordingly, Bendigo Bank's relevant interest in Bendigo Telco will increase from 19.4% to 30.5% post the Merger and Ancillary Transactions.

The Bendigo Telco shares issued pursuant to the Merger and Ancillary Transactions will rank equally in all respects with existing Bendigo Telco shares and will have the right to participate in Bendigo Telco dividends with a record date on or after the Implementation Date. The rights attaching to Bendigo Telco shares are governed by the Bendigo Telco Constitution, the Corporations Act and the common law. Details of the rights attaching to and ranking of new Bendigo Telco shares are covered in Section 1.8 of the Scheme Booklet.

Financing arrangements

Bendigo Telco currently has two debt facilities provided by Bendigo Bank. They comprise an overdraft facility to a maximum value of \$500,000 and a standard lease facility with a current balance of \$2,182,000.

If the Scheme is implemented, Bendigo Bank will provide a further loan in the amount of \$3.8m to Bendigo Telco pursuant to the Loan Agreement for the purpose of repaying the loan from Bendigo Bank to Vicwest and to fund working capital.

For further details regarding the Bendigo Bank loan, please refer to the "Evaluation of Ancillary Transactions" section of the report.

Pro-forma financial statements

The pro-forma financial statements for the Merged Group are presented in Section 6 of the Scheme Booklet.

Expected synergies

The Merger and Ancillary Transactions will combine three complementary businesses creating a leading regional telecommunications provider with enhanced scale which is expected to provide cost synergies and revenue benefits across a broader addressable market.

Expected revenue synergies include:

- Ability to serve a broader market with opportunities to sell services into new geographical areas. The Merged Group will have a presence in Victoria, Queensland and Tasmania and access to markets throughout Australia;
- Provision of an enhanced product offerings across the broadened market; and

- Ability to create efficiencies that will allow a competitive market offering.

Expected cost synergies include:

- Enhanced utilisation of existing infrastructure and resources to reduce corporate costs (e.g. the franchise fee currently being incurred by Vicwest) and avoid other cost duplications;
- Sharing of knowledge and technical expertise to provide additional cost benefits;
- Increased utilisation of existing infrastructure and systems; and
- The enlarged entity should have improved buying power thereby potentially reducing costs for services.

Industry analysis

Vicwest, CTA and Bendigo Telco operate in the telecommunications services industry, providing reseller services and internet service provider ["ISP"] solutions.

Telecommunications resellers are viewed as cost-effective distributors of network carriers' excess telecommunications capacity.

ISPs provide internet access and internet-reliant services, such as Voice over Internet Protocol ["VoIP"]² communication and cloud³ solutions.

Key industry trends

There are a number of major industry trends that are causing significant change in the telecommunication services industry:

- There has been a shift away from fixed line networks towards mobile networks and VoIP services.
- The business market is increasingly adopting VoIP services and reaping the associated cost savings. As the Bendigo Telco FY15 Annual Financial Statement noted, this may result in more complex networks which may increase margins for these types of services.
- Increasing broadband speeds and better service quality have resulted in increased broadband uptake by business and households.
- There has been increasing reliance on the internet for business and leisure activities and growing data usage from businesses and consumers. Services that require internet access, such as VoIP, online banking, social networking, online gaming and online video streaming are ingraining internet access as a necessary service rather than something discretionary. Services requiring high bandwidth such as video streaming are increasing pressure on the quality of the National Broadband Network ["NBN"] and other internet services. As many of the aforementioned services are themselves in the growth stage of their life cycle, this is likely to prolong the growth of the ISP industry in Australia.
- The NBN rollout is underway and is expected to drive growth opportunities for industry players as it boosts network access speeds and enhances the reliance of businesses and consumers on the internet. The current objective is nationwide roll-out of NBN by 2020. Current issues constraining short term NBN related growth include limited access to NBN in some locations where roll out has not yet occurred (e.g. around Bendigo where roll out is due to occur around 2017) and the relatively high cost of connection for smaller businesses.
- Increasing user mobility, the increasing speed of wireless networks and falling prices for portable computing devices such as laptops, smartphones and tablets has increased the competitiveness of wireless broadband access. There has been a

² VoIP allows voice conversations using a broadband connection. This is characterised by voice data flowing over a general purpose packet switched network, instead of traditional dedicated, circuit switched telephony transmission lines. With voice travelling as data, the cost of phone calls is substantially cheaper, however the quality in some instances is not as good as voice calls over fixed and mobile networks.

³ Cloud solutions occur when different services — such as servers, storage and applications — are delivered to an organization's computers and devices through the Internet.

mobile broadband traffic explosion driven by transactions initiated by smartphone devices.

- Over the past five years, the battle for mobile market share has largely been between mobile carriers. Heavy price-based competition between carriers has allowed resellers to purchase wholesale bandwidth at lower rates. However, carriers have been shifting focus towards maximising profit, which has resulted in increased costs for resellers. This has limited both revenue and profit margin growth for industry operators. Carriers such as Optus have been investing in their own networks and transferring customers away from resold services on Telstra-owned networks. This has led to a fall in overall revenue generated from mobile reselling.
- All three telecommunications carriers wholesale mobile services. Telstra is the only network not wholesaling 4G services; however, they have indicated they are in the process of creating this product. CTA and Vicwest currently have access to 4G wholesale services from Optus. Supply of these services will continue following implementation of the Proposed Scheme.
- While there has been strong growth in the demand for Smartphones, the smartphone market is now reaching saturation; however, it is expected that strong sales of smartphones will continue as new handsets are released and consumers and businesses upgrade older technology and handsets to newer devices

Customers

Businesses are a major market segment for the telecommunications reseller and ISP industries. An increase in the number of businesses on register generally generates higher demand for internet access and associated industry services.

An increase in the number of small medium businesses ["SMBs"] is also likely to raise demand for telecommunications resellers. SMBs compare different products on the basis of price, customer service and range.

Price is an important demand determinant within the telecommunications sector, as services are highly commoditised. The increased competition and declining costs of service provision have created a need for innovative marketing and pricing structures. The major success in this regard has been product bundling, which has stimulated the demand for telecommunications services.

Industry structure and competition

The number of enterprises operating in the industry has declined over the past five years as industry operators have consolidated. Merger and acquisition activity has occurred as industry operators seek greater economies of scale to both expand market share and widen profit margins. However, profit margins have fallen over the past five years due to intense price competition in the industry. The Australian Competition and Consumer Commission ["ACCC"] reported in February 2014 that average real prices for internet services have been declining over the past five years.

Price declines and the shift from fixed to mobile communications have caused some players to exit the industry.

Consolidation is anticipated to continue as larger industry players combine their operations to

gain economies of scale.

The increased presence of major networks in the industry as they use the NBN to resell telecommunications services is expected to result in profit margin growth.

Profit margins are also expected to rise as carrier costs are reduced for both mobile and fixed-line providers, with the ACCC recommending reductions in termination costs (i.e. the fee paid by one network operator to another to terminate a call on their network) to international standards.

However, an increasing number of resellers in the industry and greater use of low-margin bundling strategies are projected to limit margin growth.

The ultimate implementation of the NBN will have a dramatic effect on revenue allocation in the telecommunications services industry. The current structure of wired, mobile, ISP and reseller industries may become redundant due to a convergence of services if all communications become based on the transmission of packets of data. Wired and ISP revenue will merge when VoIP becomes standard. If NBN Co provides wholesale services and other telecommunications carriers become retail providers without control of their own networks, all retail providers could potentially become resellers, which is the NBN's format.

According to Paul Budde⁴, the telco industry is slow in its transformation. Winners are likely to be organisations that are not overinvested in assets and people and use horizontal collaboration and the sharing economy. New opportunities exist in: healthcare, education, government services, smart grids, smart cities, connected homes, wearable technologies, IoT and M2M. Telstra is taking a leadership role in some of these developments, both in Australia and internationally. Data analytic capabilities are opening up opportunities for new wealth creation and new jobs. Well-connected communities are leading the trend towards smart cities. Data retention and web blocking laws will not solve the cybercrime problems.

Forecast industry growth

According to IBISWorld, the ISP industry will be supported over the next five years by further increases in internet use and stable predicted subscriber growth as the NBN is rolled out across the nation. The NBN will make having a fixed connection critical for businesses and more attractive for consumers. Total average revenue per user is expected to increase as consumers move to the next stage of the broadband cycle, such as ADSL2+, VDSL or fibre. The move towards higher speed broadband connectivity is expected to facilitate the increased acceptance of VoIP in the business market. According to IBIS World, Internet Service Provider ["ISP"] industry growth is forecast to average 4.1% over the next five years (down from 6.3% in the five years to 2015-16).

The number of operating fixed lines is projected to continue decreasing. The greater accessibility of VoIP technology supplied by ISPs presents a significant substitution threat to the industry.

IBISWorld forecasts telecommunication-only reseller's revenue rising at a compound annual rate of 2.2% over the five years from 2016.

⁴ • <http://www.budde.com.au/Research/Australia-Telecoms-Market-Analyses-Top-Trends-Moving-into-2016.html>
Page 23
file ref: 20160707 final vicwest ier

Key success factors

Key success factors for the industry include:

- **Economies of scale:** Obtaining economies of scale in the industry is crucial to subsidising the cost of infrastructure. Scale and size allows industry participants the opportunity to purchase wholesale access in bulk and save money, and spread the cost of business systems and technology across more customers.
- **Niche differentiation to build customers:** The major markets for telecommunications and ISP services are targeted by the large, well-resourced infrastructure owners. Therefore, the success of smaller players generally depends on the ability to target a niche market. Effective product promotion and service differentiation is essential given the high level of industry competition.
- **Managing churn:** The high-fixed cost nature of the industry results in a situation where a large subscriber base is a key competitive factor. Customer relationship management is therefore important in order to retain key clients and reduce subscriber churn.
- **Rapid technology adoption:** It is essential to be able to quickly adopt new technology given the rapid changes in technology and technology adoption.
- **Good access to networks at a reasonable price:** Suitable access to carrier's networks in general and bandwidth in particular is vital to success. Industry participants can maximise the outcomes of these supply relationships if they can develop strong alliances with their network operators. As discussed before, scale and size allow participants the opportunity to purchase in bulk and save money.

Profile of Vicwest

History and overview

Vicwest is a telecommunication and internet service provision company, providing retail and telecommunications products to businesses customers in Geelong, Ballarat and Melbourne. A number of Vicwest's customers have operations both locally and nationally.

While Vicwest targets all customers in the Ballarat and Geelong areas, Vicwest also focusses on building out niche business customer segments, e.g. health, education, accountants, car dealerships, etc.

Vicwest aims to integrate a number of services for each customer, thereby improving the relationship profitability and longevity.

Vicwest provides a broad suite of business and consumer telecommunication products and services nationally including fixed voice telephony, IP telephony, data networks, mobile voice and data services, internet, broadband, managed network solutions, business continuity, tailored telephony systems, Software-as-a-Service ["SaaS"], Infrastructure-as-a-Service ["IaaS"] and network design.

In addition to the above, Vicwest also provides video conferencing services, phone system sales cabling and installation work.

To provide these services, Vicwest adapts and/or resells infrastructure or products. For example, Vicwest uses Bendigo Telco's data centre and the Optus mobile network.

As discussed previously, Vicwest is part of the community telco initiative started by Bendigo Bank. CTA (which is 100% owned by Bendigo Bank) manages the initiative. Vicwest pays CTA a franchise fee to be part of the initiative and in return, CTA manages contracts with key suppliers and provides other support services such as back office accounting, billing, provisioning and call centre support.

Vicwest has 15 staff under the CEO, Geoff Hutchinson. Key staff include Gareth Hagebols (General Manager Products and Innovation, natr, Geelong) and Chis Prehn (Business Services Manager, Ballarat). Vicwest is highly reliant on a few key staff.

Vicwest introduced a hosted video conferencing service in 2014 called natr. The service uses Vidyo, which is a video hosting technology that provides high quality video conferencing services over low bandwidth. With natr, Vicwest is targeting the health and education sectors. The Vidyo natr platform was completed in February 2015. Vicwest purchases and hosts their own platform from Vidyo, but pays user licence fees in US dollars, which impacts revenue if the exchange rate declines.

Historical financial performance

TABLE 7 CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

	Jun-13 \$'000	Jun-14 \$'000	Jun-15 \$'000	Dec-15 \$'000 Half year
Fixed Line	5,309	5,270	4,978	-
Mobile	980	854	827	-
Hardware (BAU)	1,233	1,247	980	-
VOIP	-	-	99	-
Broadband/VPN/Hosted natr (hosted video)	1,033	1,322	1,429	-
	-	60	232	-
Sales revenue before Bendigo Bank revenue	8,555	8,753	8,545	4,160
Bendigo Bank revenue	1,636	1,600	1,656	853
Sales revenue	10,191	10,353	10,201	5,013
Interest received	4	8	2	0
Profit on sale of assets	4	-	6	-
Income	9	8	8	0
Cost of products sold	(7,345)	(7,467)	(7,154)	(3,547)
Salaries and employee benefit costs	(1,469)	(1,343)	(1,501)	(813)
Occupancy and associated costs	(91)	(95)	(102)	(54)
General administration costs	(1,201)	(1,260)	(1,272)	(672)
Advertising and promotion costs	(16)	(36)	(16)	(10)
Total operating costs	(10,121)	(10,200)	(10,044)	(5,096)
EBITDA	78	161	165	(84)
Borrowing costs/interest adjustment	-	(78)	-	-
Depreciation and amortisation costs	(36)	(39)	(85)	(70)
Profit/(loss) before income tax	42	44	80	(154)
Tax expense	-	(0)	-	-
Net profit/(loss)	42	44	80	(154)

Source: Audited annual financial statements to June 2015, Unaudited December 2015 financial statements

Commentary on income statement

Included in sales revenue is an amount of approximately \$1.7m which is received from Bendigo Bank. Bendigo Bank allocates a proportion of its telco spend in the Vicwest region to Vicwest, as well as a share of some services in Adelaide. This arrangement will cease following implementation of the Merger.

The income statement has the same totals as the audited Annual Financial Statements, but revenue has been split to reflect operational revenue areas and to illustrate the Bendigo Bank revenue payment of circa \$1.7m per annum.

To be part of the community telco initiative, Vicwest pays franchise fees of circa \$800,000 per annum to CTA. The franchise fees are included in the cost of products sold in each year. The payment of these franchise fees will cease after implementation of the Merger.

Vicwest has an interest free loan from Bendigo Bank which was circa \$3.45m as at December 2015, but has subsequently increased.

At the inception of the Country Service Provider agreement between Vidy and Vicwest, Vicwest paid a security deposit of USD150,000 for the right to become a Country Service Provider for Australasia. The payment is treated as a prepayment in the Vicwest financial statements. Licence fees which currently amount to USD7 per user per month (treated as a cost of goods sold) and hardware are allowed to be offset against this deposit for a period of 3 years or until the fund is depleted.

Initiatives implemented post the merger between GCT and BCE in FY09 resulted in positive profitability being achieved for the first time in 2013. Rollout of NBN in Ballarat means that this service is part of the Vicwest offering, with many customers converting to VoIP.

Fixed revenues declined in FY15, while internet sales increased, reflecting the trend away from fixed line to VoIP and other internet services.

Mobile revenues declined in FY15 due to difficulties with the service coverage of one of the Vicwest service providers which led to many customers moving to the Telstra network (which Vicwest does not resell). The service provider has now bought additional spectrum and is upgrading the network. Vicwest management therefore expect a moderate increase in mobile revenue in future.

While total revenue in FY15 declined from FY14, declines in costs of product sold more than offset this, resulting in a slight increase in EBITDA in FY15. The cost of product sold declined mainly as a result of Bendigo copper line rental customers migrating to the NBN. Vicwest EBITDA was \$165,214 and \$160,905 for FY15 and FY14 respectively, resulting in EBITDA margins of circa 2% in both FY15 and FY14.

Management has advised there were two abnormal items that were capitalised being tax consolidation expenses (2014: \$35,315; \$36,832) and natr establishment costs (2014: \$4,943; 2015: \$204,590). Other than these items that were capitalised to the balance sheet, we are not aware of any one-off or abnormal items relating to the income statements above.

Revenue in the year to date to December 2015 is lower than budget and EBITDA is negative. The primary contributor to this was natr with lower than expected natr sales, and higher than expected natr expenses.

Since December 2015 the natr uptake has been below expectations and management expect a trading loss for the 2016 financial year of approximately \$368,000.

Historical cash flow

TABLE 8 CONSOLIDATED STATEMENT OF CASH FLOWS

	Jun-13 \$'000	Jun-14 \$'000	Jun-15 \$'000	Dec-15 \$'000 Half year
Receipts from customers	11,390	11,180	11,068	5,429
Payments to suppliers and employees	(11,714)	(11,376)	(10,883)	(5,391)
Interest paid	-	-	-	-
Interest received	4	8	2	0
Income tax paid	-	-	-	-
Net cash from operating activities	(320)	(188)	188	38
Purchase of intangible assets	(30)	(34)	(39)	(15)
Purchase of property, plant and equipment	(22)	(35)	(220)	(26)
Proceeds from sale of property, plant and equipment	8	5	21	-
Net cash from investing activities	(44)	(63)	(237)	(40)
Net repayment of borrowings	992	(9)	(75)	-
Proceeds from issue of shares	1,536	-	-	-
Dividends paid	-	(29)	(29)	-
Net cash from financing activities	2,528	(38)	(104)	-
Net increase/(decrease) in cash held	2,164	(289)	(153)	(2)
Cash and cash equivalents at beginning of financial year	(1,554)	610	322	168
Cash and cash equivalents at end of financial year	610	322	168	166

Source: Audited annual financial statements to June 2015, Unaudited December 2015 financial statements

Commentary on cash flows

Receipts from customers have declined since June 2013. However, payments to suppliers and employees have declined more, resulting in net cash flows from operating activities becoming positive for the first time in FY15. Positive operating cash flows in FY15 were more than offset by purchases of fixed assets.

Since the cash injection from an issue of shares and net raising of borrowings in FY13, cash has declined in every period.

Historical balance sheets

TABLE 9 FINANCIAL POSITION

	Jun-13 \$'000	Jun-14 \$'000	Jun-15 \$'000	Dec-15 \$'000 Half year
Cash and cash equivalents	610	322	168	166
Trade and other receivables	1,877	1,744	2,021	2,070
Inventories	101	114	105	141
Current assets	2,588	2,180	2,294	2,377
Property, plant and equipment	73	78	225	201
Intangible assets	3,709	3,724	3,736	3,729
Non current assets	3,781	3,802	3,960	3,930
Total Assets	6,369	5,982	6,254	6,307
Trade and other payables	1,626	1,217	1,473	1,688
Provisions	65	114	142	125
Interest bearing liabilities	9	9	-	-
Current liabilities	1,699	1,340	1,614	1,814
Interest bearing liabilities	25	16	-	-
Non interest bearing liabilities	3,500	3,500	3,450	3,450
Provisions	47	14	16	20
Non current liabilities	3,572	3,530	3,466	3,470
Total liabilities	5,271	4,870	5,080	5,284
Net Assets	1,099	1,112	1,174	1,023
Issued capital	2,292	2,292	2,292	2,292
Reserves	-	-	14	17
Retained earnings	(1,193)	(1,180)	(1,131)	(1,286)
Total equity	1,099	1,112	1,174	1,023

Source: Audited annual financial statements to June 2015, Unaudited December 2015 financial statements

TABLE 10 TABLE 1: KEY FINANCIAL POSITION METRICS

	Jun-13 \$'000	Jun-14 \$'000	Jun-15 \$'000	Dec-15 \$'000 Half year
Current Assets	2,588	2,180	2,294	2,377
Current Liabilities	1,699	1,340	1,614	1,814
Current Ratio	1.5	1.6	1.4	1.3
Cash and cash equivalents	610	322	168	166
Trade and other receivables	1,877	1,744	2,021	2,070
Current Liabilities	1,699	1,340	1,614	1,814
Quick Ratio	1.5	1.5	1.4	1.2
Total Assets	6,369	5,982	6,254	6,307
Intangible Assets	(3,709)	(3,724)	(3,736)	(3,729)
Net Tangible Assets	2,661	2,258	2,518	2,578
Total Liabilities	(5,271)	(4,870)	(5,080)	(5,284)
Net Tangible Assets/ (Liabilities)	(2,610)	(2,612)	(2,562)	(2,706)

Source: Audited annual financial statements to June 2015, Unaudited December 2015 financial statements, management accounts. Value Adviser Associates analysis

Commentary on financial position

As at 31 December 2015 Vicwest had non-interest bearing bank debt of \$3,45m.

More than half of Vicwest total assets are intangible assets. Intangible assets relate mainly to goodwill that arises on consolidation of \$3.6m and the remainder relates to the cost associated with merger legal fees.

While net assets were positive in FY15, the auditor pointed out that Vicwest had a net tangible asset deficiency of \$2,707,375 in December 2015 and \$2,561,797 in June 2015. In the Auditor's FY15 statement, the following comment was made:

"The company's bankers and franchisor have confirmed that they will continue to provide ongoing finance for the Group, with Bendigo and Adelaide Bank Ltd providing extended terms on existing debt, with a debt reduction programme over the next 8 years. As a result, the directors believe the Group will continue to operating within the terms of the banking facilities. On the basis that the company continues to receive the support of its financiers, it is considered that the going concern assumption is the appropriate basis for the preparation of this report".

In December 2015 the Directors made the following comment:

"On the basis that the company continues to receive the support of its financiers, it is considered that the going concern assumption is the appropriate basis for the preparation of this report."

In the FY15 Annual Financial Statements the auditors also mention intercompany loans:

"Without qualification to the opinion expressed above, we draw attention to the loans that the parent entity has to its subsidiaries, Ballarat Community Enterprises Ltd of \$2,176,531 and Geelong Community Telco Ltd of \$1,848,779, which are included in non-current assets in Note 17 to these financial statements. These loans eliminate upon consolidations within the economic entity. Steps have been completed to restructure Vicwest Community Enterprises Ltd and its subsidiaries with a view to

enabling Vicwest Community Enterprises Ltd to trade profitably and to repay its commercial loan from Bendigo and Adelaide Bank Ltd over the next 8 years. The amounts owing by the subsidiaries to the parent entity are largely as a consequence of the parent entity assuming the debt of the subsidiaries to Bendigo and Adelaide Bank Ltd as part of the restructure. As at 30 June 2015, the subsidiaries are not in a position to repay their loans to the parent entity. The ability of the subsidiaries to repay their loans to the parent entity is largely dependent on the parent entity and the subsidiaries being in a position to form an income tax consolidated group, which may in turn allow the parent entity to utilise the tax losses of the subsidiaries, and also on the ability of the subsidiaries to generate future income in their own right".

Merger costs have placed additional pressure on Vicwest's cash reserves and Bendigo Bank has provided additional debt finance to assist in this regard. Vicwest management has indicated that, if the Merger does not proceed, it is expected that the company will require additional support from Bendigo Bank and a change of trading terms with CTA.

With regard to the key financial position metrics we note that cash has reduced and trade and receivables have increased, indicating that some customers may be taking longer to pay.

The current ratio (current ratio = current assets/current liabilities) and quick ratio (quick ratio = (Cash + receivables)/current liabilities) have declined over time mainly as a result of an increase in current liabilities.

We understand that Vicwest has no non-operating assets.

Directors

As at the date of this report, the Vicwest directors are as listed below:

TABLE 11 VICWEST BOARD

Name	Position
Pat Murnane	Non-Executive Chairman
Rodney Payne	Non-Executive Director
Jonathan Selkirk	Non-Executive Director
Robert Glass	Non-Executive Director
Kevin Roache	Non-Executive Director
Justine Finlay	Non-Executive Director
James Sargeant	Non-Executive Director
Lyndelle Zuccolin	Non-Executive Director
Janelle Wehsack	Non-Executive Director

Source: Annual Financial Statements, Scheme Booklet

Pat Murnane and Janelle Wehsack are both employees of Bendigo Bank.

Capital structure

Vicwest is an unlisted public company.

The total number of ordinary shares on issue as reported in the financial statements to 30 June 2015 was 3,111,008 fully paid up ordinary shares. No options were outstanding at the valuation date. As at April 2016, the number of shares had not changed.

Vicwest also has a non-interest bearing loan facility from Bendigo Bank of \$3.8m, payable over 8 years.

Tax losses

Following a ruling from the Australian Taxation Office ["ATO"], Vicwest is able to currently utilise tax losses of \$2,118,004 and therefore, is not expecting to pay taxes for the foreseeable future whilst profitability remains low. These losses may be available to the tax consolidated group post-merger, depending on further analysis.

Shareholders

As at 30 June 2015, Bendigo Bank held 1,555,504 shares or 50.0% of total Vicwest shares and was the largest shareholder. As at April 2016, Bendigo Bank's shareholding had not changed.

The remaining shares are held by approximately 100 shareholders.

The distribution of shares among the shareholders excluding Bendigo Bank is fairly evenly spread, with no shareholders holding more than 3.3% and most holding less than 1% of the available shares.

Dividends

Dividends of 1 cent per share totalling \$31,111 were declared in Financial Year 2014 and Financial Year 2015 respectively.

Profile of Bendigo Telco

History and overview

Bendigo Telco is a telecommunication and internet service provision company, providing retail and telecommunications products to businesses and residential customers, primarily in Bendigo and central Victoria.

Bendigo Telco is a public company listed on the NSX. Bendigo Telco has a market cap of approximately \$11m.

Bendigo Telco provides a broad suite of business and consumer telecommunication products and services nationally including: fixed voice telephony, IP telephony, data networks, mobile voice and data services, internet, broadband, managed network solutions, business continuity, data storage, disaster recovery services, Software-as-a-Service ["SaaS"], Infrastructure-as-a-Service ["IaaS"], Desktop-as-a-Service ["DaaS"], network design and network operating centre support. Bendigo Bank, which is Bendigo Telco's major customer, has an equity interest of 19.4% in Bendigo Telco. While CTA used to provide wholesale telecommunications services to Bendigo Telco in a similar manner to Vicwest, Bendigo Telco did not renew the Franchise Agreement with CTA in November 2014 and now holds direct relationship with key suppliers such as AAPT, Optus, NBNCo, Telstra and NextGen.

In addition to the Bendigo Telco brand, Bendigo Telco has two other brands: Macpherson's Media ISP services (which is the trading name used by Bendigo Telco's subsidiary, BCT Shepparton) and BCT Precision Networks.

Bendigo Telco acquired McPherson Media in October 2014. Formerly owned by McPherson Media Group, McPherson Media has provided telecommunications solutions such as broadband and fixed voice, to Shepparton in the Goulburn Valley and surrounding regions since 1995. The company has grown from offering dial-up services, to high speed broadband and voice products, rapidly becoming one of country Victoria's largest ISPs.

BCT Precision Networks is a Bendigo Telco brand that is positioned as a national provider of high performance Virtual Private Networks to medium and large organizations. The networks are integrated with Infrastructure as a Service (IaaS), Desktop as a Service (DaaS), Backup and Disaster Recovery and IP Telephony services. BCT Precision Networks specialises in deploying and integrating cloud and networking solutions.

The key members of Bendigo Telco's senior management team are: Jeff Jordan, Chief Executive Officer; Jim Nielsen, Chief Operating Officer; Adam Murdoch, Chief Technology Officer; and Jason Sim, General Manager Sales and Marketing. The team is discussed in more detail in Section 1.4 of the Scheme Booklet.

Historical financial performance

TABLE 12 CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

	Jun-13 \$'000	Jun-14 \$'000	Jun-15 \$'000	Dec-15 \$'000 Half year
Sales revenue	22,570	22,031	22,115	11,394
Other revenue	31	1	-	-
Sales revenue	22,601	22,031	22,115	11,394
Interest received	32	59	28	7
Profit on sale of assets	70	-	39	-
Discount on acquisition	-	-	78	-
Total other income	103	59	145	7
Cost of products sold	(11,808)	(11,241)	(10,997)	(5,409)
Salaries and employee benefit costs	(4,712)	(4,595)	(5,298)	(2,908)
Occupancy and associated costs	(604)	(619)	(647)	(372)
General administration costs	(968)	(816)	(1,022)	(511)
Advertising and promotion costs	(281)	(162)	(234)	(89)
System costs	(1,469)	(1,313)	(733)	(388)
Total operating costs	(19,840)	(18,746)	(18,929)	(9,677)
Borrowing costs	(277)	(328)	(697)	(388)
Depreciation and amortisation costs	(947)	(880)	(1,033)	(710)
Profit before income tax	1,640	2,135	1,601	625
Tax expense	(505)	(543)	(475)	(196)
Net profit	1,135	1,592	1,127	428

Source: Audited annual financial statements to FY15, Unaudited Half Yearly Report to Dec 15

Commentary on income statement

Bendigo Telco's revenues are slightly more than double the revenues of Vicwest (Bendigo Telco had \$22.1m revenue for FY15 and Vicwest had \$10.2m). The company generates circa 45% of its revenue from VPN products, circa 18% from fixed telephone services and circa 13% from data centre. Whilst revenue declined marginally in FY14, it improved in FY15. In the 2015 annual report, the Chairman mentioned that Bendigo Telco was affected by the move away from traditional telecommunications fixed line services VoIP, which results in lower costs for customers and more complex networks for Bendigo Telco, with the potential for increased margins for these types of services.

Bendigo Telco noted in the 2015 Annual Financial Statements that NBN Co decided that full roll out of NBN connectivity will not commence in Bendigo until 2017. There is also a relatively high fixed cost to connect to NBN's network. The upshot is that revenue and products related to the NBN network are likely to be minor for Bendigo Telco in FY16 and possibly FY17.

Cost efficiencies, particularly reductions in cost of products sold and a decrease in systems costs, resulted in improving EBITDA over the three-year period between FY13 and FY15. Bendigo Telco's reported EBITDA was \$2.61m, \$2.96m and \$2.48m for FY15, FY14 and FY13 respectively, resulting in EBITDA margins of between 11% and 13%. The decrease in systems costs in FY15 was due the termination of the franchise arrangement with CTA.

The consolidated profit of Bendigo Telco amounted to \$1.13m for FY15. This represents a 29%

decrease on the results reported for the year ended 30 June 2014 of \$1.59m. According to the 2015 Annual Financial Statements, the decrease in profit is predominately a result of Bendigo Telco investing in three key areas – staff, infrastructure and sales/marketing. In addition, the profit was affected by a number of one-off transactions relating to the company's restructure, including costs associated with the migration of services to a new billing system whereby two systems were operating in parallel for a period of time, as well as costs associated with the restructuring of the management team to support the new direction of the group.

Revenue to December 2015 appears to be broadly in line with prior years. According to the half year financial statements, Bendigo Telco has continued to reposition revenues away from traditional fixed line services into key growth areas of virtual private networks ["VPNs"] and cloud services. According to Bendigo Telco, it has made significant investments to replace ageing core infrastructure with more efficient, scalable equipment.

Historical cash flow

TABLE 13 CONSOLIDATED STATEMENT OF CASH FLOWS

	Jun-13 \$'000	Jun-14 \$'000	Jun-15 \$'000	Dec-15 \$'000 Half year
Receipts from customers	26,109	25,065	23,025	12,517
Payments to suppliers and employees	(22,872)	(21,868)	(21,593)	(9,749)
Interest and finance costs paid	(10)	(2)	-	(42)
Interest received	32	59	106	7
Income tax paid	(455)	(406)	(658)	(291)
Net cash from operating activities	2,804	2,849	880	2,441
Purchase of BCT Shepparton	-	-	(597)	-
Purchase of intangible assets	(176)	(320)	(283)	(62)
Purchase of property, plant and equipment	(365)	(731)	(1,120)	(457)
Proceeds from sale of property, plant and equipment	100	19	59	-
Net cash from investing activities	(440)	(1,032)	(1,941)	(519)
Repayment of finance lease/borrowings	(51)	(88)	-	(209)
Dividends paid	(709)	(943)	(1,149)	(575)
Net cash from financing activities	(760)	(1,031)	(1,149)	(783)
Net increase/(decrease) in cash held	1,604	786	(2,210)	1,139
Cash and cash equivalents at beginning of financial year	768	2,372	3,157	947
Cash and cash equivalents at end of financial year	2,371	3,157	947	2,086

Source: Audited annual financial statements to FY15, Unaudited Half Yearly Report to Dec 15

Commentary on cash flows

Net operating cash flows reduced in FY15, driven by lower receipts from customers. The key reason for this may be the move away from traditional telecommunications fixed line services to VoIP, which appears to lead to a longer payment cycle (see the Statement of Financial Position). It appears that both Bendigo Telco and Vicwest are experiencing the effects of this revenue trend.

Historical balance sheets

TABLE 14 FINANCIAL POSITION

	Jun-13 \$'000	Jun-14 \$'000	Jun-15 \$'000	Dec-15 \$'000 Half year
Cash and cash equivalents	2,372	3,157	947	2,087
Trade and other receivables	1,568	1,010	1,527	1,025
Prepayments/Other current assets	765	681	1,375	1,618
Inventories	130	109	132	171
Current assets	4,835	4,957	3,980	4,900
Property, plant and equipment	1,836	1,998	2,368	4,161
Intangible assets	1,536	1,526	1,506	1,411
Deferred tax assets	160	187	232	217
Other	-	-	-	295
Non current assets	3,532	3,710	4,106	6,084
Total Assets	8,367	8,667	8,086	10,985
Trade and other payables	2,490	1,959	1,392	2,500
Borrowings	88	-	-	547
Provisions	452	512	643	530
Tax	59	223	84	-
Current liabilities	3,089	2,695	2,119	3,576
Borrowings	-	-	-	1,566
Provisions	101	146	115	138
Non current liabilities	101	146	115	1,703
Total liabilities	3,190	2,841	2,235	5,279
Net Assets	5,177	5,826	5,852	5,705
Issued capital	3,485	3,485	3,532	3,532
Retained earnings	1,693	2,342	2,319	2,172
Total equity	5,177	5,826	5,852	5,705

Source: Audited annual financial statements to FY15, Unaudited Half Yearly Report to Dec 15

TABLE 15 KEY FINANCIAL POSITION METRICS

	Jun-13 \$'000	Jun-14 \$'000	Jun-15 \$'000	Dec-15 \$'000 Half year
Current Assets	4,835	4,957	3,980	4,900
Current Liabilities	3,089	2,695	2,119	3,576
Current Ratio	1.6	1.8	1.9	1.4
Cash and cash equivalents	2,372	3,157	947	2,087
Trade and other receivables	1,568	1,010	1,527	1,025
Current Liabilities	3,089	2,695	2,119	3,576
Quick Ratio	1.3	1.5	1.2	0.9
Total Assets	8,367	8,667	8,086	10,985
Intangible Assets	(1,536)	(1,526)	(1,506)	(1,411)
Net Tangible Assets	6,832	7,142	6,580	9,573
Total Liabilities	(3,190)	(2,841)	(2,235)	(5,279)
Net Tangible Assets	3,642	4,301	4,345	4,294

Source: Audited annual financial statements to FY15, Unaudited Half Yearly Report to Dec 15

Commentary on financial position

As at 30 June 2015 Bendigo Telco had no bank debt and positive net assets and net tangible assets. Net tangible Assets were \$4.3m in FY15. Bendigo Telco's intangible assets are considerably lower than Vicwest (\$1.5m for Bendigo Telco in FY15, versus \$3.7m for Vicwest in FY15).

As at 30 June 2015, property, plant and equipment consisted mainly of office, furniture and equipment (circa \$921,000) and telecommunications and infrastructure (circa \$952,000). Property, plant and equipment increased by circa \$1.8m from 30 June 2015 to 31 December 2015, due primarily to investments in a network refreshment program and new Cloud equipment.

Current and non-current borrowings increased to December 2015. The borrowings relate to finance leases for the new network and Cloud infrastructure.

Cash has reduced and receivables have increased, indicating that some customers may be taking longer to pay. This is consistent with changes in Vicwest cash and receivables.

The current ratio (current ratio = current assets/current liabilities) has increased from 1.8 in FY14 to 1.9 in FY15, declining to 1.4 in December 15. The quick ratio (quick ratio = (Cash + receivables)/current liabilities) has declined from 1.5 in FY14 to 1.2 in FY15, declining to 0.9 in December 15.

Directors

As at the date of this report, the Bendigo Telco directors are as listed below: More detail on the Bendigo Telco Board and senior management is included in Section 1.4 of the Scheme Booklet:

TABLE 16 BENDIGO TELCO BOARD

Name	Position
Donald Erskine	Non-Executive Chairman
Robert Hunt	Non-Executive Director
Graham Bastian	Non-Executive Director
Michelle O'Sullivan	Non-Executive Director
Andrew Watts	Non-Executive Director

Source: Annual Financial Statements, Scheme Booklet

Capital structure

Bendigo Telco is a public company listed on the NSX (ticker: BCT). The total number of ordinary shares on issue at the date of this report 2016 is 5,745,322. 5,685,516 are available for trading while the remaining 60,000 shares are restricted from trading as they relate to BT's employee share plan. No options were outstanding at the valuation date.

Bendigo Telco had interest bearing debt outstanding of circa \$2.1m as at 30 December 2015.

Shareholders

As at 30 June 2015, Bendigo Bank held 1,112,146 shares, or circa 19.4% of total Bendigo Telco shares and was the largest shareholder. The next largest shareholder was Erskine Investments Pty Ltd with 939,326 shares or a 16.3% shareholding.

The top 10 shareholders held 60.8% of the total shares as at 30 June 2015.

Dividends

According to Section 1.8 in the Scheme Booklet, the dividends determined and paid by Bendigo Telco for the last three financial years are as listed below:

TABLE 17 BENDIGO TELCO DIVIDENDS

Year ended June	2014	2015	2016
Interim dividend (cents/share)	7.0	7.0	7.0
Final dividend (cents/share)	13.0	10.0	tba
Full year dividend (cents/share)	20.0	17.0	tba

Source: Scheme Booklet

For the financial year ended 30 June 2016, Bendigo Telco expects to determine a fully franked final dividend of up to 75% of net profit after tax before the Implementation Date. (The Implementation Date is the date that the Merger and Ancillary Transactions are finalised.) New shareholders (i.e. Vicwest and CTA shareholder) will not participate in this dividend.

Employee share scheme

Under the Bendigo Telco Limited Employee Share Scheme ["Plan"] Bendigo Telco may offer Bendigo Telco Shares to eligible employees by invitation.

Bendigo Telco shares are acquired by eligible employees through salary sacrifice. The Plan is operated on a non-discriminatory basis and participation is open to at least 75% of permanent employees. Any Bendigo Telco shares issued pursuant to the Plan are held under

a 3-year restriction during which time they cannot be traded.

No invitation can be made to an eligible employee if the total number of Bendigo Telco shares issued under the Plan, and Bendigo Telco shares issued during the past 5 years under any employee share scheme of Bendigo Telco, exceeds 5% of the total number of issued Bendigo Telco shares at the time the invitation is made.

Share price performance

The graph below shows Bendigo Telco's share price over the six months to 9 June 2016.

FIGURE 3 BENDIGO TELCOS SHARE PRICE OVER 6 MONTHS TO 9 JUNE 2016



Source: NSX website

Legend:

A = non-price sensitive announcements, (e.g. notification of change of director's interest on 9th December 2015 and release of restricted shares under employee share scheme on 1 March 2016 and quotation of additional securities following release of certain employee staff shares on 2 May 2016)

PS = price sensitive statements.

The price sensitive statements included:

- a business combination notice on the 16th February 2016;
- half year financial statements and an interim dividend notice on the 19th February 2016; and
- notification of the Merger Implementation Deed between Bendigo Telco and Vicwest on the 27th May 2016.

The business combination notice was notice of a non-binding memorandum of

understanding between Bendigo Telco and Vicwest to investigate a potential combination of Vicwest and CTA with Bendigo Telco. This notice did not contain any details regarding the Merger ratio.

Note there was no change in share price on the 16th February immediately following the business combination notice or 27th May following notification of the Merger Implementation Deed; however, the share price increased from \$1.99 per share to \$2.05 following the half year financial statement and interim dividend announcement.

The total volume of shares traded since April 2015 was 71,600 shares. The shares traded as a percentage of total shares is circa 1% (71,600/5,745,322) which indicates the shares are illiquid. As the table below indicates, the share price has traded between \$1.95 and \$2.05 in the last year.

FIGURE 4 BENDIGO TELCO'S TRADING HISTORY APRIL 2015 TO 9 JUNE 2016

Trade Date	Price	Volume	Buyer	Seller
22/02/2016	2.05	2,500	Bailieu Holst	Bailieu Holst
8/02/2016	1.99	2,000	Bell Potter	Strategem
15/01/2016	1.99	7,500	Strategem	Strategem
12/01/2016	1.98	6,100	Strategem	Strategem
23/11/2015	2.00	16,711	Bailieu Holst	Strategem
18/11/2015	2.00	10,000	Bailieu Holst	Bailieu Holst
18/11/2015	2.00	21,289	Taylor Collison	Strategem
17/11/2015	2.01	3,000	Bailieu Holst	Bailieu Holst
10/04/2015	1.95	1,290	Shaw	Strategem
10/04/2015	2.00	1,210	Strategem	Strategem

Source: NSX website

Profile of CTA

History and overview

CTA is a wholly owned subsidiary of Bendigo Bank. CTA is a private company incorporated on 21 December 2000.

CTA's principal activities comprise providing telecommunication services, developing base telephony services, and acting as a franchisor of management and billing services.

CTA manages the Telco Community Initiative. Vicwest is currently the sole remaining franchisee. Vicwest pays CTA a franchise fee to be part of the initiative and in return, CTA manages contracts with key suppliers and provides other support services such as back office accounting, billing, provisioning and call centre support. The franchise arrangements between Vicwest and CTA will terminate as part of the Merger and Ancillary Transactions.

Under the CTA Asset Sale CTA will sell certain parts of its managed customer business to Bendigo Telco.

Historical financial performance

The table below shows the unaudited historical performance of the CTA managed telco customer's business, parts of which will be sold to Bendigo Telco. We have not been provided with any further financial information relating to CTA's financial performance.

TABLE 18 CTA MANAGED TELCO CUSTOMERS BUSINESS STATEMENT OF PROFIT AND LOSS

	Jun-15 \$'000
Annual Revenue	7,725
Cost of products sold	5,396
Gross profit	2,329
Operating expenses	
Sales staff	800
Premises	69
Telephone and communications	91
Office expenses	15
Billing and Collections	38
Total operating expenses	1,013
EBITDA	1,316

Source: Unaudited Financial Statements to 30 June 2015

The company generates circa 59% of its revenue from fixed telephone services and circa 31% from Broadband/Internet services.

CTA has provided a list of incremental customers that will be transferred to Bendigo Telco under the CTA Asset Sale. Incremental customers are customers that are currently not listed in CTA against Vicwest or Bendigo Telco. The table below provides the revenue since January 2014 of these CTA customers.

TABLE 19 CTA INCREMENTAL CUSTOMER REVENUE NOT ASSOCIATED WITH VICWEST OR BENDIGO TELCO

Start End	Jan-14 Dec-14 \$'000	Jul-14 Jun-15 \$'000	Jan-15 Dec-15 \$'000
Annual revenue	6,978	7,002	7,070
Monthly average revenue	581	584	589

Source: Bell Customer and Service List - Revenue last 24 months, provided by CTA

The total incremental revenue not associated with Vicwest or Bendigo Telco for FY15 was circa \$7.0m, whereas the total annual FY15 revenue for the CTA Managed Telco customers business as a whole was \$7.7m.

Under the CTA Asset Sale, a calculation will be performed by CTA (in accordance with the terms of the BSA) shortly before the scheme is implemented to determine gross margin up to that date. The gross margin = sales – cost of goods sold. This margin is expected to be circa \$2.3m. If the gross margin at the time of the calculation is less than \$2.07m, CTA has a right to top up the transferring customer base by adding customers who would not otherwise be transferring before implementation to take the gross margin back above \$2.07M. CTA is not providing any projection or forecast or warranties in relation to customer retention by Bendigo Telco post the implementation of the Scheme.

More details of the CTA Asset Sale are included under "Evaluation of Ancillary Transactions" and in the Scheme Booklet.

Valuation

Regulatory guidance

Section 411 of the Corporations Act 2001 ["Section 411"] regulates schemes of arrangement between companies and their shareholders. Part 3 prescribes the information to be provided to shareholders in relation to schemes of arrangement.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholder's subject to the scheme and must state reasons for that opinion.

There is no legal definition of the expression "in the best interests". However, ASIC has issued RG111 which establishes guidelines in respect of independent expert's reports. RG111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Chapter 2J.

In the context of control transactions, the expert is required to distinguish between "fair" and "reasonable". A proposal that was "fair and reasonable" or "not fair but reasonable" would be in the best interests of shareholders. For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. If the advantages outweigh the disadvantages, a proposal would be in the best interests of shareholders.

Under RG111.11 an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:

- a) Assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- b) Assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash.

Under RG 111.31 when considering whether an offer is fair, "the comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- a) The acquirer is obtaining or increasing control of the target; and
- b) The security holders in the target will be receiving scrip constituting minority interests in the combined entity.

In other words, if there is a takeover of control, then the value of Vicwest to shareholders before the Merger and Ancillary Transactions should be considered assuming 100% control, and the value of the Merged Group after the Merger and Ancillary Transactions should be

considered assuming that shareholders hold a minority stake in the Merged Group.

Under RG111.12 an offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Basis of assessment

In determining whether the Merger is in the best interests of the Vicwest shareholders we have:

- Determined whether the value of the Scheme Consideration being offered to the Vicwest shareholders is fair. We have compared the valuation multiples implied by the Scheme Consideration to observed multiples in the market;
- Considered the position of the Vicwest shareholders should the Merger not proceed; and
- Considered other factors which we consider to be relevant to the Vicwest shareholders in their assessment of the Merger.

The controlling value to Vicwest shareholders was determined using the revenue multiples and earnings before interest, tax, depreciation and amortisation ["EBITDA"] multiple approaches.

Appendix 3 contains a description of the valuation methodologies we have considered.

Value of the Scheme Consideration

In estimating the market value of the Scheme Consideration being offered to the Vicwest shareholders we considered market evidence relating to the trading of Bendigo Telco shares on the NSX. We also considered Bendigo Telco's implied EBITDA and revenue multiples and compared those to broadly comparable companies.

In estimating the value of the Bendigo Telco shares we did not apply a premium for control as the individual Scheme Shareholders will be minority shareholders in Bendigo Telco. In addition, we note that the Merger does not provide certainty as to the value of the Scheme Consideration received by the Vicwest shareholders as there is no cash alternative. The Vicwest shareholders will therefore be dependent upon the trading price of the Bendigo Telco shares at the time the Scheme Shareholder decides to realise his or her investment. The final value to be received by the Vicwest shareholders is therefore uncertain.

Bendigo Telco share price analysis

During the 2015 calendar year the Bendigo Telco share price traded between \$1.95 and \$2.20 and between \$1.98 and \$2.05 since 1 January 2016.

TABLE 20 BENDIGO TELCO HISTORICAL SHARE PRICES SINCE 1 JANUARY 2015

Trade Date	Price	Volume	Buyer	Seller
22/02/2016	2.05	2,500	Baillieu Holst	Baillieu Holst
8/02/2016	1.99	2,000	Bell Potter	Strategem
15/01/2016	1.99	7,500	Strategem	Strategem
12/01/2016	1.98	6,100	Strategem	Strategem
23/11/2015	2.00	16,711	Baillieu Holst	Strategem
18/11/2015	2.00	10,000	Baillieu Holst	Baillieu Holst
18/11/2015	2.00	21,289	Taylor Collison	Strategem
17/11/2015	2.01	3,000	Baillieu Holst	Baillieu Holst
10/04/2015	1.95	1,290	Shaw	Strategem
10/04/2015	2.00	1,210	Strategem	Strategem
18/03/2015	2.20	6,000	Baillieu Holst	Morgans
12/03/2015	2.10	3,518	Baillieu Holst	Strategem

Source: NSX website

Bendigo Telco has traded in a narrow band of \$1.95 to \$2.05 per share for the past year with most trades at \$2.00 per share. We therefore conclude that \$2.00 is a reliable proxy for the value of a Bendigo Telco share.

Accordingly, we estimated Bendigo Telco's market value, implied EBITDA and revenue multiples to be as follows:

TABLE 21 BENDIGO TELCO IMPLIED EBITDA AND REVENUE MULTIPLE CALCULATION

Value of Bendigo Telco	
Number of shares on issue ('000)	5,745
Value per share (\$)	2.00
Market value of equity on a minority basis (\$'000)	11,491
Net (debt)/cash (\$'000)	(25)
Enterprise value (\$'000)	11,466
2015 Revenue (\$'000)	22,115
2015 EBITDA (\$'000)	2,610
Implied revenue multiple (on a minority basis)	0.5
Implied EBITDA multiple (on a minority basis)	4.4

Source: Bendigo Telco annual financial statements and Value Adviser Associates analysis

We compared the implied multiples derived above to the multiples observed from smaller broadly comparable listed companies and comparable transactions, as set out in the table below. More detail on these comparable companies and transactions is provided in Appendix 4.

TABLE 22 COMPARABLE COMPANY DATA

	EBITDA multiples		Revenue multiples	
	Historical	Forecast	Historical	Forecast
Bendigo Telco	4.4		0.5	
Listed Comparable Companies				
Mean	9.9	8.7	1.4	1.1
Median	9.6	7.7	1.3	1.2
Max	22.3	14.7	3.1	1.5
Min	4.2	5.8	0.3	0.4
Comparable Transactions				
Mean	9.5	8.3	1.2	
Median	9.6	7.6	1.0	
Max	17.1	13.7	2.3	
Min	4.8	5.5	0.4	

Source: Bloomberg, MergerMarket and Value Adviser Associates analysis

There are a number of differences to be taken into account prior to comparing the Bendigo Telco implied multiples to those in the table above:

- Bendigo Telco is significantly smaller than the listed comparable companies and smaller companies tend to trade at a discount;
- Bendigo Telco's shares are illiquid and illiquid shares tend to trade at a discount;
- Bendigo Telco's revenue has been largely constant over the last 3 years. Companies with lower growth expectations tend to trade at a discount; and
- Bendigo Telco's growth in profits over the last few years has been volatile which increases uncertainty around its future growth prospects.

Taking the above into account, we do not believe that \$2.00 per Bendigo Telco share is unreasonable as an indicator of market value, prior to considering the following factors:

- To the extent that Bendigo Telco is paying a control premium for Vicwest, there may be a dilution effect on the value of Bendigo Telco's shares subsequent to the implementation of the Scheme;
- The impact of synergies being realised may impact on the trading price. Although a detailed analysis of available synergies has not been performed, we understand that there are synergies available to the Merged Group; and
- Prior to implementation of the Merger, Bendigo Telco may declare a dividend for its own shareholders of up to 75% of the anticipated net profit after tax of for the financial year ending 30 June 2016, which will not be payable to Vicwest Shareholders. This may reduce the implied value (at least in the short-term) accordingly.

Given the potential impact of the above factors on the Bendigo Telco share price, we have estimated a range of potential trading prices for the Bendigo Telco shares, post implementation of the Merger and Ancillary Transactions.

In this regard we estimated high and low values of the Bendigo Telco shares post the Merger based upon the assumptions above:

- The low values assume that Vicwest and CTA add no value to Bendigo Telco, therefore the total market value of the Merged Group remains at circa \$11.5m.
- The high values assume that Vicwest and CTA each add value to the Merged Group of at least \$2.00 per new share issued.

We also took into account the possible effect of the Bendigo Telco dividend, which will be payable only to Bendigo Telco shareholders before the Merger and Ancillary Transactions are finalised. Ex-dividend ["Ex Div"] values commonly reduce share prices by the value of the dividend because new shareholders will not receive the benefit of the dividend. The dividend is assumed to be 75% of an estimated \$1m net profit for FY16, or 13 cents per share for existing Bendigo Telco shareholders (which is similar to prior years).

Given the inherent uncertainties associated with the realisation of expected post deal synergies, we have taken a conservative approach and excluded any expected synergies from our calculations below.

TABLE 23 FORECAST RANGE OF TRADING PRICES POST THE MERGER AND ANCILLARY TRANSACTIONS

Value of the consideration	Low	High
Market Value of Bendigo Telco before Proposed Merger & Ancillary Transactions	11,491	11,491
Vicwest value add	-	3,000
CTA value add	-	1,000
Market value of Merged Group on a minority basis (\$'000)	11,491	15,491
Less dividend to be paid to Bendigo Telco shareholders	750	750
Market value of Merged Group on a minority basis (\$'000) less dividend	10,741	14,741
Total Number of shares in issue in Newco ('000)	7,745	7,745
Value per share (\$)	1.48	2.00
Ex Div value per share (\$)	1.39	1.90

Source: Value Adviser Associates analysis

Note: Transaction costs have been assumed to have an immaterial impact on the above calculations

Based upon the estimated range of the share prices post the Merger and Ancillary Transactions, we have estimated the value range of the Scheme Consideration to be between \$0.67 and \$0.92 per Vicwest share, as the table below indicates:

TABLE 24 VALUE OF THE SCHEME CONSIDERATION

Value of the consideration	Low	High
Number of VicWest shares for every Bendigo Telco share	2.074	2.074
Therefore, the number of Bendigo Telco shares per every VicWest share	0.48	0.48
Ex div value of a Bendigo Telco share (\$)	1.39	1.90
Estimated value of the consideration per Vicwest share (\$)	0.67	0.92

Source: Value Adviser Associates analysis

Implied Vicwest valuation multiples

The primary method we considered was the EBITDA multiple approach. Under this method EBITDA is multiplied by a multiple to obtain the enterprise value of the company. The multiple is typically obtained by observing the multiples implied by the market values of similar companies. This method is commonly used to value telecommunications companies because investors consider both the profitability of the company (through the EBITDA estimate) and the company's growth prospects (through considering the multiple relative to comparable companies).

As a cross check, we considered a revenue multiple approach. This is less commonly used in the telecommunications sector because it does not explicitly take into account how profitable the revenue being generated is relative to the listed comparable companies; however, it is useful as a cross check and when considering potential synergies. In an industry where economies of scale are important (such as telecommunications) buying the revenues of another less profitable company can potentially add value.

Maintainable revenue and EBITDA estimates

We estimated Vicwest's maintainable revenue taking into consideration Vicwest's historical FY15 results, current year to date results and expected FY16 results. Maintainable revenue reflects the level of revenue below which revenue is unlikely to fall in the absence of unforeseen circumstances.

Vicwest's revenue varied between \$10.2m and \$10.4m during its last 3 financial years. Revenue in the half year to December 2015 was \$5.0m. Accordingly, we estimate maintainable revenue to be between \$10.0m and \$10.5m.

EBITDA has been \$68,000 in FY13, \$161,000 in FY14 and \$165,000 in FY15. EBITDA in the half year to December 2015 was negative (\$84,000) but we expect that EBITDA will improve as natr sales are achieved, or alternatively, as costs associated with natr are reduced. Accordingly, we estimate maintainable EBITDA to be between \$0.1m and \$0.2m.

Comparable company multiples

The comparable companies for Vicwest include the same comparable companies that were considered for Bendigo Telco (and it also includes Bendigo Telco itself). Of all the comparable companies listed, Bendigo Telco is the most comparable. While Bendigo Telco is considerably smaller than the other comparable companies, it is nonetheless larger and more profitable than Vicwest and therefore could be expected to trade at higher multiples than Vicwest.

TABLE 25 COMPARABLE COMPANY MULTIPLES

	EBITDA multiples		Revenue multiples	
	Historical	Forecast	Historical	Forecast
Bendigo Telco	4.4		0.5	
Listed Comparable Companies				
Mean	9.9	8.7	1.4	1.1
Median	9.6	7.7	1.3	1.2
Max	22.3	14.7	3.1	1.5
Min	4.2	5.8	0.3	0.4
Comparable Transactions				
Mean	9.5	8.3	1.2	
Median	9.6	7.6	1.0	
Max	17.1	13.7	2.3	
Min	4.8	5.5	0.4	

Source: Bloomberg, MergerMarket, Value Adviser Associates analysis

We note that the listed comparable company multiples reflect trading of portfolio interests in the companies and therefore exclude any premium for control.

EBITDA multiples for Vicwest implied by the Scheme Consideration

We considered the estimated value range of the Scheme Consideration and implied EBITDA multiples for Vicwest to determine if they were equal to or greater than observed comparable company multiples.

TABLE 26 CALCULATION OF IMPLIED EBITDA MULTIPLES

Implied multiples for Vicwest under various scenarios	Low	High
Implied enterprise value for Vicwest		
No. of Vicwest shares on issue ('000)	3,111	3,111
Conversion ratio	2.074	2.074
No. of Bendigo Telco shares to be issued to Vicwest shareholders ('000)	1,500	1,500
Value of a Bendigo Telco share on a minority basis (\$)	1.39	1.90
Therefore, implied value of Vicwest shares (\$'000)	2,080	2,855
Net Debt (\$'000)	3,284	3,284
Implied enterprise value for Vicwest (\$'000)	5,364	6,139
EBITDA (\$'000)		
High Maintainable	200	200
Low Maintainable	100	100
Implied EBITDA multiples		
High Maintainable	26.8	30.7
Low Maintainable	53.6	61.4

Source: Value Adviser Associates analysis

We note that the implied EBITDA multiples based on the estimated value range of the Scheme Consideration are significantly higher than those observed for the comparable companies. This is as a result of Vicwest's low profitability.

Revenue multiples for Vicwest implied by the Scheme Consideration

As a cross check we also considered the implied revenue multiples for Vicwest.

As mentioned previously, revenue multiples are less commonly used in estimating the value for companies in the telecommunications industry than EBITDA because they give no indication of whether the revenue generated is profitable or not; however, in an industry where economies of scale are important (such as telecommunications) buying the revenues of another less profitable company can potentially add value.

While it is unlikely that a buyer will pay away all of the synergies in a transaction, it is possible that they may pay more than the value implied using the EBITDA multiple approach.

TABLE 27 CALCULATION OF IMPLIED REVENUE MULTIPLES

Implied multiples for Vicwest under various scenarios	Low	High
Implied enterprise value for Vicwest		
No. of Vicwest shares on issue ('000)	3,111	3,111
Conversion ratio	2.074	2.074
No. of Bendigo Telco shares to be issued to Vicwest shareholders ('000)	1,500	1,500
Value of a Bendigo Telco share on a minority basis (\$)	1.39	1.90
Therefore, implied value of Vicwest shares (\$'000)	2,080	2,855
Net Debt (\$'000)	3,284	3,284
Implied enterprise value for Vicwest (\$'000)	5,364	6,139
Revenue (\$'000)		
High Maintainable	10,500	10,500
Low Maintainable	10,000	10,000
Implied Revenue multiples		
High Maintainable	0.5	0.6
Low Maintainable	0.5	0.6

Source: Value Adviser Associates analysis

We note that the revenue multiples implied by the estimated value range of the Scheme Consideration are more consistent with comparable company revenue multiples. (As Table 2 shows, Bendigo Telco's revenue multiple is calculated as 0.5x FY15 EBITDA).

In considering the implied revenue multiple, the following should be noted:

- The listed comparable companies are significantly larger than Vicwest, as is Bendigo Telco. We also note that Vicwest's historical growth has been moderate and its prospects appear to be limited. It is therefore not unreasonable to expect a lower multiple for Vicwest compared to the listed comparable companies; and
- It is unlikely that a buyer would pay revenue multiple that is high as the comparable companies (including Bendigo Telco) given Vicwest's lower profitability.

Vicwest enterprise value

We also took into consideration the likely stand-alone enterprise and equity values of Vicwest. Given the unique risks as they relate to Vicwest (as discussed in this report), we estimated the enterprise and equity values of Vicwest to be as follows:

TABLE 28 ESTIMATED ENTERPRISE AND EQUITY VALUES OF VICWEST

Description	Low	High
Maintainable EBITDA (\$'000)	100	200
EBITDA multiple	4	5
Enterprise value (\$'000)	400	1,000
Less: net debt (\$'000)	3,284	3,284
Equity value (\$'000)	-	-

Source: Value Adviser Associates analysis

In our opinion, it is unlikely that Vicwest will attract an EBITDA multiple higher than 5 times on a standalone basis given:

- Vicwest's trading results for its last three financial years;
- Vicwest reported a trading loss for the six months ended 31 December 2015 and is expected to report a trading loss for its financial year ended 30 June 2016;
- Vicwest's current levels of debt;
- The inherent uncertainty about Vicwest's ability to continue as a going concern; and
- The potential for impairment of Vicwest's intangible assets given its trading results.

We note that the enterprise value range of the Vicwest shares of \$5.36 million to \$6.14 million being implied by the Scheme Consideration is above our enterprise value as per Table 26 above.

We also note that in terms of our calculations no value can be ascribed to the Vicwest equity on a standalone basis. We do, however, acknowledge that there could be upside to a specific buyer to the extent that there are synergies available to that buyer.

Evaluation of Ancillary Transactions

Scope of opinion

The Independent Directors requested that Value Adviser Associates:

- Considers whether anything has come to its attention which would cause it to believe that:
 - The Ancillary Transactions are not on arm's length terms; or
 - The consideration payable under the Ancillary Transactions constitutes the receipt by Bendigo Bank of a collateral benefit for the purposes of the Corporations Act as interpreted by GN21; and
- Confirms that nothing has come to its attention in respect of the Ancillary Transactions that would cause it to qualify the conclusions reached in its opinion regarding the merger.

In order to opine on the above, we considered the following:

Arm's length terms

In determining whether the Ancillary Transactions are at arms' length we have had regard to any existing relationships between the parties and the genesis of, and the links between, the merger and the Ancillary Transactions.

Collateral benefit

In determining whether there is a net benefit being provided to Bendigo Bank we have had regard to whether the benefits that Bendigo Bank is receiving under the Ancillary Transactions will exceed the benefits being provided by Bendigo Bank under those transactions.

We note that in performing the above procedures we were guided by representations and information being provided by Vicwest, Bendigo Bank and Bendigo Telco (as appropriate). Given that the agreements are commercially sensitive, we have not been provided with copies of the agreements making up the Ancillary Transactions.

Details of the Ancillary Transactions

The CTA Franchise Termination, CTA Asset Sale, BEN4 and the Bendigo Telco Loan to repay the Vicwest Loan are collectively referred to as the "Ancillary Transactions".

The details of the Ancillary Transactions are set out in Section 9 in the Scheme Booklet.

CTA Franchise Termination

Vicwest operates within a franchise model and supplies telecommunications services sourced by its franchisor, CTA, a wholly-owned subsidiary of Bendigo Bank.

Under the franchise arrangements, Vicwest currently pays franchise fees of approximately \$800,000 per annum to CTA. In return, CTA provides certain associated supply discount and gross margin subsidy arrangements to Vicwest. These subsidies equate to approximately \$600,000 per annum in respect of certain telecommunications services acquired by Bendigo Bank that are attributed to Vicwest supply.

If the Merger proceeds, Vicwest will become a wholly-owned subsidiary of Bendigo Telco and so no longer require franchise services from CTA. Accordingly, CTA will terminate its franchise

arrangements with Vicwest. This includes:

- Termination of the CTA Community Franchise Agreement dated 24 December 2009 between CTA, Vicwest and BCE; and
- Termination of the CDA Community Enterprise Franchise Agreement dated 24 November 2006 between CTA, Vicwest and GCT.

Bendigo Telco Loan

If the Scheme is implemented, Bendigo Bank will provide a loan in the amount of \$3.8m to Bendigo Telco pursuant to the Loan Agreement for the purpose of repaying the \$3.8m loan from Bendigo Bank to Vicwest.

The facility will be split into two tranches as follows:

- \$1.5m, upon which interest only is payable for the whole term; and
- \$2.3m, upon which interest only is payable for 12 months, followed by principal and interest for the remaining term.

The key terms on both loans are as follows:

- The term is 84 months from initial drawdown;
- The interest rate is the Reserve Bank of Australia ["RBA"] cash rate. The interest rate will immediately convert to a market rate of interest if a person other than Bendigo Bank acquires a Relevant Interest in 20% or more of Bendigo Telco Shares or Bendigo Telco lists on the Australian Stock Exchange ["ASX"] or takes action to list on the ASX; and
- The facility will be initially secured by a general security deed over all present and after acquired property of Bendigo Telco and BCT Shepparton and a guarantee and indemnity from BCT Shepparton. Within 21 days of the initial drawdown, similar security will be provided by Vicwest, BCE and GCT.

CTA Asset Sale

Bendigo Bank will procure CTA to sell its managed telco business to Bendigo Telco pursuant to the BSA (which includes the issue of the Bendigo Telco Shares to CTA as consideration for that sale).

Under the CTA Asset Sale:

- Bendigo Bank will procure CTA to sell its managed telecommunications resupply business to Bendigo Telco pursuant to the BSA (which includes the issue of Bendigo Telco Shares to Community Telco Australia as consideration for that sale).
- The key terms of the BSA are as follows:
 - Bendigo Telco will acquire the following key assets associated with CTA's telecommunication services resupply business:
 - approximately 1,200 customer contracts (from approximately 220 customers); and

- plant and equipment;
- Bendigo Telco will issue 500,000 Bendigo Telco shares to CTA and will make a cash payment to CTA of approximately \$25,000 for the plant and equipment;
- Bendigo Telco will offer employment to 7 CTA employees on substantially the same terms as their current employment;
- CTA will supply to Bendigo Telco, Optus post-paid mobile digital services on a wholesale basis for the duration of Community Telco Australia's contractual arrangements with Optus; and
- Bendigo Telco will assume from CTA its minimum spend obligations to AAPT in respect of the customer contracts to be transferred to the company pursuant to the BSA.
- The anticipated gross margin (revenue less the cost of goods and services sold) associated with the customer contracts to be acquired from CTA for the 12-month period just prior to the Second Court Date is anticipated to be \$2.3 million. A calculation will be done by CTA just prior to the Second Court Date. If the gross margin at the time of calculation is less than \$2.07 million, CTA has the right to top up the transferring customer base. If the gross margin remains less than \$2.07 million, this will trigger a material adverse change with respect to CTA, which will enable Bendigo Telco to terminate the Implementation Deed.

The BSA contains customary warranties and representations from both CTA and Bendigo Telco.

BEN4 Agreement

The BEN4 agreement ["BEN4" or "BEN4 Agreement"] is a proposed agreement under which Bendigo Telco will supply wide area network services and certain related services to Bendigo Bank for a 5-year term commencing on 1 January 2017 on terms to be agreed between Bendigo Telco and Bendigo Bank (both acting reasonably). The purpose of this agreement is to enter into a new 5-year supply agreement, but on different terms (including as to fees) to the existing managed wide area network services agreement dated 1 July 2011 entered into between Bendigo Bank and Bendigo Telco, as extended until 31 December 2016 by an agreement entered into between Bendigo Bank and Bendigo Telco (BEN3 agreement).

The BEN4 Agreement will commence on the Implementation Date but the 5-year service term under it will not commence until 1 January 2017. Until 31 December 2016, Bendigo Telco will continue to supply services to Bendigo Bank under the BEN3 agreement.

The BEN4 Agreement will replace the BEN3 agreement with effect from 1 January 2017.

Considerations relating to the CTA Franchise Termination

In order to consider whether there was a net benefit or net loss to Bendigo Bank from the CTA Franchise Termination we requested Bendigo Bank to prepare a table setting out the annual costs and benefits associated with the cancellation of these agreements. Due to the commercial sensitivity associated with this information, we were requested not to disclose full details but rather a summary of the net costs and benefits.

TABLE 29 ANNUAL NET LOSS TO BENDIGO BANK FROM CTA FRANCHISE TERMINATION

CTA Franchise Agreement Termination	\$'000
Value received by Bendigo Bank	758
Value given up by Bendigo Bank	(1,028)
Net loss to Bendigo Bank	(270)

Source: Bendigo Bank

The value received by Bendigo Bank relates to the release from the Vicwest subsidy, billing facility management services and reassignment of human resources.

The value given up by Bendigo Bank relates to foregone Vicwest franchise fees, wholesale margins and professional services fees.

In conclusion, based upon the information provided by Bendigo Bank it appears if the bank will be in an annual net loss position as a result of the CTA Franchise Termination.

In order to determine the value of the net loss to Bendigo Bank we:

- Considered the remaining term of the agreement which ends in February 2022;
- Assumed a probability of the agreement renewing indefinitely in February 2022 of between 0% and 25% after discussions with management;
- Escalated the net loss of \$270,000 (in FY2015 terms) by inflation of 2.5% per annum;
- Applied a tax rate of 30%; and
- Discounted the after tax cash flows at 15%.

Based upon the assumptions above, we calculated the value for the net loss to be between approximately \$800,000 and \$1 million.

Considerations relating to the Bendigo Bank loan to Bendigo Telco

We considered two approaches to determine if there is a net benefit to Bendigo Bank.

Approach 1

To determine if there was a net benefit to Bendigo Bank from the loan to Bendigo Telco we considered the following:

1. The present value to Bendigo Bank of its \$3.8 million loan to Bendigo Telco, adjusted for the \$150,000 relating to transaction fees payable by Bendigo Bank and included in the \$3.8 million mentioned above; and
2. The position of Bendigo Bank in relation to its \$3.8 million loan to Vicwest.

Our findings are summarised in the table below:

TABLE 30 NET LOSS - BENDIGO BANK LOAN TO BENDIGO TELCO

Bendigo Bank loan to Bendigo Telco	\$'000
Present value of the Bendigo Bank loan to Bendigo Telco	2,929
Balance of the Bendigo Bank loan to Vicwest	(3,800)
Net loss to Bendigo Bank	(871)

Source: Bendigo Bank; Value Adviser Associates analysis

We have determined the present value of the loan interest and principal repayments on the Bendigo Telco Loan to be worth circa \$3 million to Bendigo Bank based upon the following assumptions:

- For Tranche 1 we assumed that Bendigo Telco pays 1.75% interest (based on the current and forecast RBA cash rates) on the \$1.5 million loan for 84 months, then pays the face value of the loan (being \$1.5 million) at the end of the 84 months. We have discounted the forecast cash flows at 6.25%, which is the advertised rate for secured business loans on the Bendigo Bank website, as this is the market rate we expect Bendigo Bank would normally charge on a loan. Because Bendigo Bank is getting lower interest for the loan than they would normally expect to get, the present value of the Tranche 1 loan cash flows is below its face value.
- For Tranche 2 we assumed that Bendigo Telco pays 1.75% interest on the \$2.3 million loan for 84 months, and starts to pay down the principal on a straight line basis after 12 months until the balance is zero by 84 months. We have discounted the forecast cash flows at 6.25%. Because Bendigo Bank is receiving lower interest for the loan than they would normally expect to get, the present value of the Tranche 2 loan is lower than its face value.

In relation to the Bendigo Bank to Vicwest loan we note the following:

- Bendigo Bank is legally entitled to receive the face value of the Vicwest loan of \$3.8 million as at the date of this report;
- Under the current transaction, Bendigo Telco has agreed to repay the face value of the Vicwest loan; and
- The estimated value of the proposed transaction exceeds the face value of the Vicwest loan which suggests that Bendigo Bank could have negotiated to receive the full face value of its loan provided to Vicwest (for example in Bendigo Telco shares).

Approach 2

In addition to the above, we also considered a scenario in terms of which we calculated a high level present value of the Bendigo Bank loan to Vicwest based upon the expected repayment profile of the loan provided by Vicwest management.

The expected cash flows relating to the loan is based upon the following assumptions:

- The loan has 8 years remaining and is to be fully paid off or refinanced on commercial terms by June 2024;
- No interest is paid on the loan over the term;
- Repayment of principal is equal to 50% of Vicwest's expected net profit in the

preceding financial year. The repayment profile was developed in consultation with Vicwest management.

In respect of the above assumption regarding the repayment profile developed with Vicwest management, it is noted by Vicwest management that the repayment profile is based on reasonable grounds, however, as with any forward looking estimates, the estimates are of course only predictions and are subject to inherent risks and uncertainties that can cause actual results to differ materially from expectations.

To calculate the present value of the Vicwest loan cash flows, we have applied a discount rate of 8.25%. Typically, Bendigo Bank lends to small businesses at an advertised rate of 6.25% which is consistent with the discount rate we used to calculate the present value of the Bendigo Telco Loan. However, because the risk profile of the Vicwest loan repayments are considered to be riskier, a risk premium of 200 basis points was added.

Using the assumptions above, the present value of the Vicwest Loan was calculated to be \$2,016,000.

TABLE 31 NET BENEFIT – BENDIGO BANK LOAN TO BENDIGO TELCO

Bendigo Bank loan to Bendigo Telco	\$'000
Present value of the Bendigo Bank loan to Bendigo Telco	2,929
Present value of the Bendigo Bank loan to Vicwest	2,016
Net benefit to Bendigo Bank	913

Source: Value Adviser Associates analysis

Considerations relating to the CTA Asset Sale

To determine if there was a net benefit to Bendigo Bank from the CTA Asset Sale we considered the following:

1. The value to Bendigo Bank arising from the sale of the CTA assets; and
2. The value given up by Bendigo Bank in relation to the CTA Assets.

Our findings are summarised in the table below:

TABLE 32 NET LOSS – CTA ASSET SALE

CTA Asset Sale	\$'000
Value received from CTA Asset Sale	848
Value given up from CTA Asset Sale	(1,037)
Net loss to Bendigo Bank	(190)

Source: Value Adviser Associates Analysis

To assess whether the consideration paid for the CTA Assets was within an acceptable market value range we had regard to the transaction value. Assuming that the value per Bendigo Share is likely to be in the range of \$1.39 to \$1.90, the CTA shareholder will receive 500,000 shares which implies a value range for the CTA Assets of between \$695,000 and \$950,000, with a midpoint of \$822,500. In addition, Bendigo Telco will pay Bendigo Bank \$25,000 for plant and equipment, resulting in a total value of \$847,500.

To assess the value transferred by Bendigo Bank to Bendigo Telco, we determined the market

value of the CTA Assets, being customer contracts.

We understand that CTA's revenue generated from the managed customer base that forms part of the transaction is circa \$7.7 million with a gross margin of \$2.3 million for FY15. CTA's June 2015 Annual Financial Report reports their total revenue as \$34.1 million of which circa \$7.7 million in customer contracts are to be transferred to Bendigo Telco.

To estimate the value of customer contracts, we used a multi period excess earnings methodology ["MEEM"], which is commonly used to value customer contracts. The MEEM method is a discounted cash flow method that considers the returns from customer contracts after costs (including capital required/invested to generate the customers) are deducted.

Key assumptions used in the MEEM valuation for CTA Assets were:

- Revenue transferred is worth \$7 million at the start, which is more conservative than the \$7.7 million mentioned above;
- The revenue is reduced over time for the potential churn rate of customers;
- An EBITDA margin of 12% is applied (which is broadly consistent with Bendigo Telco's historic EBITDA margin);
- Taxes are deducted using a 30% tax rate;
- A contributory asset charge is applied. The contributory asset charge relates to costs associated with investments/assets that are required to support the cash flows (e.g. property plant and equipment); and
- A discount rate of 15% is applied taking into consideration the following factors:
 - Telecommunications companies market values tend to vary in line with the market; and
 - The CTA Assets is small and is illiquid. Accordingly, we applied a size premium to the discount rate

One of the key assumptions in estimating the value range is the churn rate. Telecommunication churn rates can be widely distributed, with industry figures ranging between 10% and 67% per annum and with average churn rates estimated at circa 2.5% per month for all telco customers (i.e. 30% per annum)⁵. Lower churn rates are however common for business customers, particularly where relatively complex, custom designed solutions have been put in place as is the case with many CTA customers.

We therefore considered two scenarios representing the spectrum of the likely value range: one scenario with a churn rate of 10% and one scenario with a churn rate of 30%. We understand that this may be a conservative assumption as Vicwest and CTA have both stated that their churn rates are significantly below 10%.

⁵ <http://www.statista.com/statistics/283511/average-monthly-churn-rate-top-wireless-carriers-us/> Average monthly churn rates for telcos across ALL customers in US between 2013 and 2015 ranged between about 1.3% and 5%. 10% to 67% statistic from <http://www.dbmarketing.com/telecom/churnreduction.html>. Average global monthly quoted as 2.5% <http://searchcrm.techtarget.com/answer/Customer-churn-in-the-telecom-industry>

For the low churn valuation, we assumed a higher Contributory Asset Charge. In other words, we assumed more capital was spent on technology to support customers, leading to lower churn. For the higher churn valuation, we assumed a lower Contributory Asset Charge.

A sample of the forecast cash flows, together with the value outcomes under each scenario, is shown in the table below.

TABLE 33 CALCULATION OF CTA ASSET VALUE RANGE

10% Churn and high Contributory Asset Charge (\$000s)	Start	Year 1	Year 3	Year 4	Year 5	Year 20
Revenue (assume a churn rate of 10%)	7,000	6,300	5,103	4,593	4,133	851
Gross Margin (based upon a Revenue/Gross margin of 30%)		1,899	1,538	1,385	1,246	257
EBITDA (Based upon a Revenue/EBITDA margin of 12%)		744	602	542	488	100
Tax	-	223	- 181	- 163	- 146	- 30
Net profit after tax		520	422	379	341	70
Contributory Asset Charges (average BT investment cash flows/EBITDA)	-	314.76	- 254.96	- 229.46	- 206.52	- 42.52
Cash Flow Forecast		206	167	150	135	28
Present Value Factor at a discount rate of 15%		0.87	0.57	0.64	0.61	0.62
Present Value		179	95	96	82	17
Value		1,341.598				

30% Churn and high Contributory Asset Charge (\$000s)	Start	Year 1	Year 3	Year 4	Year 5	Year 20
Revenue (assume a churn rate of 30%)	7,000	4,900	2,401	1,681	1,176	6
Gross Margin (based upon a Revenue/Gross margin of 30%)		1,477	724	507	355	2
EBITDA (Based upon a Revenue/EBITDA margin of 12%)		578	283	198	139	1
Tax	-	173	- 85	- 60	- 42	- 0
Net profit after tax		405	198	139	97	0
Contributory Asset Charges (average BT investment cash flows/EBITDA)	-	98	- 48	- 34	- 24	- 0
Cash Flow Forecast		307	150	105	74	0
Present Value Factor at a discount rate of 15%		0.87	0.57	0.64	0.61	0.62
Present Value		267	86	67	45	0
Value		733.174				

Source: Value Adviser Associates analysis

Based upon the assumptions above, the estimated value range for the CTA assets is between \$733,174 and \$1,341,598 with a midpoint of \$1,037,386.

Considerations relating to BEN4

Based upon representations by both Bendigo Bank and Bendigo Telco, we have assumed the BEN4 transaction is on market terms with no net benefit received by Bendigo Bank or Bendigo Telco.

Key points provided by Bendigo Telco and Bendigo Bank include:

- Bendigo Bank will buy some standard products plus a few additional items;
- To price the contract Bendigo Telco used their standard pricing tool for WANS and considered a usual volume discount for a contract of this size;
- Bendigo Telco considers the pricing to be at market rates, i.e. the pricing is similar to the pricing by other providers for products like the BEN4 products; and
- Bendigo Bank undertook appropriate processes to evaluate the contract, which included benchmarking the pricing of the contract.

Conclusion

The table below provides a summary of the calculations we have performed to estimate whether there is a net benefit to Bendigo Bank taking into account the Ancillary Transactions

as a whole. The calculations suggest that Bendigo Bank is unlikely to obtain a net benefit from the Ancillary Transactions.

TABLE 34 OVERALL NET LOSS TO BENDIGO BANK FROM ANCILLARY TRANSACTIONS

Ancillary Transaction	Approach 1 \$'000	Approach 2 \$'000
CTA Asset Sale	(190)	(190)
Bendigo Bank Loan to Bendigo Telco	(871)	913
BEN4 Transaction	n/a	n/a
Vicwest Franchise Agreement Termination	(900)	(900)
Net loss to Bendigo Bank	(1,960)	(176)

n/a = Because the contract is based upon normal arm's length commercial contract terms, there is no net benefit or loss

Source: Value Adviser Associates analysis

Based upon our analysis and review of the proposed Ancillary Transactions, nothing has come to our attention that causes us to believe that:

- The transaction between Bendigo Bank and Bendigo Telco is not on arm's length terms by having regard to any existing relationships between the parties and the genesis of, and the links between, the merger and the Ancillary Transactions;
- There is a net benefit being provided to Bendigo Bank insofar as the benefits that it is receiving under the terms of the Merger (including the Ancillary Transactions) will exceed the benefits being provided by Bendigo Bank under those transactions (as a whole).

Accordingly, we confirm that nothing has come to our attention in respect of the Ancillary Transactions that would cause us to qualify the conclusions reached in respect of the proposed Scheme.

Appendix 1 – Financial Services Guide

Issue Date: 8 July 2016

Value Adviser Associates Pty Ltd ABN 54 131 852 607 ("Value Adviser Associates" or "we" or "us" or "our" as appropriate) provides general advice in relation securities to retail clients as an authorised representative of Capital Value Securities Pty Ltd ABN 46 123 674 886 ("CVS" or "licensee") AFSL No 311705.

In the above circumstances we are required to issue you, as a retail client, with a Financial Services Guide [FSG]. This FSG is designed to help retail clients make a decision as to their use of our general security advice.

This FSG includes information about:

1. Who we are and how we and the licensee can be contacted
2. The services we are authorised to provide under the licensee's Australian Financial Services Licence
3. Remuneration that we, the licensee and any associates receive in connection with our general advice
4. The licensee's complaints handling procedures and how you may access them.

The licensee has authorised this FSG.

Financial services we are authorised to provide

We hold Authorised Representative number 342572 authorising us to provide general security advice on behalf of the licensee.

General advice

We provide general advice, not personal advice because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing general advice. These fees will be agreed with, and paid by, the person who engages us. Fees will be agreed on either a fixed fee or time cost basis. Clients may request particulars within a reasonable time after receiving this Guide (and before any financial service is given).

Except for the fees referred to above, neither Value Adviser Associates, CVS nor any of their directors, employees or related entities receive any pecuniary benefit or other benefit directly or indirectly for or in connection with the provision of financial product advice.

Referrals

We do not pay commissions or provide other benefits to any person for referring customers to

CVS or us in connection with the advice that we are authorised to provide.

Associations and relationships

CVS is ultimately controlled and operates as part of Value Adviser Associates professional advisory practice. Our Directors may be executive directors of CVS.

From time to time, we may provide professional services to financial product issuers in the ordinary course of our business.

Complaints resolution

Internal complaints resolution process

As a holder of an Australian Financial Services Licence, CVS is required to have a system for handling complaints from retail clients to whom it and its representatives provide financial product advice. All complaints must be in writing, addressed to: The Complaints Officer, Capital Value Securities Pty Ltd, Level 2, 65 Southbank Boulevard, Southbank, Vic 3006.

When CVS receives a written complaint it will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practicable and not more than 45 days after receiving the written complaint, it will advise the complainant in writing of its determination.

Referral to External Dispute Resolution Proposed Scheme

A complainant not satisfied with the outcome of the above process, or the licensee's determination, has the right to refer the matter to the Financial Ombudsman Service Ltd ["FOS"]. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available from the FOS website www.fos.org.au or by contacting them directly at: Financial Ombudsman Service Ltd. GPO Box 3, Melbourne Victoria 3001 or Toll free 1300 78 08 08 or by facsimile (03) 9613 6399.

Professional Indemnity insurance

Value Adviser Associates has Professional Indemnity insurance in place that covers claims in respect of current and former employees and representatives for services provided on behalf of Value Adviser Associates. This insurance satisfies the requirements under the Corporations Act relating to compensation arrangements.

Contact details

You may contact CVS at level 2, 65 Southbank Boulevard, Southbank Vic, 3006 or by phone (03) 9626 4300 or by facsimile (03) 9626 4301.

Appendix 2 – Statement of qualifications and declarations

Value Adviser Associates is qualified to provide this report. It is the corporate authorised representative of Capital Value Securities (a wholly-owned subsidiary of Value Adviser Associates), which holds an Australian Financial Services Licence under the Act. The Value Adviser Associates personnel responsible for this report have not provided financial advice to Vicwest in relation to this Merger and Ancillary Transactions.

Prior to accepting this engagement, Value Adviser Associates considered its independence with respect to Vicwest with reference to ASIC Regulatory Guide 112: *Independence of experts*. In our opinion, we are independent of Vicwest and Bendigo Telco.

This report has been prepared specifically for the Vicwest shareholders. Neither Value Adviser Associates nor any member or employee thereof undertakes responsibility to any person, other than the Vicwest shareholders, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Value Adviser Associates has relied upon and considered information believed after due inquiry to be reliable and accurate. Value Adviser Associates has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Value Adviser Associates has evaluated the information provided to it by Vicwest, its advisors, as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially miss-stated or would not afford reasonable grounds upon which to base this report. Value Adviser Associates does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose. The information we have had regard to in the preparation of this report is set out in Appendix 3 – Sources of Information.

The information provided to Value Adviser Associates has been evaluated through analysis, enquiry and review to the extent it considered necessary for the purposes of forming an opinion. Value Adviser Associates does not warrant that its enquiries have identified or verified all the matters that a formal audit or due diligence may disclose. Accordingly, this report and the opinions contained in it should be considered more in the nature of a commercial and financial review rather than a comprehensive audit or due diligence.

Vicwest has provided an indemnity to Value Adviser Associates for any claims arising out of any miss-statement or omission in any material or information provided to it in the preparation of this report.

This report should be read in its entirety to ensure that no isolated statements, analyses or other factors are construed out of context. The preparation of an opinion is a complex process and subject to professional judgement. The overall opinion is not to partial analysis or summary.

Value Adviser Associates provided draft copies of this report to the independent directors and management of Vicwest for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Value Adviser Associates alone. Changes made to this report as a result of this review by the independent directors and management of Vicwest have not changed the methodology or conclusions reached by Value Adviser

Associates.

Value Adviser Associates will receive a professional fee based on time spent in the preparation of this report, estimated at \$95,000 (exclusive of GST). This fee is not contingent on the outcome of the Merger and Ancillary Transactions. Value Adviser Associates will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Danie van Aswegen, Managing Director of Value Adviser Associates, has assumed overall responsibility for this report. He has over 20 years' experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered. Danie holds a Bachelor of Commerce (Hon) and is a member of Chartered Accountants Australia and New Zealand, the South African Institute of Chartered Accountants and the CFA Institute.

Megan Raynal, an Executive Director of Value Adviser Associates, has over 15 years' experience in valuations and strategy. Megan has experience in valuing equity, debt, options, tangible and intangible assets and has undertaken valuations in most industries for a variety of different purposes. She has worked with a diverse cross section of companies across a range of industries both in Australia and overseas. Megan holds a Bachelor of Administration, a Masters of Business Administration and is a CFA charter holder.

In the preparation of this report Value Adviser Associates has had regard to relevant Regulatory Guides issued by ASIC. It is not intended that the report should be used for any other purpose than to be sent to the Shareholders of Vicwest. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the Scheme is in the best interest of the Vicwest shareholders.

This report conforms to the requirements of APES 225 "Valuation Services".

The financial forecasts considered in the preparation of this report reflect the judgement of directors and management of Vicwest based on present circumstances, as to both the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecast and such differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of those forecasts.

Value Adviser Associates consents to the issue of this report in the form and context in which it accompanies the Notice of General Meeting to be sent to the shareholders of Vicwest.

Appendix 3 – Valuation methodologies

There are a number of valuation methodologies available with which to value a project, a business, or the shares in a company. The principal methodologies used are:

- multiples based approaches;
- discounted cash flow;
- net realisable asset value; and
- market based assessments.

Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to utilise generally depends upon the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

In this section we discuss these methods as well as the method most commonly used to value customer contracts, being the Multi Period Excess Earnings Method [“MEEM”], which is a form of discounted cash flow analysis.

Multiples based approaches

Multiples based approaches include the capitalisation of earnings and the capitalisation of other cash flows, such as revenues. The capitalisation of earnings approach is most commonly used.

The capitalisation of earnings methodology involves capitalising the earnings of a project, a business or a company at an appropriate multiple, which reflects the risks underlying the earnings together with growth prospects. This is the methodology that has been used

This methodology requires consideration of the following factors:

- estimation of future maintainable earnings having regard to historical and forecast operating results, abnormal or non-recurring items of income and expenditure and other factors. Future maintainable earnings is generally based on net profit after tax, EBIT, EBITA or EBITDA;
- determination of an appropriate earnings multiple reflecting the risks inherent in the business, growth prospects and other factors;
- earnings multiples applied to net profit after tax are known as price earnings multiples and are commonly used in relation to listed public companies. Earnings multiples applied to EBIT, EBITA or EBITDA are known, respectively, as EBIT, EBITA or EBITDA multiples, and are commonly used in respect of companies comprising a number of businesses where debt cannot be precisely allocated or in acquisition scenarios where the purchaser is likely to control gearing;
- an adjustment for financial debt, in the event maintainable earnings are based on EBIT, EBITA or EBITDA; and
- an assessment of any surplus assets and liabilities, being those which are not essential to the generation of the future maintainable earnings.

This methodology is appropriate where a company, project or business is expected to generate a relatively stable record of earnings.

Discounted Cash flow

The discounted cash flow methodology involves calculating the net present value of cash flows that are expected to be derived from future activities. The forecast cash flows are discounted by a discount rate that reflects the time value of money and the risk inherent in

cash flows.

This methodology is particularly appropriate in valuing projects, businesses and companies that are in a start-up phase and are expecting considerable volatility and/or growth in earnings during the growth phase, as well as businesses with a finite life. The utilisation of this methodology generally requires management to be able to provide long term cash flows for the subject company, asset or business.

Multiple Period Excess Earnings Method ["MEEM"]

The MEEM method is a Discounted Cash Flow based methodology commonly used to value intangible assets such as customer contracts. Under this method revenues and cash flows derived from the intangible asset are forecast and then cash flow that can be attributed to supporting assets is deducted. Supporting assets may be brand names or fixed assets that contributed to the generation of the cash flows. These deductions are sometimes referred to as "contributory asset charges." The resulting cash flow is then discounted at a rate of return commensurate with the risk of the asset to calculate a present value.

Net realisable value of assets

The net realisable value of assets methodology involves the determination of the net realisable value of the assets of a business or company, assuming an orderly realisation of those assets. This value may include a discount to allow for the time value of money and for reasonable costs of undertaking the realisation. It is not a valuation on the basis of a forced sale, where assets may be sold at values materially different to their market value.

This methodology is appropriate where a project, a business or company is not making an adequate return on its assets or where there are surplus non-operational assets or in the case of a start-up where returns are not certain.

Market-based assessments

Market based assessments relate to the valuation of companies or assets that are publicly traded. The share price can be used in a market based assessment value.

For private companies, if a recent genuine offer has been made for a company, business unit or asset, that offer may be used as a basis for valuation of the company, business unit or asset.

Appendix 4 – Comparable companies and transactions

We have considered the following comparable companies. We excluded Telstra Corporation Ltd, TPG Telecom Ltd and Vocus Communications Ltd from the comparable company set as they are significantly larger than Vicwest.

Name	Mkt Cap	EV	EBITDA Multiples		Revenue Multiples		EBITDA Margins	
	(MINORITY)	(MINORITY)	2015 FY	2016 FY	2015 FY	2016 FY	2015 FY	2016 FY
MNF GROUP LTD	259	263	22.3	14.7	3.1	1.4	14%	10%
BIGAIR GROUP LTD	97	126	7.3	5.8	2.0	1.5	28%	26%
SMS MANAGEMENT & TECH LTD	112	120	4.2	7.7	0.3	0.4	8%	5%
MACQUARIE TELECOM GROUP LTD	246	221	8.4	n/a	1.2	n/a	14%	n/a
DWS LTD	154	166	11.0	n/a	1.8	n/a	16%	n/a
ASG GROUP LTD	206	222	10.9	8.3	1.4	1.2	12%	14%
MELBOURNE IT LTD	178	196	10.7	7.2	1.3	1.1	12%	15%
Mean			9.9	8.7	1.4	1.1	15%	14%
Median			9.6	7.7	1.3	1.2	14%	14%
Max			22.3	14.7	3.1	1.5	28%	26%
Min			4.2	5.8	0.3	0.4	8%	5%

Source: Bloomberg, VAA Analysis. Data as at 19-May-2016. All data in AUD m (converted using spot FX at valuation date).

n/a = not applicable as insufficient data

Ticker	Name	Description
MNF AU Equity	MNF GROUP LTD	MNF Group Limited operates as an integrated telecommunications software and service provider. The Company specialises in internet protocol based voice services. MNF Group serves customers worldwide.
BGL AU Equity	BIGAIR GROUP LTD	BigAir Group Ltd. is a telecommunications carrier. The Company provides comprehensive wireless broadband solutions for business and government.
SMX AU Equity	SMS MANAGEMENT & TECH LTD	SMS Management & Technology Limited is an international information technology, enterprise and management solutions provider. The Company offers IT, business and management consulting, project management, internet products, IT contracting and permanent recruitment, enterprise solutions and e-commerce development and integration.
MAQ AU Equity	MACQUARIE TELECOM GROUP LTD	Macquarie Telecom Group Limited is an Australian telecommunications service provider. The Group provides local and long distance, calling card and inbound calling services along with the management of telecommunications facilities. The Group also provides data services such as ATM, ISDN and digital leased line along with telecommunications advisory services.
DWS AU Equity	DWS LTD	DWS Limited provides information technology solutions to corporation and government organizations. The company offers strategy and architecture, program and project management, business analysis, application development, solution testing and quality management, system integration and data management, and business analytics and information management services.
ASZ AU Equity	ASG GROUP LTD	ASG Group Limited is an information technology company involved in the outsourcing of computer infrastructure, application development, technical support and systems integration services. The group also provides Internet and e-commerce security services.
MLB AU Equity	MELBOURNE IT LTD	Melbourne IT Limited provides administration and registration of .au and .nz domain names along with registering country code domain names and generic top level domain names. The company also provides consulting and management services, research and development of registry technologies along with internet solutions such as website development.

We also considered the following comparable transactions:

Date	Note	Target	Acquirer	Equity acquired	Transaction value	Implied enterprise value	EV/ Revenue (LTM)*	EV/ EBITDA (LTM)	EV/ EBITDA (NTM)^
Mar-16		UXC Limited	Computer Sciences Corporation	100.0%	428.0	428.0	0.8	17.1	n/a
Dec-15		SC Holdings (services)	Decmil Group Limited	100.0%	10.1	10.1	0.4	2.9	n/a
Sep-15		M2 Group	Vocus Communications Limited	100.0%	2,400.0	2,400.0	n/a	11.5	10.2
Jun-15		CallPlus and 2Talk	M2 Group	100.0%	188.2	188.2	n/a	n/a	5.6
Apr-15	1	Pacnet Limited	Testtra Corporation Limited	100.0%	697.0	1,097.0	2.3	9.9	n/a
Apr-15	2	Spark Limited VoIP business	My Net Fone Australia	100.0%	16.7	35.7	n/a	n/a	13.7
Mar-15		iiNet	TPG Telecom	93.8%	565.0	602.7	1.2	14.2	n/a
Feb-15		Enterprise Data Corporation Pty Ltd	Vocus Communications Limited	100.0%	23.5	23.5	n/a	5.0	n/a
Nov-14		nSynergy	Rhipe	100.0%	25.4	25.4	n/a	7.2	n/a
Aug-14		Oakton	Dimension Data Australia	100.0%	171.0	171.0	n/a	12.1	n/a
Jul-14		FX Networks	Vocus (new Zealand) Holdings Ltd	100.0%	107.7	107.7	n/a	n/a	8.7
Dec-13		Telecom New Zealand Australia (AAPT)	TPG Telecom	100.0%	450.0	450.0	n/a	7.9	6.4
Aug-13		Intelligent IP Communications	BigAir Group	100.0%	20.0	20.0	2.2	14.3	n/a
May-13		Dodo Australia Holdings	M2 Group	100.0%	203.9	203.9	0.5	9.7	5.5
Mar-13		Eftel	M2 Group	100.0%	44.1	44.1	n/a	9.4	n/a
Apr-12		Primus Telecom	M2 Group	100.0%	192.4	192.4	n/a	4.8	n/a
Mar-12		Satyam Computer Services	Tech Mahindra	57.0%	985.3	1,728.6	n/a	6.6	n/a
Mean							1.24	9.47	8.34
Median							1.02	9.55	7.55

Note: All figures shown in AUD unless otherwise stated. *LTM: Last twelve months. ^NTM: Next twelve months.

1: Transaction values shown in USD. Transaction value includes \$400m debt

2: Transaction values shown in NZD. Transaction value includes \$19m debt

Source: MarketLine Advantage and media articles

UXC Limited	UXC Limited provides enterprise application capabilities as well as advisory and consulting, applications management, IT infrastructure and health ICT services. UXC Limited was founded in 2002 and is based in Australia.
SC Holdings Services	SC Holdings Services is a telecommunications solutions provider, with a strong historical presence in Western Australia and a growing presence nationally. The business offers a suite of design, installation and commissioning services to telecommunications network owners, manufacturers and NBN service providers. SC Holdings Services is based in Australia.
M2 Group	M2 Group is an Australian retailer and wholesaler of telecommunications services as well as power, gas and insurance products. M2 Group was founded in 1999 and is based in Australia.
CallPlus and 2Talk	CallPlus and 2Talk is New Zealand's third largest provider of broadband and fixed voice services, servicing consumer and business customers. CallPlus and 2Talk are based in New Zealand.
Pacnet limited	Pacnet limited as a global telecommunications service provider formed in 2008, with headquarters in Hong Kong and Singapore and offices globally including Australia.
iiNet	iiNet Limited is Australia's second-largest internet service provider based in Australia.
Spark Limited VoIP business	Spark New Zealand Limited (previously known as Telecom New Zealand) is a publicly listed company, deriving revenue from the provision of mobile, internet and phone services. The VoIP business provides VoIP services.
Telecom New Zealand Australia (AAPT)	Telecom New Zealand Australia Pty Limited provides managed telecommunications and related information technology management services to large enterprises. The company offer internet, data and cloud services for businesses and wholesale customers. The company was incorporated in 1990 and is based in Sydney, Australia.
Intelligent IP Communications Pty Ltd	Intelligent IP Communications Pty Ltd is a corporate unified communications carrier, provides IP telephony, video conferencing, private data networks and secure high speed internet services to businesses worldwide. The company also provides high definition video and VPN services and high speed internet and telephone services to residential customers throughout Australia. The company was founded in 2005 and is based in Perth, Australia.
EFTEL Limited	EFTEL Limited provides broadband, mobile, home phone and VoIP services. The company was founded in 2008 and is based in Melbourne, Australia
Dodo Australia Holdings Pty Ltd	Dodo Australia Holdings Pty Ltd provides telecommunications services to businesses and residential consumers. The company offers broadband, dialup internet, home phone, wireless telephony and VoIP services, provides alarm monitoring and sells electricity to residential customers in Victoria. The company also offers internet, web and mail hosting services as well as mobile and fixed line services to businesses. The company was incorporated in 2012 and is based in Melbourne, Australia.
Primus Telecom Holdings Pty Ltd	Primus Telecom Holdings Pty Ltd provides integrated telecommunication services. The company was incorporated in 2004 and is based in Melbourne, Australia.
Enterprise Data Corporation Pty Ltd	Enterprise Data Corporation Pty Ltd owns two data centres and has a business continuity service. The assets are located in Australia.
nSynergy Pty Ltd	nSynergy Pty Ltd deploys business solutions based on SharePoint and Office 365 technologies for businesses worldwide. The company was founded in 2001 and is based in Australia with offices in London, New York and Shanghai.
Oakton Limited	Oakton Limited provides consulting services in the IT industry in Australian and internationally. It offers accounting and assurance services as well as business continuity and disaster recovery. The company was founded in 1988 and is based in Melbourne, Australia.

FX Networks Ltd	FX Networks Ltd provides WAN and IP telephony exchange services in New Zealand. The company offers internet services, voice internet exchange peering, open service networking and VoIP consulting services. It is based in Wellington New Zealand.
Bravura Solutions Limited	Bravura Solutions Limited provides provider of software / technology solutions and services for the administration of superannuation, pensions, life insurance, investment, wrap, private wealth and transfer agency. Bravura Solutions Limited was founded in 2004 and is based in Australia.
Satyam Computer Services Limited	Satyam Computer Services Limited operates a business and IT services company. The company provides business consulting, IT and communication services. The company has offices in America, Europe, AsiaPacific and India. Satyam Computer Services Limited was founded in 1987 and is headquartered in Hyderabad, India.

Appendix 5 – Sources of information

In preparing this report, we have had regard to the following sources of information:

Information provided by Vicwest, CTA and Bendigo Telco

Vicwest Audited Financial Statements 2013 to 2015 and December 2015 unaudited Financial Statements
Vicwest 2016-2018 budget presentations
Vicwest monthly Board papers January 2015 to March 2016
Vicwest CEO monthly reports January 2015 to March 2016
Vicwest Due Diligence Committee Presentation Briefing document dated 26 February 2016
Discussions with Geoff Hutchinson, CEO of Vicwest
CTA Standard Form of Agreement
Bendigo Telco draft IER (factual sections only)
Bendigo Telco Notice of Meeting at 5 May 2016
BT Scheme Booklet content (draft) 5 May 2016
Memorandum of Understanding - Project Bell 17.12.15
Project Bell - BSA (draft #5) CLEAN
Project Bell - Transaction Framework Agreement (draft)
Bell Customer & Service List - Revenue last 24 months
Bell Customer & Service List - Service Contract List
Bendigo Telco Notice of General Meeting
Project Bell TFA Executed version 26 May 2016
Project Bell Loan Agreement Executed version 26 May 2016
Project Bell MID Executed Version 26 May 2016
R Payne (Consent to act) 26 May 2016
Project Bell BSA Executed version 26 May 2016
J Selkirk (Consent to act) 26 May 2016

Information sourced by Value Adviser Associates

Bendigo Telco Audited Financial Statements 2013 to 2015
IBIS world 2015 telecommunications reseller and ISP industry reports
Other articles and research papers
Bloomberg
ASIC Regulatory Guide 111 Content of Expert Reports, March 2011
ASIC Regulatory Guide 112 Independence of Experts, March 2011
ASIC Regulatory Guide 60 Schemes of Arrangement, December 2009
GN21 Takeovers Panel Guidance Note 21: Collateral Benefits
Vicwest Standard Form of Agreement Summary
Bendigo Telco Standard Form of Agreement Summary
16 Feb 2016 BCT market announcement

ANNEXURE B – INVESTIGATING ACCOUNTANT’S REPORT

The Directors
Bendigo Telco Limited
23 McLaren Street
Bendigo VIC 3550

The Directors
Vicwest Community Telco Limited
Unit 3, 2-6 Rutland Street
Newtown VIC 3220

6 July 2016

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Introduction

BDO Corporate Finance (East Coast) Pty Ltd (**'BDO Corporate Finance'**) has been jointly engaged by Bendigo Telco Limited (**'Bendigo Telco'**) and Vicwest Community Telco Limited (**'Vicwest'**), to prepare this Investigating Accountant's Report (**'Report'**) in relation to certain combined financial information of Bendigo Telco and Vicwest (the **'Merged Group'**), for inclusion within the scheme booklet to be issued on or about 6 July 2016 (**'Scheme Booklet'**), in respect of the proposed acquisition of all the shares in Vicwest by Bendigo Telco by way of a scheme of arrangement (**'Transaction'**).

Unless stated otherwise in this Report, expressions defined in the Scheme Booklet have the same meaning in this Report.

This Report has been prepared for inclusion in the Scheme Booklet. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

Scope

You have requested BDO Corporate Finance to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in Section 6 of the Scheme Booklet.

The pro forma historical financial information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction other than Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Pro Forma Historical Financial Information

You have requested BDO Corporate Finance to review the following pro forma historical financial information (the ‘**Pro Forma Historical Financial Information**’) of the Merged Group included in the Scheme Booklet:

- the Merged Group Pro Forma Historical Statement of Financial Position as at 31 December 2015.

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of Bendigo Telco and Vicwest, after adjusting for the effects of pro forma adjustments described in Section 6.4 of the Scheme Booklet. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Sections 6.2 and 6.3 of the Scheme Booklet, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Merged Group’s actual or prospective financial position.

The Pro Forma Historical Financial Information has been compiled by Bendigo Telco to illustrate the impact of the event(s) or transaction(s) described in Section 6.4 of the Scheme Booklet on the Merged Group’s financial position as at 31 December 2015. As part of the process, information about Bendigo Telco and Vicwest’s financial position has been extracted from the respective financial statements of Bendigo Telco and Vicwest for the half year ended 31 December 2015.

The consolidated financial statements of Bendigo Telco for the half year ended 31 December 2015 were reviewed by Andrew Frewin Stewart in accordance with the Australian Auditing Standards. Andrew Frewin Stewart issued an unqualified review opinion on the financial report relating to those financial statements.

The consolidated financial statements of Vicwest for the half year ended 31 December 2015 were reviewed by PPT Audit Pty Ltd in accordance with the Australian Auditing Standards. PPT Audit Pty Ltd issued an unqualified review opinion on the financial report relating to those financial statements.

Directors’ Responsibility

The directors of Bendigo Telco are responsible for the preparation and presentation of the Bendigo Telco Historical Financial Information and the Pro Forma Historical Financial Information, including the basis of preparation, selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. The directors of Vicwest are responsible for the preparation and presentation of the Vicwest Historical Financial Information, including the basis of preparation. This includes responsibility for such effectiveness of internal controls as the respective directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Financial Information, based on our limited assurance engagement. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Historical Financial Information.

Conclusions

Pro Forma Historical Financial information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information for the Merged Group as described in Section 6.4 of the Scheme Booklet, and comprising:

- the Merged Group Pro Forma Historical Statement of Financial Position as at 31 December 2015;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Sections 6.2 and 6.3 of the Scheme Booklet.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Bendigo Telco and Vicwest Directors, to the best of our knowledge and belief no material transaction or event outside of the ordinary business of Bendigo Telco and Vicwest not described in the Scheme Booklet, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence

BDO Corporate Finance is a member of BDO International Ltd. BDO Corporate Finance does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received.

General Advice Warning

This Report has been prepared, and included in the Scheme Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to the Scheme Booklet, which describes the purpose of the financial information, being for inclusion in the Scheme Booklet. As a result, the financial information may not be suitable for use for another purpose.



BDO Corporate Finance has consented to the inclusion of this Report in the Scheme Booklet in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO Corporate Finance has not authorised the issue of the Scheme Booklet. Accordingly, BDO Corporate Finance makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Scheme Booklet.

Financial Services Guide

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

BDO Corporate Finance (East Coast) Pty Ltd

A handwritten signature in black ink, appearing to read 'G. Ellis', is written over a light blue horizontal line.

Greg Ellis

Director and Representative

Financial Services Guide

This Financial Services Guide is issued in relation to an investigating accountant's report ("Report") prepared by BDO Corporate Finance (East Coast) Pty Limited (ABN 70 050 038 170) ("BDO CF") at the request of the directors ("Directors") of Bendigo Telco Limited ("Bendigo Telco") and Vicwest Community Telco Limited ("Vicwest") to provide general financial product advice in the form of a Report in relation to the acquisition of all the shares in Vicwest by Bendigo Telco via a scheme of arrangement ("Proposal"). The Report is intended to accompany a Scheme Booklet ("Document") that is to be provided by the Directors to help potential investors make an informed decision in relation to the financial product.

Engagement

BDO CF has been engaged by the Directors to prepare the Report expressing our opinion in respect of the Pro Forma Historical Financial Information to be included in the Document to be issued in connection with the Proposal.

Financial Services Guide

BDO CF holds an Australian Financial Services Licence (Licence No: 247420) ("Licence"). As a result of our Report being provided to you BDO CF is required to issue to you, as a retail client, a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of a Licence.

Financial services BDO CF is Licenced to provide

The Licence authorises BDO CF to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives to retail and wholesale clients.

BDO CF provides financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposal described in the Document may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDO CF may receive

BDOCF has charged fees for providing our Report. The basis on which our fees will be determined has been agreed

with, and our fees will be paid by, the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis.

BDO CF will receive a fee of approximately \$55,000 (plus GST and disbursements) in relation to the preparation of the Report. The fee is not contingent upon the outcome of the Proposal, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposal.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO CF or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

BDO CF does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO CF is Licenced to provide.

Associations and relationships

BDO CF is a member of a national association of independent entities which are all members of BDO (Australia) Ltd, an Australian company limited by guarantee. BDO CF and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms.

BDO CF's contact details are as set out on our letterhead.

Complaints resolution

As the holder of a Licence, we are required to have a process for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Limited, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ("FOS"). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO CF is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001

Toll free: 1300 78 08 08
Email: info@fos.org.au

ANNEXURE C - NOTICE OF SCHEME MEETING

VICWEST COMMUNITY TELCO LTD
ACN 140 604 039

NOTICE OF SCHEME MEETING

TIME: 11:00am (AEST)

DATE: Friday, 12 August 2016

VENUE: The Geelong Club, 74 Brougham Street, Geelong, Victoria 3220

This Notice of Scheme Meeting should be read in its entirety and in conjunction with the information in the Scheme Booklet, of which this Notice of Scheme Meeting forms part. If Vicwest Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisers, prior to voting.

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is hereby given that, by an order of the Supreme Court of Victoria (**Court**) made on 11 July 2016 pursuant to section 411(1) of the Corporations Act 2001 (Cth), a meeting of the members of Vicwest Community Telco Ltd ACN 140 604 039 will be held at **11:00am (AEST) on Friday, 12 August 2016 at The Geelong Club, 74 Brougham Street, Geelong, Victoria 3220.**

EXPLANATORY STATEMENT AND DEFINED TERMS

This Notice of Scheme Meeting should be read in conjunction with the booklet of which this Notice forms part (**Scheme Booklet**). Unless the context requires otherwise, terms used in this Notice of Scheme Meeting have the same meaning as set out in the Section 12 (Glossary) of the Scheme Booklet.

A copy of the Scheme is set out in Annexure D to the Scheme Booklet.

A proxy form also accompanies this notice.

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), and subject to the voting exclusions described section 2.7 (Vicwest Shareholders' approvals) of the Scheme Booklet, that the persons eligible to vote at the Meeting are those who are registered Vicwest Shareholders at 7:00pm (AEST) on Wednesday, 10 August 2016.

Voting at the Scheme Meeting will be conducted by poll.

Bendigo Bank has advised that it will not vote on the Scheme Resolution.

Any votes cast in favour of the Scheme Resolution by Bendigo Bank and its associates will be disregarded in determining the outcome of the Scheme Resolution. Bendigo Bank or its associates may vote on the Scheme Resolution as a proxy for a Vicwest Shareholder who is eligible to vote on the Scheme Resolution, if their appointments as proxies specify the way they are to vote and they vote that way.

REQUIRED MAJORITIES

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution to approve the Scheme must be approved by:

- unless the Court orders otherwise, more than 50% in number of Vicwest Shareholders (other than Excluded Shareholders) present and voting at the Scheme Meeting (whether in person or by proxy, attorney or, in the case of a body corporate, a duly appointed corporate representative); and
- at least 75% of the votes cast at the Scheme Meeting.

VOTING IN PERSON

To vote in person, attend the Scheme Meeting at the time, date and place set out above.

CORPORATE REPRESENTATION

If you are a body corporate, you can appoint a corporate representative to attend and vote at the Scheme Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative should bring to the Scheme Meeting evidence of their appointment including any authority under which the document appointing them as corporate representative was signed.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return it to the Company (together with the original or a certified copy of the power of attorney under which the Proxy Form is signed (if any)) so that it is received **by no later than 11:00am (AEST) on Wednesday, 10 August 2016** using any of the following methods:

In person: Unit 3, 6 Rutland Street, Newtown, Victoria 3220, during business hours (9:00am to 5:00pm on Monday to Friday).

By mail: Unit 3, 6 Rutland Street, Newtown, Victoria 3220.

By Fax: 03 5222 6711 (within Australia) or +61 3 5222 6711 (outside Australia).

1. In accordance with section 249L of the Corporations Act, Vicwest Shareholders who are entitled to attend and vote at the Scheme Meeting are advised that:
 - they have a right to appoint a proxy;
 - the proxy need not be a Vicwest Shareholder; and
 - a Vicwest Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Vicwest Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.
2. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
 - if the proxy is the Chair – the proxy must vote on a poll and must vote in the way directed; and
 - if the proxy is not the Chair – the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
3. If a proxy appointment is signed or validly authenticated by the Vicwest Shareholder but does not name the proxy or proxies in whose favour it is given, the Chair may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Directors or the Company secretary.
4. Proxy appointments in favour of the Chair of the meeting, the Company secretary or any Director which do not contain a direction will be voted in support of the resolution.

VOTING BY ATTORNEY

Powers of attorney must be received by the Company by no later than **11:00am (AEST) on Wednesday, 10 August 2016**.

Persons attending the Scheme Meeting as an attorney should bring to the Scheme Meeting the original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

JOINTLY HELD SHARES

If Vicwest Shares are jointly held, either one of the joint shareholders is entitled to vote at the Scheme Meeting. If more than one joint shareholder votes in respect of jointly held Vicwest Shares, only the vote of the Vicwest Shareholder whose name appears first in the Register will be counted.

COURT APPROVAL

If the Scheme Resolution is approved at the Scheme Meeting, in accordance with section 411(4)(b) of the Corporations Act 2001 (Cth), the Scheme must be approved by the order of the Court to become Effective. If the Scheme Resolution is agreed to by the requisite majorities set out above and the Conditions Precedent set out in the Implementation Deed are satisfied or waived, Vicwest will apply to the Court for the necessary orders to give effect to the Scheme.

RECOMMENDATION

The Independent Directors of Vicwest unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal. Each Vicwest Director intends to vote in favour of the Scheme Resolution in relation to the Vicwest Shares in which they have a Relevant Interest, in the absence of a Superior Proposal.

BUSINESS OF THE MEETING

The purpose of the meeting to be held pursuant to this notice is to consider, and if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between Vicwest and the holders of its fully paid ordinary shares.

AGENDA

SCHEME RESOLUTION

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the *Corporations Act 2001* (Cth):

“That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the proposed scheme of arrangement between Vicwest Community Telco Ltd and the holders of its fully paid ordinary shares (other than the Excluded Shareholders), the terms of which are contained and more particularly described in the Scheme Booklet, is approved (with or without modification as approved by the Supreme Court of Victoria).”

BY ORDER OF THE BOARD



Kevin Roache
Company Secretary

ANNEXURE D – SCHEME OF ARRANGEMENT

Scheme of Arrangement

Vicwest Community Telco Ltd
ACN 140 604 039



Scheme of Arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth) between:

Vicwest Community Telco Ltd ACN 140 604 039 of 6 Rutland Street, Newtown, Victoria 3220 (**Vicwest**); and

Each person registered in the Share Register as a holder of fully paid ordinary shares in Vicwest as at the Scheme Record Date (other than the Excluded Shareholders) (**Scheme Shareholders**)

1. Definitions and interpretation

1.1 Definitions

ASIC means the Australian Securities and Investments Commission;

Associate has the meaning given to that term in section 12 of the Corporations Act;

Bendigo Bank means Bendigo and Adelaide Bank Limited ABN 11 068 049 178 and its Related Bodies Corporate;

Bendigo Telco means Bendigo Telco Ltd ACN 089 782 203 of 23 McLaren Street, Bendigo, Victoria 3550;

Bendigo Telco Register means the register of shareholders maintained by Bendigo Telco or its agent;

Bendigo Telco Share means a fully paid ordinary share of Bendigo Telco;

Business Day means a day on which banks are open for business in Melbourne excluding a Saturday, Sunday or public holiday;

Corporations Act means the *Corporations Act 2001* (Cth);

Corporations Regulations means the *Corporations Regulations 2001* (Cth);

Court means the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Vicwest and Bendigo Telco;

Deed Poll means the deed poll under which Bendigo Telco covenants in favour of the Scheme Shareholders to perform its obligations under this Scheme;

Effective means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to this Scheme;

Effective Date means the date on which this Scheme becomes Effective;

End Date means 30 September 2016;

Excluded Shareholders means Bendigo Telco or any of its Associates (excluding, if applicable, Bendigo Bank and its Related Bodies Corporate);

Government Agency means any government or governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world;

Implementation Date means the fifth Business Day after the Scheme Record Date or such other day as the parties agree;

Listing Rules means the official listing rules of NSX;

Merger Implementation Deed means the Merger Implementation Deed between Vicwest and Bendigo Telco relating to the implementation of this Scheme;

New Bendigo Telco Shares means Bendigo Telco Shares to be issued under this Scheme as Scheme Consideration;

NSX means the National Stock Exchange of Australia;

Related Body Corporate has the meaning given to that term in section 50 of the Corporations Act;

Registered Address means, in relation to a Vicwest Shareholder, the address shown in the Share Register as at the Scheme Record Date;

Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Bendigo Telco and the Scheme Shareholders, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Vicwest and Bendigo Telco;

Scheme Booklet means an information memorandum to be approved by the Court and despatched to the Scheme Shareholders, which must include this Scheme, an explanatory statement in respect of this Scheme complying with the requirements of the Corporations Act and the Corporations Regulations, an independent expert's report, notices of meeting and proxy form;

Scheme Consideration means one Bendigo Telco Share for every 2.074 Scheme Shares held by each Scheme Shareholder, subject to the terms of this Scheme and the Merger Implementation Deed;

Scheme Meeting means the meeting of Vicwest Shareholders (other than the Excluded Shareholders) ordered by the Court to be convened under section 411(1) of the Corporations Act;

Scheme Record Date means 7pm on the fifth Business Day after the Effective Date;

Scheme Share means a Vicwest Share held by a Scheme Shareholder as at the Scheme Record Date;

Scheme Shareholders means Vicwest Shareholders (other than the Excluded Shareholders) as at the Scheme Record Date;

Scheme Transfer means a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Bendigo Telco, which may be a master transfer of all or part of the Scheme Shares;

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard;

Share Register means the register of members of Vicwest maintained in accordance with the Corporations Act;

Vicwest Registry means the register of shareholders maintained by Vicwest or its agent;

Vicwest Shares means all of the ordinary shares on issue in Vicwest as at the Scheme Record Date, which comprise all of the issued share capital in Vicwest; and

Vicwest Shareholders means the registered shareholders of the Vicwest Shares.

1.2 Interpretation

- (a) In this Scheme, headings and boldings are for convenience only and do not affect the interpretation of this Scheme and, unless the context otherwise requires:
- (i) words importing the singular include the plural and vice versa;
 - (ii) words importing a gender include any gender;
 - (iii) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
 - (iv) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency;
 - (v) the words “includes” or “including” means include or including without limitation;
 - (vi) a reference to any legislation includes any change to, consolidation or replacement of it, whether passed by the same or another Government Agency with legal power to do so, and any delegated legislation or proclamation issued under it;
 - (vii) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
 - (viii) a reference to a party to a document includes that party’s successors and permitted assigns;
 - (ix) no provision of this Scheme will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this Scheme or that provision;
 - (x) a covenant or agreement on the part of two or more persons binds them jointly and severally;
 - (xi) a reference to an agreement includes an undertaking, deed, agreement or legally enforceable arrangement or understanding whether or not in writing;
 - (xii) a reference to a document includes any agreement in writing, or any certificate, notice, instrument or other document of any kind; and

- (xiii) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (A) which ceases to exist; or
 - (B) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.
- (b) Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

2. Preliminary matters

- (a) Vicwest is a public company limited by shares and is registered in Victoria.
- (b) As at the date of this Scheme, 3,111,008 Scheme Shares were on issue.
- (c) Bendigo Telco is a public company limited by shares, registered in Victoria and has been admitted to the official list of the NSX.
- (d) If this Scheme becomes Effective:
 - (i) Bendigo Telco will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with this Scheme and the Deed Poll; and
 - (ii) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bendigo Telco and Vicwest will enter the name of Bendigo Telco in the Share Register in respect of the Scheme Shares.
- (e) Vicwest and Bendigo Telco have agreed, by executing the Merger Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to Bendigo Telco but does not itself impose an obligation on it to perform those actions. Bendigo Telco has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including providing or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3. Conditions

3.1 Conditions precedent

This Scheme is conditional on and will not become Effective until the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Merger Implementation Deed (other than the condition in the Merger Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Merger Implementation Deed by 8.00am on the Second Court Date;

- (b) neither the Merger Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Vicwest and Bendigo Telco;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Vicwest and Bendigo Telco; and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme coming into effect, pursuant to section 411(10) of the Corporations Act on or before the End Date (or any later date that Vicwest and Bendigo Telco agree in writing).

3.2 Certificate

- (a) Vicwest and Bendigo Telco will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.
- (b) The certificate referred to in clause 3.2(a) constitutes prima facie evidence that such conditions precedent are satisfied, waived or taken to be waived.

3.3 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date, or any later date that Bendigo Telco and Vicwest agree in writing, or such other date as the Court with the consent of Bendigo Telco and Vicwest, may order.

3.4 Termination of Merger Implementation Deed

If the Merger Implementation Deed is terminated in accordance with its terms, each of Bendigo Telco and Vicwest are released from:

- (a) any further obligation to take steps to implement this Scheme; and
- (b) any liability with respect to this Scheme.

4. Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

Vicwest will lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court order approving the Scheme as soon as possible and in any event on the date on which the Court approves the Scheme or the following Business Day.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bendigo Telco, without the need for any further act by any Scheme Shareholder (other than acts performed by Vicwest as attorney and agent for the Scheme Shareholders under clause 7.5), by:
 - (i) Vicwest delivering to Bendigo Telco a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Vicwest, for registration; and
 - (ii) Bendigo Telco duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Vicwest for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(ii), Vicwest must enter, or procure the entry of, the name of Bendigo Telco in the Share Register in respect of all the Scheme Shares transferred to Bendigo Telco in accordance with this Scheme.

5. Scheme Consideration

5.1 Provision of Scheme Consideration

Bendigo Telco must, subject to clauses 5.2 and 5.3:

- (a) on the Implementation Date, issue the New Bendigo Telco Shares to which each Scheme Shareholder is entitled under this clause 5 and procure that the name and address of each Scheme Shareholder is entered in the Bendigo Telco Register in respect of those New Bendigo Telco Shares; and
- (b) procure that on or before the date that is five Business Days after the Implementation Date, a share certificate or holding statement (as applicable) is sent to the Registered Address of each Scheme Shareholder representing the number of New Bendigo Telco Shares issued to the Scheme Shareholder pursuant to this Scheme.

5.2 Joint Holders

In the case of Scheme Shares held in joint names:

- (a) the New Bendigo Telco Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders; and
- (b) any other document required to be sent under this Scheme, will be forwarded to the holder whose name appears first in the Share Register as at the Scheme Record Date.

5.3 Fractional entitlements and splitting

- (a) Where the calculation of the number of New Bendigo Telco Shares to be issued to a particular Scheme Shareholder would result in the issue of a fraction of a New Bendigo Telco Share, the fractional entitlement will be rounded down to the nearest whole number of New Bendigo Telco Shares.
- (b) If Bendigo Telco is of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds a holding of Vicwest Shares which results in a fractional entitlement to New Bendigo Telco Shares have, before the

Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, Bendigo Telco may direct Vicwest to give notice to those Scheme Shareholders:

- (i) setting out the names and Registered Addresses of all of them;
- (ii) stating that opinion; and
- (iii) attributing to one of them specifically identified in the notice the Vicwest Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of the Scheme, be taken to hold all those Vicwest Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of the Scheme, be taken to hold no Vicwest Shares. Bendigo Telco, by complying with the other provisions of this Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of this Scheme.

5.4 Status of New Bendigo Telco Shares

Subject to the Scheme becoming Effective, Bendigo Telco must:

- (a) issue the New Bendigo Telco Shares required to be issued by it under this Scheme on terms such that each such New Bendigo Telco Share will rank equally in all respects with each existing Bendigo Telco Share;
- (b) ensure that the New Bendigo Telco Shares will have the right to participate in Bendigo Telco dividends with a record date on or after the Implementation Date; and
- (c) use its best endeavours to procure that the New Bendigo Telco Shares to be issued to Scheme Shareholders pursuant to this Scheme have been quoted for trading on the NSX with effect from the Business Day after the Effective Date (or such later date as NSX may require).

6. Dealings in Vicwest Shares

6.1 No allotment or issue

No shares will be allotted or issued by Vicwest after the Effective Date and on or before the Implementation Date.

6.2 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Vicwest Shares or other alterations to the Share Register will only be recognised if registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept and Vicwest will not accept for registration, nor recognise for any purpose (except a transfer to Bendigo Telco pursuant to the Scheme and any subsequent transfer by Bendigo Telco or its successors in title), any

transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.3 Register

- (a) Vicwest must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1 on or before the Scheme Record Date.
- (b) If the Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Vicwest shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Vicwest must maintain the Share Register in accordance with the provisions of this clause 6.3 until the Scheme Consideration has been issued to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Vicwest Shares (other than statements of holding in favour of any Excluded Shareholders) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of Vicwest Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, Vicwest will ensure that details of the names, Registered Addresses and holdings of Vicwest Shares for each Scheme Shareholder as shown in the Share Register are available to Bendigo Telco in the form Bendigo Telco reasonably requires.

7. General Scheme provisions

7.1 Consent to amendments to the Scheme

If the Court proposes to approve the Scheme subject to any alterations or conditions:

- (a) Vicwest may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bendigo Telco has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for Vicwest has consented to.

7.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (i) agrees to the transfer of their Vicwest Shares together with all rights and entitlements attaching to those Vicwest Shares in accordance with this Scheme;
 - (ii) agrees to the variation, cancellation or modification of rights attached to their Vicwest Shares constituted by or resulting from this Scheme;

- (iii) agrees to become a shareholder in Bendigo Telco and to be bound by the constitution of Bendigo Telco; and
 - (iv) acknowledges that this Scheme binds Vicwest and all Scheme Shareholders (including those who do not attend the Scheme Meeting or who do not vote, or vote against the Scheme).
- (b) Each Scheme Shareholder is taken to have warranted to Vicwest and Bendigo Telco, and appointed Vicwest as its attorney and agent to warrant to Bendigo Telco, that all their Vicwest Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Vicwest Shares to Bendigo Telco together with any rights attaching to those shares. Vicwest undertakes that it will provide such warranty to Bendigo Telco as agent and attorney of each Scheme Shareholder.

7.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind.
- (b) On and from the Effective Date, Bendigo Telco will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Vicwest of Bendigo Telco in the Share Register as the holder of the Scheme Shares.

7.4 Appointment of sole proxy

On the Implementation Date, and until Vicwest registers Bendigo Telco as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Bendigo Telco as attorney and agent (and directed Bendigo Telco in each such capacity) to appoint any director, officer, secretary or agent nominated by Bendigo Telco as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution;
- (b) no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 7.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bendigo Telco reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 7.4(a), Bendigo Telco and any director, officer, secretary or agent nominated by Bendigo Telco under clause 7.4(a) may act in the best interests of Bendigo Telco as the intended registered holder of the Scheme Shares.

7.5 Authority given to Vicwest

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Vicwest and each of its directors, officers and secretaries jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Bendigo Telco, and Vicwest undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bendigo Telco on behalf of and as agent and attorney for Scheme Shareholders; and
- (b) on the Implementation Date, irrevocably appoints Vicwest and each of its directors, officers and secretaries jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and Vicwest accepts each such appointment. Vicwest as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 7.5 to all or any of its directors, officers or employees jointly, severally or jointly and severally.

7.6 Instructions and elections

If not prohibited by law, all instructions, notifications or elections by a Scheme Shareholder to Vicwest binding or deemed binding between the Scheme Shareholder and Vicwest relating to Vicwest or Vicwest Shares (including any email addresses, instructions relating to communications from Vicwest, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from Vicwest) will be deemed from the Implementation Date (except to the extent determined otherwise by Bendigo Telco in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Bendigo Telco and to be a binding instruction, notification or election to, and accepted by, Bendigo Telco in respect of the New Bendigo Telco Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to Bendigo Telco at its registry.

7.7 Binding effect of Scheme

This Scheme binds Vicwest and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Vicwest.

7.8 Notices to Vicwest Shareholders of Court refusal

If the Court refuses to make orders approving this Scheme, then Vicwest will send to each Vicwest Shareholder notice of that fact not later than 5 Business Days after the date of such refusal.

8. General

8.1 Stamp Duty

Bendigo Telco must:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and

- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with this clause 8.1.

8.2 Consent

Each of the Scheme Shareholders consents to Vicwest doing all things necessary or incidental to the implementation of this Scheme.

8.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Vicwest, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Vicwest's registered office or at the office of the Vicwest Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Vicwest Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or its proceedings.

8.4 Governing Law

- (a) This Scheme is governed by the laws of Victoria, Australia.
- (b) Each party irrevocably submits to the exclusive jurisdiction of the courts of Victoria, Australia and courts of appeal from them in respect of any proceedings arising in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

8.5 Further action

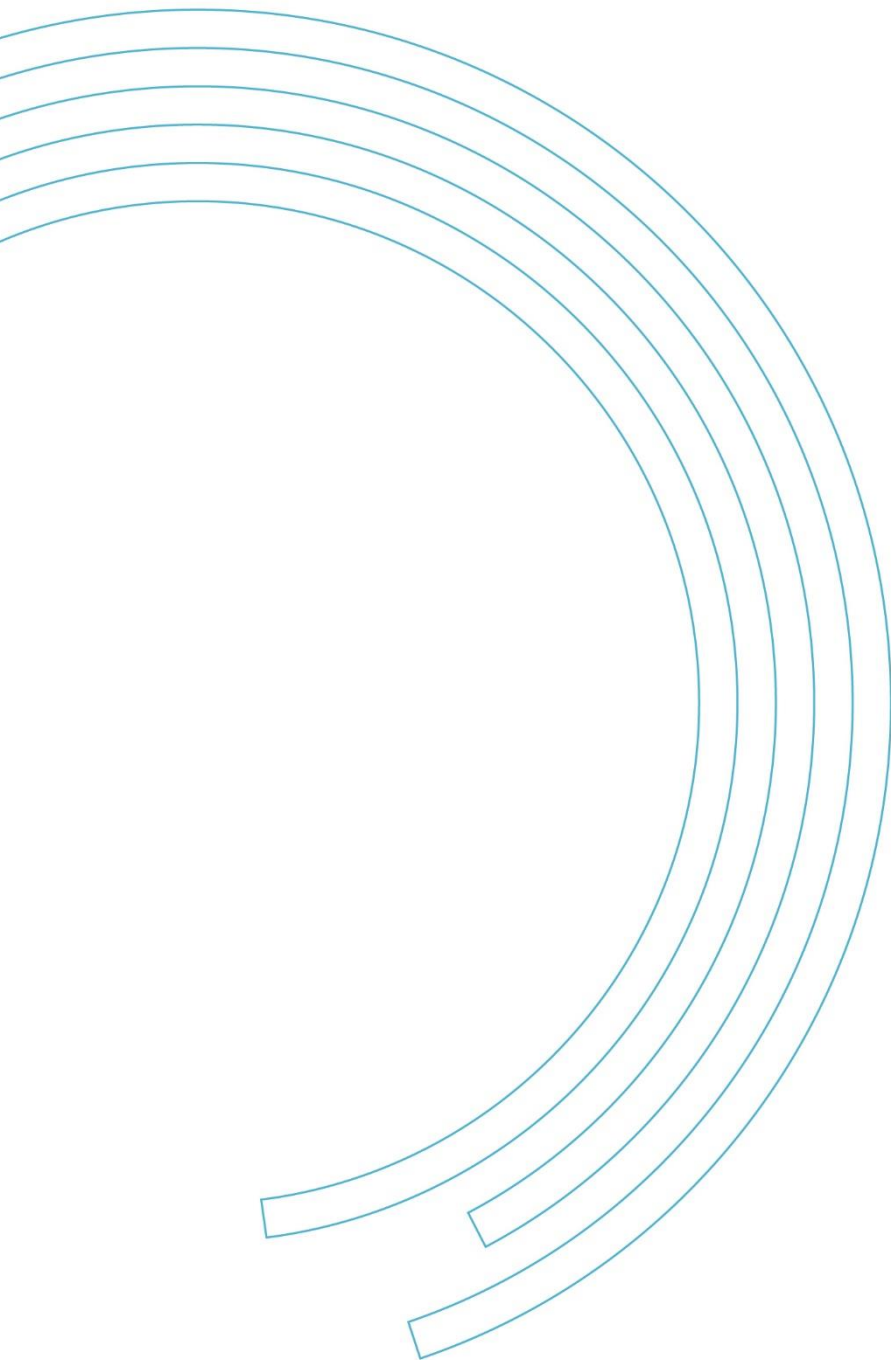
Vicwest must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

[End of Document]

ANNEXURE E – BENDIGO TELCO DEED POLL

Deed Poll

Bendigo Telco Ltd
ACN 089 782 203



Deed Poll

This deed poll is made on

26 MAY

2016 by:

Bendigo Telco Ltd ACN 089 782 203 of 23 McLaren Street, Bendigo, Victoria 3550
(**Bendigo Telco**)

in favour of

Each person registered in the Share Register as a holder of fully paid ordinary shares in Vicwest as at the Scheme Record Date (other than the Excluded Shareholders) (**Scheme Shareholders**)

Background

- (A) Vicwest and Bendigo Telco entered into the Merger Implementation Deed on or about the date of this deed.
- (B) In the Merger Implementation Deed, Bendigo Telco agreed to enter into this deed poll.
- (C) Bendigo Telco is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Merger Implementation Deed and the Scheme.

This deed witnesses as follows:

1. Definitions and interpretation

1.1 Definitions

Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 1 of the Scheme applies to the interpretation of this deed poll, except that references to 'this Scheme' in the Scheme are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Bendigo Telco acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Vicwest and each of its directors and officers jointly and severally) as its agent and attorney to enforce this deed poll against Bendigo Telco.

2. Conditions to obligations

2.1 Conditions

The obligations of Bendigo Telco under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bendigo Telco under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Merger Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective by the End Date, or any later date agreed in writing between Vicwest and Bendigo Telco.

2.3 Consequences of Termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bendigo Telco is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against Bendigo Telco in respect of any breach of this deed poll which occurred before it was terminated.

3. Scheme obligations

3.1 Undertaking to pay Scheme Consideration

Subject to clause 2, Bendigo Telco undertakes in favour of each Scheme Shareholder to:

- (a) provide or procure the provision of the Scheme Consideration to each Scheme Shareholder; and
- (b) undertake all other actions attributed to it under the Scheme,

subject to and in accordance with the provisions of the Scheme.

3.2 Status of New Bendigo Telco Shares

Bendigo Telco covenants in favour of each Scheme Shareholder that the New Bendigo Telco Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally with all existing Bendigo Telco Shares;
- (b) have the right to participate in Bendigo Telco dividends with a record date on or after the Implementation Date; and
- (c) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4. Warranties

Bendigo Telco represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) subject to the satisfaction of the condition set out in clause 3.1(a) of the Merger Implementation Deed, it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) subject to the satisfaction of the condition set out in clause 3.1(a) of the Merger Implementation Deed, it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of the constitution of Bendigo Telco, or any writ, order or injunction, judgement, law, rule or regulation to which it is a party or subject or by which it is bound..

5. Continuing Obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bendigo Telco has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6. Stamp Duty

Bendigo Telco will:

- (a) pay or procure payment of all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) Indemnify each Scheme Shareholder against any liability arising from failure to comply with this clause 6.

7. Waiver

- (a) Bendigo Telco may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of Bendigo Telco as a waiver of any right unless the waiver is in writing and signed by Bendigo Telco, as appropriate.
- (c) The meanings of the terms used in this clause 7 are set out below:

- (i) **conduct** includes delay in the exercise of a right;
- (ii) **right** means any right arising under or in connection with this deed and includes the right to rely on this clause 7; and
- (iii) **waiver** includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8. Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by Vicwest and Bendigo Telco; or
- (b) if on or after the First Court Date, the variation is agreed to by Vicwest, Bendigo Telco and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Bendigo Telco will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

9. Notices

- (a) Any notice or other communication in respect of this deed poll:
 - (i) may be given by personal service, post or fax;
 - (ii) must be in legible writing and in English addressed as shown below:
 - (A) if to the Scheme Shareholders:

Address: 6 Rutland Street
Newtown, Victoria 3220

Attention: Rod Payne
Fax: 03 5225 5222
Email: rpayne@harwoodandrews.com.au

copy to

Address: Clarendon Lawyers
Level 19, 333 Collins Street
Melbourne, Victoria 3000

Attention: Tony Symons / Robert Feiner
Fax: 03 8681 4410 / 03 8681 4499
Email: tony.symons@clarendonlawyers.com.au / robert.feiner@clarendonlawyers.com.au;
 - (B) if to Bendigo Telco:

Address: 23 McLaren Street
Bendigo, Victoria 3550

Attention: Ken Belfrage
Fax: 03 5454 5001
Email: ken.belfrage@bendigotelco.com.au

copy to

Address: Kelly Hazell Quill
Level 15, 440 Collins Street
Melbourne, Victoria 3000

Attention: Andrew Walker
Fax: 03 9009 5494
Email: awalker@khq.com.au;

or as specified to the sender by any party by notice in accordance with this clause;

- (iii) where the sender is a company, must be signed by a director or secretary of the company;
- (iv) is regarded as being given by the sender and received by the addressee:
 - (A) if by delivery in person, when delivered to the addressee;
 - (B) if by regular post within Australia, 6 Business Days from and including the date of postage;
 - (C) if by post to an address outside Australia or from outside Australia to an address inside Australia, 10 Business Days from and including the date of postage;
 - (D) if faxed, and if legibly received, when transmitted to the addressee,

but if the delivery or receipt is on a day which is not a Business Day or is after 4.00 pm (addressee's time) it is regarded as received at 9.00 am on the following Business Day; and

- (v) can be relied upon by the addressee and the addressee is not liable to any other person for any consequences of that reliance if the addressee believes it to be genuine, correct and authorised by the sender.
- (b) A fax is regarded as legible unless the addressee telephones the sender within two hours after the transmission is received or regarded as received under clause 9(a)(iv) and informs the sender that it is not legible.
- (c) In this clause 9, a reference to an addressee includes a reference to an addressee's officers, agents or employees.

10. Miscellaneous

10.1 Assignment

- (a) The rights created by this deed poll are personal to each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bendigo Telco.
- (b) Any purported dealing in contravention of clause 10.1(a) is invalid.

10.2 Severability

Any provision in this deed which is invalid or unenforceable in any jurisdiction is to be read down for the minimum extent possible to achieve its validity for the purpose of that jurisdiction, if possible, and otherwise must be severed to the extent of the

invalidity or unenforceability, without affecting the remaining provisions of this deed or the validity or enforceability of that provision in any other jurisdiction.

10.3 Non-merger and survival of warranties

Neither the warranties provided in clause 4 nor any other provision of this deed merges on completion of the Scheme. They survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Scheme.

10.4 Cumulative rights

The rights, powers and remedies of Bendigo Telco and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

10.5 Further assurances

Bendigo Telco must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

10.6 Governing law and Jurisdiction

- (a) This deed is governed by the laws of Victoria, Australia.
- (b) Each party irrevocably submits to the exclusive jurisdiction of the courts of Victoria, Australia.

Signing Page

Executed as a deed poll

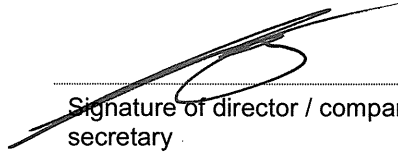
EXECUTED by **BENDIGO TELCO LTD**
in accordance with the *Corporations Act*
2001 by being signed by the following
officers:



Signature of director

DONALD JAMES EASKINE

Name of director (please print)



Signature of director / company
secretary

KENNETH JOHN BELFRAGE

Name of director / company secretary
(please print)

ANNEXURE F – NOTICE OF EXTRAORDINARY GENERAL MEETING

VICWEST COMMUNITY TELCO LTD
ACN 140 604 039

NOTICE OF EXTRAORDINARY GENERAL MEETING

TIME: 11:15am (AEST), or immediately following the Scheme Meeting (whichever is later)

DATE: Friday, 12 August 2016

VENUE: The Geelong Club, 74 Brougham Street, Geelong, Victoria 3220

This Notice of Extraordinary General Meeting should be read in its entirety and in conjunction with the information in the Scheme Booklet, of which this Notice of Extraordinary General Meeting forms part. Vicwest Shareholders should also read the Explanatory Statement contained in (and forming part of) this Notice of Extraordinary General Meeting. If Vicwest Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisers, prior to voting.

IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is hereby given that an extraordinary meeting of the members of Vicwest Community Telco Ltd ACN 140 604 039 will be held at **11:15am (AEST), or immediately following the Scheme Meeting (whichever is later), on Friday, 12 August 2016** at **The Geelong Club, 74 Brougham Street, Geelong, Victoria 3220**.

SCHEME BOOKLET AND DEFINED TERMS

This Notice of Extraordinary General Meeting should be read in conjunction with the booklet of which this Notice forms part (**Scheme Booklet**) and the Explanatory Statement contained in this Notice of Extraordinary General Meeting. Unless the context requires otherwise, terms used in this Notice of Extraordinary General Meeting have the same meaning as set out in the Section 12 (**Glossary**) of the Scheme Booklet.

A proxy form also accompanies this notice.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Vicwest Shareholders at 7:00pm (AEST) on Wednesday, 10 August 2016.

Voting at the Extraordinary General Meeting will be conducted by poll.

SPECIAL RESOLUTION

In accordance with section 136(2) of the Corporations Act, the Amending Resolution must be approved by special resolution i.e. by at least 75% of the votes cast on the Amending Resolution.

VOTING IN PERSON

To vote in person, attend the Extraordinary General Meeting at the time, date and place set out above.

CORPORATE REPRESENTATION

If you are a body corporate, you can appoint a corporate representative to attend and vote at the Extraordinary General Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative should bring to the Extraordinary General Meeting evidence of their appointment including any authority under which the document appointing them as corporate representative was signed.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return it to the Company (together with the original or a certified copy of the power of attorney under which the Proxy Form is signed (if any)) so that it is received **by no later than 11:15am (AEST) on Wednesday, 10 August 2016** using any of the following methods:

In person: Unit 3, 6 Rutland Street, Newtown, Victoria 3220, during business hours (9:00am to 5:00pm on Monday to Friday).

By mail: Unit 3, 6 Rutland Street, Newtown, Victoria 3220.

By Fax: 03 5222 6711 (within Australia) or +61 3 5222 6711 (outside Australia).

1. In accordance with section 249L of the Corporations Act, Vicwest Shareholders who are entitled to

attend and vote at the Extraordinary General Meeting are advised that:

- they have a right to appoint a proxy;
 - the proxy need not be a Vicwest Shareholder; and
 - a Vicwest Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Vicwest Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.
2. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
- if the proxy is the Chair – the proxy must vote on a poll and must vote in the way directed; and
 - if the proxy is not the Chair – the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
3. If a proxy appointment is signed or validly authenticated by the Vicwest Shareholder but does not name the proxy or proxies in whose favour it is given, the Chair may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Directors or the Company secretary.
4. Proxy appointments in favour of the Chair of the meeting, the Company secretary or any Director which do not contain a direction will be voted in support of the resolution.

VOTING BY ATTORNEY

Powers of attorney must be received by the Company by no later than **11:15am (AEST) on Wednesday, 10 August 2016**.

Persons attending the Extraordinary General Meeting as an attorney should bring to the Extraordinary General Meeting the original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Extraordinary General Meeting.

JOINTLY HELD SHARES

If Vicwest Shares are jointly held, either one of the joint shareholders is entitled to vote at the Extraordinary General Meeting. If more than one joint shareholder votes in respect of jointly held Vicwest Shares, only the vote of the Vicwest Shareholder whose name appears first in the Register will be counted.

BUSINESS OF THE MEETING

The purpose of the meeting to be held pursuant to this Notice of Extraordinary General Meeting is to consider, and if thought fit, to agree (with or without modification) to an amendment to the Constitution to permit a change to the shareholding in Vicwest, following implementation of the Scheme.

AGENDA

RESOLUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, subject to approval by the Court of the scheme of arrangement between Vicwest and its shareholders as described in the Scheme Booklet of which this Notice of Extraordinary General Meeting forms part (**Scheme**), Rule 9 of the Constitution be deleted in its entirety, with effect immediately prior to the Scheme becoming Effective.”*

EXPLANATORY STATEMENT

Purpose of Extraordinary General Meeting

As currently drafted, Rule 9 of the Constitution prohibits the ownership of greater than 10% of all the shares on issue in Vicwest (except in respect of the existing 50% ownership of Vicwest Shares by Bendigo Bank, which is specifically exempted from the prohibition in Rule 9, by virtue of a previous amendment to the Constitution approved by the Vicwest Shareholders). If the Merger is implemented, it will result in Bendigo Telco owning all of the shares in Vicwest, which would be in breach of the Constitution, unless it is amended.

The purpose of the Amending Resolution (as set out above) is to amend the Constitution to enable Bendigo Telco to own all of the Scheme Shares following the implementation of the Scheme. It is proposed that this be done by deleting Rule 9, in its entirety, from the Constitution.

Rule proposed to be deleted from the Constitution

Rule 9 of the Constitution provides as follows:

Prohibited shareholding interest

9. (1) *A person (other than Community Developments Australia) must not have a Prohibited Shareholding Interest.*
- (2) *A person has a Prohibited Shareholding Interest if the person controls or owns 10% or more of the shares in the Company.*
- (3) *A person who has a Prohibited Shareholding Interest must dispose of, or cause to be disposed of, as many of the shares in the Company so as to ensure that, after the disposal, the person no longer has Prohibited Shareholding Interest.*
- (4) *The Board may, by notice in writing served on a person who has, or is suspected by the Board of having, any legal or beneficial interest in any shares in the Company or any voting power in the Company, require the person to furnish Information specified in the notice for the purpose of determining whether that person or any other person has, or is taking action to acquire, a Prohibited Shareholding Interest. A person served with such a notice must provide the required information within 7 days of receiving the notice (unless the Board specifies a longer period).*
- (5) *If the Board becomes aware that a person, other than Community Developments*

Australia, has a Prohibited Shareholding Interest, the Board must serve a notice on that person (or an associate of that person) requiring the person served (the **Notified Person**) to dispose of, or cause to be disposed of, the number of shares specified in the notice (the **Specified Shares**). The number of the Specified Shares must be that number which, in the opinion of the Board, is required to be disposed of to ensure that after the disposal no person is in breach of Rule 9(1). The notice must also specify that the Specified Shares must be disposed of:

- (a) within a period (the **Prescribed Period**) specified in the notice by the Board (being a period not less than 3 months and not more than 6 months); and
 - (b) to a person other than an associate of the Notified Person.
- (6) If the Notified Person fails to comply with a notice under Rule 9(5) within the Prescribed Period, the Board is authorised, and must use all reasonable endeavours, to sell the Specified Shares on behalf of the relevant holder within 1 month of the end of the Prescribed Period. For the purposes of such a sale, the relevant holder is deemed to have appointed the Company as the holder's agent to sell the shares and any director or secretary of the Company is authorised to execute any document or take any other action considered necessary or desirable to effect the sale. The Specified Shares sold in accordance with this Rule 9(6) may not be sold to a Director or an associate of a Director unless those shares:
 - (i) have first been offered for sale to all other shareholders and have not been taken up by them; and
 - (ii) are sold or disposed of on the same terms and conditions on which they were offered to the other shareholders
- (7) The holder of the shares divested under Rule 9(6) is entitled to the consideration from the sale of the shares, less any expenses incurred by the Board in selling, or otherwise dealing with, those shares.
- (8) Notwithstanding anything else, where a person (other than Community Developments Australia) has a Prohibited Shareholding Interest, the voting and dividend rights attaching to those shares in the Company in which the person and the person's associates have a relevant interest in excess of 10% of the Company, are suspended.
- (9) The exercise of the powers given to the Board under this Rule may cause individual shareholders considerable disadvantage but the shareholders acknowledge that such a result may be necessary to enable the enforcement of the prohibitions referred to in this Rule.
- (10) For the purposes of this Rule, "associate" and "relevant interest" have the same meaning as given by the Law and, in addition:
 - (i) a person's associates also include a person's spouse, defacto spouse, parent, son, daughter, brother or sister or a spouse or defacto spouse of any of the preceding persons; and
 - (ii) a person is also deemed to have a relevant interest in the shares in which the person has a legal or beneficial interest.
- (11) This Rule 9 does not apply until the earlier of the time when the number of members of the Company first exceeds ten and the date which is twelve months after the date of incorporation of the Company.
- (12) This rule 9 does not apply to shares held by Bendigo and Adelaide Bank Ltd, so that the holding of shares by Bendigo and Adelaide Bank Ltd shall not be treated as a prohibited shareholding so long as that shareholding does not exceed fifty (50) percent of the total number of shares.

Recommendation of the Independent Directors of Vicwest

The Independent Directors of Vicwest unanimously recommend that you vote in favour of the Amending Resolution. Each Vicwest Director intends to vote in favour of the Amending Resolution, in relation to the Vicwest Shares in which they have a Relevant Interest

Important Notices

1. If the Scheme Resolution (as set out in the Notice of Scheme Meeting annexed as Annexure C to the Scheme Booklet) is approved by the requisite majorities at the Scheme Meeting, the Amending Resolution (as set out above) will have to be approved by Vicwest Shareholders in order to implement the Merger. If the Amending Resolution is not approved, the Merger cannot be implemented.
2. If the Scheme Resolution is not approved by the requisite majorities at the Scheme Meeting, this Extraordinary General Meeting will be cancelled and Vicwest Shareholders will be notified of such cancellation at the conclusion of the Scheme Meeting.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Kevin Roache', written in a cursive style.

Kevin Roache
Company Secretary

PROXY FORM

Vicwest Community Telco Ltd
ACN 140 604 039

All correspondence to:
Vicwest Community
Telco Ltd
Unit 3, 2-6 Rutland Street,
Newtown 3220

Shareholder Name _____

Address: _____

Shareholder Certificate No. _____

Appointment of Proxy

I/We being a member/s of **Vicwest Community Telco Ltd** and entitled to attend and to vote hereby appoint the person named below or, if no person is named below, the Chairman of the Scheme Meeting as my/our proxy to vote in accordance with directions set out below (with a discretion as to any business not referred to below) or, if no directions are given, as my/our proxy sees fit, at the Scheme Meeting of the Company to be held at **11:00am (AEST) on 12 August 2016 at The Geelong Club, 74 Brougham Street, Geelong, Victoria 3220** and at any adjournment of the Scheme Meeting.

☐

The Chairman of the
Scheme Meeting
(mark with an "X")

OR

Write here the name of the
person you are appointing if this
person is someone other than the
Chairman of the Scheme Meeting

Voting directions to your proxy

Please mark with "x" to indicate your directions

Ordinary Business	Accept	Decline	Abstain*
Item 1. "That, pursuant to and in accordance with section 411 of the <i>Corporations Act 2001</i> (Cth), the proposed scheme of arrangement between Vicwest Community Telco Ltd and the holders of its fully paid ordinary shares (other than the Excluded Shareholders), the terms of which are contained and more particularly described in the Scheme Booklet, is approved (with or without modification as approved by the Supreme Court of Victoria)."			

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on show of hands or on a poll and your vote will not be counted in determining the required majority on a poll.

PLEASE SIGN HERE

This section **MUST** be signed to enable your direction to be implemented.

Individual or Shareholder 1	Individual or Shareholder 2	Individual or Shareholder 3
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Date: / / 2016

RETURNING THE PROXY FORM

Please refer to the Scheme Booklet for instructions on returning this form to the Company.

Vicwest Community Telco Ltd
ACN: 140 604 039. Registered Office: Unit 3, 2-6 Rutland Street, Newtown, 3220

PROXY FORM

Vicwest Community Telco Ltd
ACN 140 604 039

All correspondence to:
Vicwest Community
Telco Ltd
Unit 3, 2-6 Rutland Street,
Newtown 3220

Shareholder Name _____

Address: _____

Shareholder Certificate No. _____

Appointment of Proxy

I/We being a member/s of **Vicwest Community Telco Ltd** and entitled to attend and to vote hereby appoint the person named below or, if no person is named below, the Chairman of the Extraordinary General Meeting as my/our proxy to vote in accordance with directions set out below (with a discretion as to any business not referred to below) or, if no directions are given, as my/our proxy sees fit, at the Extraordinary General Meeting of the Company to be held at **11.15am (AEST), or immediately following the Scheme Meeting (whichever is later) on 12 August 2016 at The Geelong Club, 74 Brougham Street, Geelong, Victoria 3220** and at any adjournment of the Extraordinary General Meeting.



The Chairman of the
Extraordinary General
Meeting
(mark with an "X")

OR



Write here the name of the
person you are appointing if this
person is someone other than the
Chairman of the Extraordinary
General Meeting

Voting directions to your proxy

Please mark with "x" to indicate your directions

Ordinary Business	Accept	Decline	Abstain*
Item 1. "That, subject to approval by the Court of the scheme of arrangement between Vicwest and its shareholders as described in the Scheme Booklet (Scheme), Rule 9 of the Constitution be deleted in its entirety, with effect immediately prior to the Scheme becoming Effective."			

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on show of hands or on a poll and your vote will not be counted in determining the required majority on a poll.

PLEASE SIGN HERE

This section **MUST** be signed to enable your direction to be implemented.

Individual or Shareholder 1	Individual or Shareholder 2	Individual or Shareholder 3
<div></div>	<div></div>	<div></div>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Date: / / 2016

RETURNING THE PROXY FORM

Please refer to the Scheme Booklet for instructions on returning this form to the Company.

Vicwest Community Telco Ltd
ACN: 140 604 039. Registered Office: Unit 3, 2-6 Rutland Street, Newtown, 3220