



# Interim Financial Report

for the Half-year ended

31 December 2021

## **DIRECTORS' REPORT**

Your directors submit the interim financial report of Bendigo Telco Limited and Controlled Entities (the Group) for the half-year ended 31 December 2021.

### **Directors**

The names of directors who held office during or since the end of the half-year:

Robert George Hunt  
Donald James Erskine  
Rodney David Payne  
Nicole Therese Rooke

Kevin Gerard Dole  
Jonathon David Selkirk  
Gregory Douglas Gillett

### **Review of Results and Operations**

#### **Operational Review**

The Bendigo Telco Group has recorded an after-tax profit of \$121,487 for the half year ended 31 December 2021. This is a substantially reduced result when compared to the previous year's first half result (31 December 2020: \$666,803). The result reflects the challenging Telco environment and the change in products and services utilised by our Customers in today's market. It also reflects our modified priorities and the new investments applied across the business to ensure our services remain relevant and valued by our Customers and Communities.

The Groups first half result demonstrates the impact of reduced revenues and margins on our legacy voice and data products offered to our customers over the past years. While the decline in these legacy revenues is in line with our projections and experienced across the entire telco industry, it has impacted this half year result. Our Business expects this trend of declining revenues on these legacy products will continue through this financial year, however we continue to invest in products and services that will contribute to replacement revenues.

The Group has also experienced a decrease in mobile revenues primarily attributed to a reduction in the number of mobile services taken up by our consumer customer base. During the past reporting period we have taken the opportunity to renegotiate our supply arrangement and have since re-launched our mobile suite of products.

As part of ongoing market and technology changes the Group directed its priorities, strategic approach, and core operating model to the new opportunities in the market. The leadership team believe that by focusing on improving the accessibility and delivery of technology, combined with helping customers adopt technology to support their needs, the business will be able to position itself for future sustainable growth and ongoing creation of shareholder value.

Our strategic framework ensures we continue to maintain a balance across our five key focus areas, People, Customer, Community, Operations and Financial, which will ensure the appropriate priority and level of attention is given to the growth opportunities available across our markets.

The Board remains convinced that the Group can add value technically and strategically for both our customers and the communities we serve, therefore effectively employing our shareholder capital. We continue to look for investment opportunities which will enhance the Groups prospects of success.

#### **Impact of COVID-19**

The pandemic continues to impact the community and economy. The Group continues to follow all Government directives, focusing on the protection of our staff and ensuring that we continue to deliver service and support to our customers and communities. The duration of the pandemic remains uncertain as at the date of this report.

The events relating to COVID-19 have not had an adverse impact on either the operations or financial performance of the Group during this period. The Group continues to offer support to its customers as required.

## **Reported Results**

The Group generated a net profit before tax of \$199,354 and a net profit after tax of \$121,487 for the half year ended 31 December 2021. This compares to a net profit before tax of \$975,120 and a net profit after tax of \$666,803 in the prior year.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period was \$1,414,043, representing a decrease of \$805,266 (36.3%) compared to the prior year (2020: \$2,219,309).

Total Group's revenue decreased by 13.2% over the corresponding prior period to \$13,480,166 (2020: \$15,531,703). This decrease is substantially due to the loss of traditional fixed voice, traditional data and mobile revenues.

At the end of the period, the net assets of the Group were \$7,521,762 (30 June 2021: \$7,982,109). The Group continued to generate strong cash flows from operating activities and maintained a sound working capital with current assets exceeding current liabilities by \$1,283,502 (30 June 2021: \$1,516,909).

### **Auditor's Independence Declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2021.

This directors' report is signed in accordance with a resolution of the Board of Directors.



Robert Hunt, Chairman



Donald Erskine, Director

Dated this 23rd day of February 2022



61 Bull Street  
Bendigo VIC 3550  
afs@afsbendigo.com.au  
03 5443 0344

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

I declare that, to the best of my knowledge and belief, for the half-year ended 31 December 2021, there have been no contraventions of:

- i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- ii) any applicable code of professional conduct in relation to the review.

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated this 23<sup>rd</sup> day of February 2022

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

**Joshua Griffin**  
Lead Auditor



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	<b>Note</b>	<b>31.12.2021</b> \$	<b>31.12.2020</b> \$
Revenue	3(a)	13,480,166	15,531,703
Cost of products sold		(6,256,088)	(7,507,040)
Other income	3(b)	-	50,000
Finance income	3(c)	151	673
Salaries and employee benefit costs		(3,964,309)	(3,831,221)
Occupancy and associated costs		(150,719)	(181,126)
General administration costs		(814,151)	(802,982)
Depreciation and amortisation costs		(1,182,941)	(1,199,010)
Advertising and promotion costs		(107,727)	(92,360)
Systems costs		(720,628)	(866,936)
Borrowing costs		<u>(84,400)</u>	<u>(126,581)</u>
Profit before income tax		199,354	975,120
Income tax expense		<u>(77,867)</u>	<u>(308,317)</u>
Profit after income tax		121,487	666,803
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		<u><u>121,487</u></u>	<u><u>666,803</u></u>
Total comprehensive income attributable to members of Bendigo Telco Limited		<u><u>121,487</u></u>	<u><u>666,803</u></u>
<b>Earnings per share</b>			
Basic earnings per share (cents)		1.57	8.60
Diluted earnings per share (cents)		1.57	8.60

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	31.12.2021 \$	30.06.2021 \$
<b>Current Assets</b>		
Cash and cash equivalents	2,439,686	3,098,818
Trade and other receivables	729,050	1,319,733
Prepayments	1,584,691	1,001,272
Inventories	99,031	77,440
Current tax asset	198,149	-
<b>Total Current Assets</b>	<b>5,050,607</b>	<b>5,497,263</b>
<b>Non Current Assets</b>		
Prepayments	143,875	158,632
Property, plant and equipment	1,164,940	1,256,919
Right-of-use assets	4,345,910	4,889,285
Intangible assets	4,527,741	4,663,588
Deferred tax asset	614,157	627,172
<b>Total Non Current Assets</b>	<b>10,796,623</b>	<b>11,595,596</b>
<b>TOTAL ASSETS</b>	<b>15,847,230</b>	<b>17,092,859</b>
<b>Current Liabilities</b>		
Trade and other payables	1,302,598	1,188,850
Borrowings	396,859	396,859
Lease Liabilities	1,111,769	1,368,448
Employee Entitlements	955,879	966,993
Current tax liabilities	-	59,204
<b>Total Current Liabilities</b>	<b>3,767,105</b>	<b>3,980,354</b>
<b>Non Current Liabilities</b>		
Borrowings	1,764,992	1,963,042
Lease Liabilities	2,668,767	3,030,773
Employee Entitlements	80,704	93,548
Provisions	43,900	43,033
<b>Total Non Current Liabilities</b>	<b>4,558,363</b>	<b>5,130,396</b>
<b>TOTAL LIABILITIES</b>	<b>8,325,468</b>	<b>9,110,750</b>
<b>NET ASSETS</b>	<b>7,521,762</b>	<b>7,982,109</b>
<b>EQUITY</b>		
Issued capital	7,032,430	7,032,430
Retained earnings	489,332	949,679
<b>TOTAL EQUITY</b>	<b>7,521,762</b>	<b>7,982,109</b>

*The accompanying notes form part of these financial statements*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Note	Ordinary Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2020</b>		7,040,580	1,115,381	8,155,961
<b>Comprehensive Income</b>				
Profit for the period		-	666,803	666,803
Other comprehensive income for the period		-	-	-
<b>Total comprehensive income for the period</b>		-	666,803	666,803
<b>Transaction with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the period	2	-	(736,990)	(736,990)
Cost of equity raised		(4,296)	-	(4,296)
<b>Total transactions with owners and other transfers</b>		(4,296)	(736,990)	(741,286)
<b>Balance at 31 December 2020</b>		<b>7,036,284</b>	<b>1,045,194</b>	<b>8,081,478</b>
<b>Balance at 1 July 2021</b>		7,032,430	949,679	7,982,109
<b>Comprehensive Income</b>				
Profit for the period		-	121,487	121,487
Other comprehensive income for the period		-	-	-
<b>Total comprehensive income for the period</b>		-	121,487	121,487
<b>Transaction with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the period	2	-	(581,834)	(581,834)
Cost of equity raised		-	-	-
<b>Total transactions with owners and other transfers</b>		-	(581,834)	(581,834)
<b>Balance at 31 December 2021</b>		<b>7,032,430</b>	<b>489,332</b>	<b>7,521,762</b>

*The accompanying notes form part of these financial statements*



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	<b>31.12.2021</b>	<b>31.12.2020</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	14,913,308	17,026,907
Payments to suppliers and employees	(13,355,369)	(14,944,881)
Lease payments not included in lease liabilities	(26,752)	(26,752)
Interest paid on lease liabilities	(27,387)	(55,571)
Interest paid on borrowings	(30,569)	(45,179)
Income tax paid	(322,205)	(517,983)
Interest received	151	673
<b>Net cash provided by operating activities</b>	<u>1,151,177</u>	<u>1,437,214</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(125,962)	(125,869)
<b>Net cash used in investing activities</b>	<u>(125,962)</u>	<u>(125,869)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	(904,463)	(948,226)
Repayment of bank loans	(198,050)	(192,009)
Dividends paid	(581,834)	(736,990)
<b>Net cash used in financing activities</b>	<u>(1,684,347)</u>	<u>(1,877,225)</u>
<b>Net increase / (decrease) in cash held</b>	<b>(659,132)</b>	<b>(565,880)</b>
Cash and cash equivalents at beginning of period	3,098,818	4,120,844
<b>Cash and cash equivalents at end of the period</b>	<u><b>2,439,686</b></u>	<u><b>3,554,964</b></u>

*The accompanying notes form part of these financial statements*

## NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL REPORT

### Note 1: Summary of significant accounting policies

#### Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2021 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update of the latest annual financial statements of Bendigo Telco Limited. As such, it does not contain information that represents relatively insignificant changes during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2021, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 23rd February 2022.

#### Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

**Note 2: Dividends Paid and Proposed**

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>\$</b>	<b>\$</b>
Distributions paid:		
2021 Final fully franked ordinary dividend of 7.5 (2020: 9.5) cents per share franked at the tax rate of 25.0% (2020: 26.0%).	581,834	736,990
Distributions proposed:		
2022 Interim fully franked ordinary dividend of 2.0 (2021: 6.0) cents per share franked at the tax rate of 25% (2021: 26%).	155,156	465,467
After the reporting date the above dividend was declared. The amount has not been recognised as a liability as at 31 December 2021 but will be brought into account in the 2022 financial year.		

**Note 3: Revenue and Other Income**

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Revenue:</b>		
Revenue from contracts with customers	13,480,166	15,531,703
	<u>13,480,166</u>	<u>15,531,703</u>
<b>(b) Other income:</b>		
Government Grants	-	50,000
	<u>-</u>	<u>50,000</u>
<b>(c) Finance income:</b>		
Interest received	151	673
	<u>151</u>	<u>673</u>
	<u>13,480,317</u>	<u>15,582,376</u>

Disaggregation of revenue from contracts with customers based on the nature and the timing of transfer of goods and services, by major products, is presented in Note 4: Operating Segments.

#### Note 4: Operating Segments

Segment information is presented using a 'management approach'; that is, segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (the board that makes strategic decisions).

Bendigo Telco Limited reports and delivers services under three dedicated teams, Voice Services, Network Services and IT Services. These teams are responsible for the efficient end to end delivery of their product suites.

In prior periods the Group operated under two divisions, Business and Enterprise and Consumer and Small Business. Comparatives have been restated to reflect the change in operating structure.

Goodwill has been reallocated accordingly to cash generating units which cannot be greater than a segment as defined in AASB 8 Operating Segments. On reallocation, no additional goodwill impairment was required.

#### Major customers

During the half year ended 31 December 2021 approximately 36.7% (2020: 36.6%) of Bendigo Telco's external revenue was derived from sales to one customer (2020: one customer).

#### Revenue by division and product set for the period ending 31 December 2021

	Voice Services \$	Network Services \$	IT Services \$	Total \$
<b>Revenue from sales of services recognised over time</b>				
Fixed Voice Services	1,066,049	-	-	1,066,049
SIP, VOIP, NBN Voice Services	1,812,292	-	-	1,812,292
VPN Products	-	4,901,251	-	4,901,251
Mobile Phone Services	1,050,900	-	-	1,050,900
Esolutions Products	-	-	48,982	48,982
DSL Internet Services	-	66,365	-	66,365
NBN Internet Services	-	1,683,012	-	1,683,012
IT Services	-	-	117,347	117,347
Data Centre and MAN	-	-	1,344,682	1,344,682
Cloud Infrastructure Services	-	-	754,044	754,044
	<u>3,929,241</u>	<u>6,650,628</u>	<u>2,265,055</u>	<u>12,844,924</u>
<b>Revenue from sale of goods recognised at point in time</b>				
Mobile Phone Services	30,395	-	-	30,395
NBN Internet Services	-	18,396	-	18,396
IT Services	-	-	134,500	134,500
Hardware and Installations	-	-	451,951	451,951
	<u>30,395</u>	<u>18,396</u>	<u>586,451</u>	<u>635,242</u>
<b>Other Income</b>				
Interest received	50	50	51	151
	<u>50</u>	<u>50</u>	<u>51</u>	<u>151</u>
Interest expense				(59,135)
Depreciation and amortisation				(1,182,941)
Other expenses				(12,038,887)
<b>Profit before income tax expense</b>				<u>199,354</u>

**Revenue by division and product set for the period ending 31 December 2020**

	Voice Services \$	Network Services \$	IT Services \$	Total \$
<b>Revenue from sales of services recognised over time</b>				
Fixed Voice Services	2,160,506	-	-	2,160,506
SIP, VOIP, NBN Voice Services	1,854,573	-	-	1,854,573
VPN Products	-	5,147,174	-	5,147,174
Mobile Phone Services	1,200,920	-	-	1,200,920
Esolutions Products	-	-	81,228	81,228
DSL Internet Services	-	220,346	-	220,346
NBN Internet Services	-	1,678,108	-	1,678,108
IT Services	-	-	106,407	106,407
Data Centre and MAN	-	-	1,424,956	1,424,956
Cloud Infrastructure Services	-	-	1,237,238	1,237,238
	<u>5,215,999</u>	<u>7,045,628</u>	<u>2,849,829</u>	<u>15,111,456</u>

**Revenue from sale of goods recognised at point in time**

Mobile Phone Services	46,595	-	-	46,595
NBN Internet Services	-	23,459	-	23,459
Hardware and Installations	-	-	350,193	350,193
	<u>46,595</u>	<u>23,459</u>	<u>350,193</u>	<u>420,247</u>

**Other Income**

Government Grants	16,666	16,667	16,667	50,000
Interest received	224	224	225	673
	<u>16,890</u>	<u>16,891</u>	<u>16,892</u>	<u>50,673</u>

Interest expense	(100,750)
Depreciation and amortisation	(1,199,010)
Other expenses	(13,307,496)

**Profit before income tax expense**

975,120

**Assets & Liabilities**

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

#### **Note 5: Contingent Liabilities**

There has been no change in contingent liabilities since the last annual reporting period.

#### **Note 6: Events after the end of the interim period**

Other than the following, the directors are not aware of any significant events since the end of the interim period.

Since the end of the interim period, the directors have resolved to pay an interim fully franked dividend of 2.0 cents per share (2021: 6.0 cents per share) payable on 25 March 2022 to shareholders on the share register at 18 March 2022. This dividend will be recognised in shareholders' equity in the next interim financial statements.

Since the end of the interim period, in February 2022, the directors performed a review of its property leasing requirements. Following this review, a business decision was made in February 2022 whereby it was determined the Group was no longer reasonably certain to exercise optional terms included in two of the Group's leased properties.

At 31 December 2021, lease payments relating to such optional terms were included in the measurement of the Group's right-of-use assets and lease liabilities. Accordingly, this business decision, which was made in February 2022, has given rise to a non-adjusting subsequent event, requiring the Group to remeasure its right-of-use assets and lease liabilities since the end of the interim period. This has resulted in right-of-use assets decreasing by \$1,422,879 and lease liabilities decreasing by \$1,532,324 subsequent to the end of the interim period, the remeasurement of which will be accounted for and presented in the Group's statement of financial position at 30 June 2022.

#### **Note 7: Capital Commitments**

At 31 December 2021 the Group had entered into a contract to purchase, but was yet to capitalise, approximately \$130,000 of network infrastructure equipment. The equipment is expected to be installed and ready for use in February 2022. The Group had no capital commitments in the previous period.

#### **Note 8: Correction of Prior Period Errors**

In previous periods the Group classified all prepayments as current assets on the Statement of Financial Position. However, during the interim period the Group identified this treatment was incorrect as the economic benefits associated with some of these prepayments were not expected to be realised within 12 months of the reporting date.

Accordingly, prepayments disclosed at 30 June 2021 on the Statement of Financial Position have been restated, whereby \$158,632 of prepayments have been disclosed within non-current assets instead of current assets. The prior period error had no impact on the Group's net profit result or net asset position, however the restatement did reduce the Group's working capital position at 30 June 2021 by \$158,632.

## DIRECTORS' DECLARATION

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

1. The financial statements and notes, as set out on pages 1 to 13 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - b. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Robert Hunt, Chairman



Donald Erskine, Director

Dated this 23rd day of February 2022



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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Bendigo Telco Ltd, which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Bendigo Telco Ltd does not comply with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Bendigo Telco Ltd's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with *ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Responsibility of the directors for the Financial Report

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







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## Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including, giving a true and fair view of Bendigo Telco Ltd's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated this 23<sup>rd</sup> day of February 2022

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

**Joshua Griffin**  
Lead Auditor

