



Interim Financial Report

for the half-year ended

31 December 2023

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 2023.

Directors

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

Robert George Hunt	Kevin Gerard Dole
Donald James Erskine	Jonathon David Selkirk
Rodney David Payne	Gregory Douglas Gillett
Nicole Therese Rooke	Stephen John Griffin

Review of Results and Operations

Operational Review

Bendigo Telco continues to focus on its Customer driven strategy and vision to become our 'Customers preferred technology partner' across our chosen markets. The Board is convinced we can offer a genuine alternative to local Customers in this changed and challenging digital business environment and economy. We continued to work in a disciplined way through the changes and product enhancements required to transition the business to more sustainable revenues into the future.

The reaffirmation of our original business purpose, and the diversification of our product offerings started two years ago, to meet the strong demand for quality technology solutions, following changes across our Industry and the continued developments in cloud and digital technology alternatives.

The Group has focused on broadening its offerings beyond our traditional legacy services and provision of infrastructure, which are now increasingly accessible through shared partnerships. We have continued to see strong demand in managed services and modern cloud-based offerings. These new products and services complement our traditional network and voice services offered across our Customer base, however it has taken considerable time, effort, and investment to carefully and successfully implement. The investment has been predominantly in additional talent, new partnerships, workforce upskilling and re-engineering of workplace processes.

The transition to these new products, services, and internal operations, combined with the reduced demand for our legacy products and services have materially impacted our revenues during the period. This has also prompted a review of all infrastructure that supports our legacy products and services, with a heightened focus on consolidation, rationalisation, and progressive decommissioning, in order to reduce or make more effective our ongoing cost base.

The reduced revenue and margin from the Data Centre and Metropolitan Area Network (MAN) were the primary contributors to the reduced profitability for the period. These are an example of legacy infrastructure that the Group built when no such capability was available to service key clients in our local regional market. The demand for these products and services has effectively ceased or reduced to the extent where we are intending to restructure our offerings across our local market, to ensure we can cost effectively service and support our Local Customers. The time, effort and investment required to implement these structural and product changes are expected to continue to impact on our performance until fully implemented, but they are expected to produce improved performance when fully available.

Revenue from traditional voice and data products and services continued to decline as projected and were in line with the broader trends seen across the telecommunications industry. However, these remain an essential component in our customer product offering, but we will strategically replace many of these services with modern voice and data products with acceptable margins.

Reported Results

The Group's revenue decreased by 6.0% over the corresponding prior period to \$13,305,545 (2022: \$14,162,544) but remains quite solid considering the revenue reductions in a number of legacy service offerings.

The Group generated a net loss before tax of \$448,888 and a net loss after tax of \$384,567 for the half year ended 31 December 2023. This compares to a net profit before tax of \$277,886 and a net profit after tax of \$162,110 in the prior year.

Profitability was impacted primarily by the reduction of revenue and margin from data centre and metropolitan area network services and a significant customer debt write off.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period was \$443,567, representing a 69.3% decrease compared to the prior year (2022: \$1,445,894).

At the end of the period, the net assets of the Group were \$6,904,310 (30 June 2023: \$7,288,877). The Groups cash and cash equivalents remained stable during the period with a balance at 31 December 2023 of \$1,020,466 (30 June 2023: \$1,149,176).

The Group was able to maintain a creditable equity ratio of 54.34% (FY22: 51.66%) and recorded working capital of \$360,018 with current assets of \$4,242,838 exceeding current liabilities of \$3,882,820.

After thorough review of the Group's financial performance, strategic objectives, and lending covenants, the board decided not to announce an interim dividend for the half-year ended 31 December 2023.

Period Ahead

During the remainder of FY24, the Group will continue to peruse new business opportunities, enhance current Customer offerings, as well as consolidate and decommission systems, processes, software and infrastructure, with the intention to increase efficiencies and reduce associated costs.

The board acknowledges the reduced results and lack of current shareholder return for the period. However, based on the EBITDA result, working capital position, stability of cash holdings, and timely payment of all creditor obligations, remain confident in the Groups strategy and believe that the supporting operational plans will deliver on the sustained success of the business.

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 2023.

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



Robert Hunt, Chairman



Donald Erskine, Director

Dated this 28th day of February 2024



Andrew Frewin Stewart
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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, during the half-year ended 31 December 2023, 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 28th day of February 2024

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 2023**

	Note	31.12.2023 \$	31.12.2022 \$
Revenue	3(a)	13,305,545	14,162,544
Cost of products sold		(6,220,213)	(6,291,681)
Other income	3(b)	30,565	-
Finance income	3(c)	8,649	379
Salaries and employee benefit costs		(4,884,668)	(4,578,903)
Occupancy and associated costs		(82,180)	(142,242)
General administration costs		(808,986)	(839,569)
Depreciation and amortisation costs		(821,023)	(1,133,296)
Advertising and promotion costs		(43,840)	(79,245)
Systems costs		(819,019)	(764,208)
Borrowing costs		<u>(113,718)</u>	<u>(55,893)</u>
Profit before income tax		(448,888)	277,886
Income tax expense / (benefit)		<u>64,321</u>	<u>(115,776)</u>
Profit / (loss) after income tax		(384,567)	162,110
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		<u><u>(384,567)</u></u>	<u><u>162,110</u></u>
Total comprehensive income attributable to members of Bendigo Telco Limited		<u><u>(384,567)</u></u>	<u><u>162,110</u></u>
Earnings per share			
Basic earnings per share (cents)		(4.96)	2.09
Diluted earnings per share (cents)		(4.96)	2.09

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

	31.12.2023	30.06.2023
	\$	\$
Current Assets		
Cash and cash equivalents	1,020,466	1,149,176
Trade and other receivables	1,926,193	1,707,913
Prepayments	1,025,426	849,189
Inventories	163,372	156,810
Current tax asset	107,381	112,615
Total Current Assets	4,242,838	3,975,703
Non Current Assets		
Prepayments	37,125	14,333
Property, plant and equipment	741,712	944,495
Right-of-use assets	1,454,580	1,805,845
Intangible assets	5,809,130	6,071,518
Deferred tax asset	622,288	601,509
Total Non Current Assets	8,664,835	9,437,700
TOTAL ASSETS	12,907,673	13,413,403
Current Liabilities		
Trade and other payables	1,701,869	1,644,744
Borrowings	350,136	386,912
Lease Liabilities	661,271	572,955
Employee Entitlements	1,168,890	1,034,795
Provisions	654	1,326
Total Current Liabilities	3,882,820	3,640,732
Non Current Liabilities		
Borrowings	1,038,052	1,179,942
Lease Liabilities	978,168	1,208,770
Employee Entitlements	87,901	79,669
Provisions	16,422	15,413
Total Non Current Liabilities	2,120,543	2,483,794
TOTAL LIABILITIES	6,003,363	6,124,526
NET ASSETS	6,904,310	7,288,877
EQUITY		
Issued capital	7,032,430	7,032,430
Retained earnings / (Accumulated losses)	(128,120)	256,447
TOTAL EQUITY	6,904,310	7,288,877

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

	Note	Ordinary Share Capital \$	Retained Earnings \$	Total \$
Balance at 1 July 2022		7,032,430	464,504	7,496,934
Comprehensive Income				
Profit for the period		-	162,110	162,110
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	162,110	162,110
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the period	2	-	(155,156)	(155,156)
Cost of equity raised		-	-	-
Total transactions with owners and other transfers		-	(155,156)	(155,156)
Balance at 31 December 2022		7,032,430	471,458	7,503,888
Balance at 1 July 2023		7,032,430	256,447	7,288,877
Comprehensive Income				
Loss for the period		-	(384,567)	(384,567)
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	(384,567)	(384,567)
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the period	2	-	-	-
Cost of equity raised		-	-	-
Total transactions with owners and other transfers		-	-	-
Balance at 31 December 2023		7,032,430	(128,120)	6,904,310

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023**

	31.12.2023	31.12.2022
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	14,170,654	15,698,603
Payments to suppliers and employees	(13,983,111)	(14,004,910)
Lease payments not included in lease liabilities	(44,780)	(23,366)
Interest paid on lease liabilities	(21,428)	(15,256)
Interest paid on borrowings	(12,496)	(16,163)
Income tax paid	48,777	127,894
Interest received	8,649	379
Net cash provided by operating activities	166,265	1,767,181
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for intangible assets	-	(233,390)
Purchase of property, plant and equipment	(4,588)	(109,218)
Proceeds from sale of property, plant and equipment	30,565	-
Net cash used in investing activities	25,977	(342,608)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(142,286)	(572,874)
Repayment of bank loans	(178,666)	(198,475)
Dividends paid	-	(155,156)
Net cash used in financing activities	(320,952)	(926,505)
Net increase / (decrease) in cash held	(128,710)	498,068
Cash and cash equivalents at beginning of period	1,149,176	862,127
Cash and cash equivalents at end of the period	1,020,466	1,360,195

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 2023 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 the Group. 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 2023, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 28th February 2024.

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

	31.12.2023	31.12.2022
	\$	\$
Distributions paid:		
2023 Final fully franked ordinary dividend of 0.0 (2022: 2.0) cents per share franked at the tax rate of 25.0% (2022: 25.0%).	-	155,156
Distributions proposed:		
2024 Interim fully franked ordinary dividend of 0.0 (2023: 1.5) cents per share franked at the tax rate of 25% (2023: 25%).	-	116,367

Note 3: Revenue and Other Income

	31.12.2023	31.12.2022
	\$	\$
(a) Revenue:		
Revenue from contracts with customers	13,305,545	14,162,544
	<u>13,305,545</u>	<u>14,162,544</u>
(b) Other income:		
Profit on sale of assets	30,565	-
	<u>30,565</u>	<u>-</u>
(c) Finance income:		
Interest received	8,649	379
	<u>8,649</u>	<u>379</u>
	<u>13,344,759</u>	<u>14,162,544</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

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

Bendigo Telco Limited 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.

Major customers

During the half year ended 31 December 2023 approximately 26.6% (2022: 37.9%) of Bendigo Telco's external revenue was derived from sales to one customer (2022: one customer).

Revenue by division and product set for the period ending 31 December 2023

	Voice Services \$	Network Services \$	IT Services \$	Total \$
Revenue from sales of services recognised over time				
Fixed Voice Services	723,699	-	-	723,699
SIP, VOIP, NBN Voice Services	1,860,062	-	-	1,860,062
VPN Products	-	3,777,970	-	3,777,970
Mobile Phone Services	1,094,599	-	-	1,094,599
E-Solutions Products	-	-	41,800	41,800
DSL Internet Services	-	14,549	-	14,549
NBN Internet Services	-	1,649,992	-	1,649,992
Managed IT Services	-	-	1,013,004	1,013,004
Consulting Services	-	-	368,253	368,253
Data Centre and MAN	-	-	114,633	114,633
Cloud Infrastructure Services	-	-	1,240,468	1,240,468
	<u>3,678,360</u>	<u>5,442,511</u>	<u>2,778,158</u>	<u>11,899,029</u>
Revenue from sale of goods recognised at point in time				
Mobile Phone Services	30,627	-	-	30,627
NBN Internet Services	-	1,256	-	1,256
IT Services	-	-	357,976	357,976
Hardware and Installations	-	-	1,016,657	1,016,657
	<u>30,627</u>	<u>1,256</u>	<u>1,374,633</u>	<u>1,406,516</u>
Other Income				
Profit on sale of assets	10,189	10,188	10,188	30,565
	<u>10,189</u>	<u>10,188</u>	<u>10,188</u>	<u>30,565</u>
Finance Income				
Interest received	2,883	2,883	2,883	8,649
	<u>2,883</u>	<u>2,883</u>	<u>2,883</u>	<u>8,649</u>
Total revenue from contracts with customers	<u>3,722,059</u>	<u>5,456,838</u>	<u>4,165,862</u>	<u>13,344,759</u>
Interest expense				(71,432)
Depreciation and amortisation				(821,023)
Other expenses				(12,901,192)
Profit before income tax expense				<u>(448,888)</u>

Revenue by division and product set for the period ending 31 December 2022

	Voice Services \$	Network Services \$	IT Services \$	Total \$
Revenue from sales of services recognised over time				
Fixed Voice Services	785,830	-	-	785,830
SIP, VOIP, NBN Voice Services	1,931,778	-	-	1,931,778
VPN Products	-	4,217,054	-	4,217,054
Mobile Phone Services	1,074,986	-	-	1,074,986
Esolutions Products	-	-	60,251	60,251
DSL Internet Services	-	42,623	-	42,623
NBN Internet Services	-	1,635,525	-	1,635,525
IT Services	-	-	1,528,420	1,528,420
Data Centre and MAN	-	-	1,328,023	1,328,023
Cloud Infrastructure Services	-	-	748,340	748,340
	<u>3,792,594</u>	<u>5,895,202</u>	<u>3,665,034</u>	<u>13,352,830</u>

Revenue from sale of goods recognised at point in time

Mobile Phone Services	28,895	-	-	28,895
NBN Internet Services	-	2,618	-	2,618
IT Services	-	-	-	-
Hardware and Installations	-	-	778,201	778,201
	<u>28,895</u>	<u>2,618</u>	<u>778,201</u>	<u>809,714</u>

Finance Income

Interest received	127	126	126	379
	<u>127</u>	<u>126</u>	<u>126</u>	<u>379</u>

Total revenue from contracts with customers

<u>3,821,616</u>	<u>5,897,946</u>	<u>4,443,361</u>	<u>14,162,923</u>
<u>3,821,616</u>	<u>5,897,946</u>	<u>4,443,361</u>	<u>14,162,923</u>

Interest expense	(34,712)
Depreciation and amortisation	(1,133,296)
Other expenses	(12,717,029)

Profit before income tax expense

277,886

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: Events after the end of the interim period

The directors are not aware of any significant events since the end of the interim period.

Note 6: Capital Commitments

	31.12.2023 \$	31.12.2022 \$
Capital expenditure commitments contracted for:		
IT Services	106,374	-
	<u>106,374</u>	<u>-</u>
Payable:		
No later than 12 months	106,374	-
Between 12 months and 5 years	-	-
	<u>106,374</u>	<u>-</u>

Note 7: Related Party Transactions

The Group enters into transactions with related entities including revenue received and services and supplies procured. These revenue and expense items are included in the Statement of Profit or Loss and Other Comprehensive Income. Amounts owing to and from related entities are included in the Statement of Financial Position.

The transactions are commercial and conducted on the same terms as other third party transactions.

A summary of material transactions excluding dividends between the Group and related parties during the period were;

	31.12.2023	31.12.2022
	\$	\$
Network, Voice and Cloud telecommunication services provided to related entities	3,548,961	5,361,901
Supplies and services purchased from related entities	38,091	147,548
Amounts owing to / (from) related entities	1,548,629	2,197,166
Other non significant related party transactions include;		
Rent expense	1,200	39,414

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 2023 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 28th day of February 2024



Andrew Frewin Stewart
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Independent auditor's review report to the shareholders 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 2023, 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, 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 2023 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 2023 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 28th day of February 2024

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

Joshua Griffin
Lead Auditor

