



# Interim Financial Report

for the Half-year ended

31 December 2020

## 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 2020.

### Directors

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

Robert George Hunt	Rodney David Payne
Donald James Erskine	Kevin Gerard Dole
Graham William Bastian (retired 21 October 2020)	Jonathon David Selkirk
Michelle Kaye O'Sullivan (retired 21 October 2020)	Gregory Douglas Gillett
Nicole Therese Rooke	

### Review of Results and Operations

#### Operational Review

The Group has continued to produce solid results in a changing and challenging telco environment. The Groups results reflect reduced revenues and margins from legacy voice and data products that are offered to our customer base whilst revenues from NBN have remained stable. The decline in these legacy revenues is in line with our projections and the experiences in the telco market today. The Group has also seen a decrease in mobile revenues primarily attributable to a reduction in the mobile services offered to our consumer customer base which is an area of the market that we are currently unable to demonstrate or leverage our point of difference in.

The Group has been able to offset some of these revenue reductions with increases in its SIP, Cloud and value-add product offerings and is convinced that by focusing on improving the accessibility and delivery of technology outcomes for our customers and communities, it will be able to position itself for future sustainable growth and creation of shareholder value.

The ongoing market and technology changes combined with the pandemic has required the Group to refine its priorities, strategic approach and core operating model to ensure that the Group can continue to produce quality customer and community outcomes and shareholder value. This work included redefining our management and operational priorities, reiterating the need to have a balance across our focus areas to ensure the appropriate level of attention and growth opportunities are achieved and maintained. The five key focus areas are:

- People – *promoting a positive culture where people feel valued and supported.*
- Customer – *through understanding Customer needs we will deliver to support their success.*
- Community – *committed to the success of our Community.*
- Operations – *deliver services in an efficient and cost-effective manner.*
- Financial – *a sustainable business model with a focus on long term prosperity for all stakeholders.*

The Group is confident our program of work will foster the strong connection with our customers and communities and provide opportunities to generate growth whilst delivering improvements in business productivity and efficiency. The Group is convinced it can add value technically and strategically for both our customers and the communities we serve, and therefore effectively employ our shareholders capital.

The period also saw the Group complete its investment in uplifting its core data network between Bendigo and Melbourne with ultra-high-speed, high-performance fibre-optic infrastructure.

The commissioning of this 100Gbps connection combined with the Groups existing infrastructure has enabled Bendigo to become a 'One Hundred Gigabit City', providing a transformational opportunity to enable digital connectivity which will drive innovation, attract new business across industry and support our regional economy and customer base.

The Board is pleased with the progress and performance of the Group and continues to look for investment opportunities which will enhance the Groups prospects of success.

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

The pandemic continues to impact people, businesses, and communities. To ensure the protection of staff, the services we deliver to customers and the support we provide to our communities, the Group continues to follow all Government directives, ensuring that its COVIDSafe Plan is updated on an ongoing basis.

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.

The Group received \$50,000 from the 2nd ATO cash flow boost during the last period and was not entitled to any other Government related payments.

### **Reported Results**

The Group generated a net profit before tax of \$975,120 and a net profit after tax of \$666,803 for the half year ended 31 December 2020. This compares to a net profit before tax of \$926,422 and a net profit after tax of \$625,258 in the prior year.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") for the period was \$2,219,309, representing a decrease of \$42,768 (1.89%) compared to the prior year (2019: \$2,262,077).

Total Group's revenue decreased by 7.99% over the corresponding prior period to \$15,531,703 (2019: \$16,880,914). This decrease is substantially due to the loss of traditional fixed voice, traditional data and mobile revenues. Some of the loss in revenue has been offset with gains in cloud-based and other business service revenue.

At the end of the period, the net assets of the Group were \$8,081,478 (30 June 2020: \$8,155,961). The Group continued to generate strong cash flows from operating activities and maintained a sound working capital with current assets exceeding current liabilities by \$1,591,060 (30 June 2020: \$1,778,575).

**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 2020.

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



Robert Hunt, Chairman



Donald Erskine, Director

Dated this 24th day of February 2021.



Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
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### **Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Bendigo Telco Ltd**

As lead auditor for the audit of Bendigo Telco Ltd for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated this 24<sup>th</sup> day of February 2021

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 2020**

	Note	31.12.2020 \$	31.12.2019 \$
Revenue	3	15,531,703	16,880,914
Cost of products sold		(7,507,040)	(8,570,033)
Other income	3	50,000	213
Finance income	3	673	3,635
Salaries and employee benefit costs		(3,831,221)	(3,972,531)
Occupancy and associated costs		(181,126)	(194,440)
General administration costs		(802,982)	(840,721)
Depreciation and amortisation costs		(1,199,010)	(1,278,646)
Advertising and promotion costs		(92,360)	(110,935)
Systems costs		(866,936)	(839,611)
Borrowing costs		(126,581)	(151,423)
Profit before income tax		975,120	926,422
Income tax expense		(308,317)	(301,164)
Net profit for the period		666,803	625,258
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		<u>666,803</u>	<u>625,258</u>
Total comprehensive income attributable to members of Bendigo Telco Limited		<u>666,803</u>	<u>625,258</u>
<b>Earnings per share</b>			
Basic earnings per share (cents)		8.60	8.06
Diluted earnings per share (cents)		8.60	8.06

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

	<b>31.12.2020</b>	<b>30.06.2020</b>
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	3,554,964	4,120,844
Trade and other receivables	1,440,418	1,088,785
Prepayments	1,592,075	1,792,232
Inventories	68,574	104,701
<b>Total Current Assets</b>	<b>6,656,031</b>	<b>7,106,562</b>
<b>Non Current Assets</b>		
Property, plant and equipment	1,025,945	1,126,203
Right-of-use assets	5,718,342	5,372,539
Intangible assets	4,814,706	4,995,107
Deferred tax asset	698,780	735,164
<b>Total Non Current Assets</b>	<b>12,257,773</b>	<b>12,229,013</b>
<b>TOTAL ASSETS</b>	<b>18,913,804</b>	<b>19,335,575</b>
<b>Current Liabilities</b>		
Trade and other payables	1,597,279	1,823,033
Borrowings	396,859	386,008
Lease Liabilities	1,793,443	1,720,355
Provisions	1,107,948	987,396
Current tax liabilities	169,442	411,195
<b>Total Current Liabilities</b>	<b>5,064,971</b>	<b>5,327,987</b>
<b>Non Current Liabilities</b>		
Borrowings	2,161,009	2,363,869
Lease Liabilities	3,523,045	3,406,075
Provisions	83,301	81,683
<b>Total Non Current Liabilities</b>	<b>5,767,355</b>	<b>5,851,627</b>
<b>TOTAL LIABILITIES</b>	<b>10,832,326</b>	<b>11,179,614</b>
<b>NET ASSETS</b>	<b>8,081,478</b>	<b>8,155,961</b>
<b>EQUITY</b>		
Issued capital	7,036,284	7,040,580
Retained earnings	1,045,194	1,115,381
<b>TOTAL EQUITY</b>	<b>8,081,478</b>	<b>8,155,961</b>

*The accompanying notes form part of these financial statements*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	Ordinary Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2019</b>		7,069,308	981,493	8,050,801
<b>Comprehensive Income</b>				
Profit for the period		-	625,258	625,258
<b>Total comprehensive income for the period</b>		<b>7,069,308</b>	<b>1,606,751</b>	<b>8,676,059</b>
<b>Transaction with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the period	2	-	(543,045)	(543,045)
Cost of equity raised		(14,364)	-	(14,364)
<b>Total transactions with owners and other transfers</b>		<b>(14,364)</b>	<b>(543,045)</b>	<b>(557,409)</b>
<b>Balance at 31 December 2019</b>		<b>7,054,944</b>	<b>1,063,706</b>	<b>8,118,650</b>
<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
<b>Total comprehensive income for the period</b>		<b>7,040,580</b>	<b>1,782,184</b>	<b>8,822,764</b>
<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>		<b>(4,296)</b>	<b>(736,990)</b>	<b>(741,286)</b>
<b>Balance at 31 December 2020</b>		<b>7,036,284</b>	<b>1,045,194</b>	<b>8,081,478</b>

*The accompanying notes form part of these financial statements*

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	17,026,907	18,889,605
Payments to suppliers and employees	(14,944,881)	(15,925,287)
Lease payments not included in lease liabilities	(26,752)	-
Interest paid on lease liabilities	(55,571)	(105,423)
Interest paid on borrowings	(45,179)	(14,673)
Income tax paid	(517,983)	178,365
Interest received	673	3,635
<b>Net cash provided by operating activities</b>	<b>1,437,214</b>	<b>3,026,222</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	-	(7,515)
Purchase of property, plant and equipment	(125,869)	(256,109)
Proceeds from sale of property, plant and equipment	-	43,000
<b>Net cash used in investing activities</b>	<b>(125,869)</b>	<b>(220,624)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cost of share issue	-	(14,363)
Repayment of lease liabilities	(948,226)	(951,832)
Repayment of bank loans	(192,009)	(197,405)
Dividends paid	(736,990)	(543,045)
<b>Net cash used in financing activities</b>	<b>(1,877,225)</b>	<b>(1,706,645)</b>
<b>Net increase / (decrease) in cash held</b>	<b>(565,880)</b>	<b>1,098,953</b>
Cash and cash equivalents at beginning of period	4,120,844	1,868,943
<b>Cash and cash equivalents at end of the period</b>	<b>3,554,964</b>	<b>2,967,896</b>

*The accompanying notes form part of these financial statements*

## NOTES TO AND FORMING PART OF THE 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 2020 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 2020, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 24 February 2021.

#### 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>31.12.2020</b>	<b>31.12.2019</b>
	<b>\$</b>	<b>\$</b>
Distributions paid:		
2020 Final fully franked ordinary dividend of 9.5 (2019: 7.0) cents per share franked at the tax rate of 27.5% (2019: 27.5%).	736,990	543,045
Distributions proposed:		
2021 Interim fully franked ordinary dividend of 6.0 (2020: 5.0) cents per share franked at the tax rate of 26% (2020: 27.5%).	465,467	387,889

After the reporting date the above dividend was declared. The amount has not been recognised as a liability as at 31 December 2020 but will be brought into account in the 2021 financial year.

**Note 3: Revenue and Other Income**

	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Revenue:</b>		
Revenue from contracts with customers	15,531,703	16,880,914
	<u>15,531,703</u>	<u>16,880,914</u>
<b>(b) Other income:</b>		
Profit on sale of assets	-	213
Government Grants	50,000	-
	<u>50,000</u>	<u>213</u>
<b>(c) Finance income:</b>		
Interest received	673	3,635
	<u>673</u>	<u>3,635</u>
	<u>15,582,376</u>	<u>16,884,762</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 operates under two divisions, Business and Enterprise and Consumer and Small Business. The breakdown of revenue has also been disclosed by division and product set. Goodwill has been reallocated accordingly to cash generating units which cannot be greater than a segment as defined in AASB 8 Operating Segments. On reallocation, no additional goodwill impairment was required.

##### Business & Enterprise Division (B&E)

- Includes medium, large and government customers
- Management and delivery of Bendigo Telco's data network, cloud infrastructure and data centre products
- Delivery of voice, mobile and broadband services
- Supported by account managers, networks operation centre and local call centre teams

##### Consumer and Small Business (CSB)

- Includes residential, micro and small business customers
- Delivery of voice, mobile and broadband services
- Supported by local call centre teams

##### Major customers

During the half year ended 31 December 2020 approximately 36.6% (2019: 34.2%) of Bendigo Telco's external revenue was derived from sales to one customer (2019: one customer). These revenues are disclosed within the B&E segment.

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

	B&E \$	CSB \$	Total \$
<b>Revenue from contracts with customers</b>			
Voice	3,150,120	864,960	4,015,080
Mobile	444,421	803,448	1,247,869
Data Networks	5,143,146	3,356	5,146,502
Broadband	475,539	1,446,373	1,921,912
IT Services	106,407	-	106,407
Data Centre	1,422,462	2,494	1,424,956
Cloud	1,219,892	17,345	1,237,237
Hardware and Installations	301,650	48,544	350,194
Other	41,347	40,199	81,546
	<u>12,304,984</u>	<u>3,226,719</u>	<u>15,531,703</u>
<b>Other Income</b>			
Government Grants	50,000	-	50,000
Interest received	673	-	673
	<u>50,673</u>	<u>-</u>	<u>50,673</u>
Interest expense			(100,750)
Depreciation and amortisation			(1,199,010)
Other expenses			(13,307,496)
<b>Profit before income tax expense</b>			<u>975,120</u>

**Revenue by division and product set for the period ending 31 December 2019**

	B&E \$	CSB \$	Total \$
<b>Revenue from contracts with customers</b>			
Voice	3,686,554	1,087,718	4,774,272
Mobile	525,923	1,013,370	1,539,293
Data Networks	5,281,354	-	5,281,354
Broadband	499,754	1,578,176	2,077,930
IT Services	100,557	-	100,557
Data Centre	1,520,739	2,495	1,523,234
Cloud	1,034,066	16,116	1,050,182
Hardware and Installations	362,475	111,789	474,264
Other	20,462	39,366	59,828
	<u>13,031,884</u>	<u>3,849,030</u>	<u>16,880,914</u>
<b>Other Income</b>			
Profit on sale of assets	213	-	213
Interest received	3,635	-	3,635
	<u>3,848</u>	<u>-</u>	<u>3,848</u>

Interest expense	(120,096)
Depreciation and amortisation	(1,278,646)
Other expenses	(14,559,598)
<b>Profit before income tax expense</b>	<u>926,422</u>

**Assets & Liabilities**

No information is disclosed for segment assets as no measure of segment assets 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 6.0 cents per share (2019: 5.0 cents per share) payable on 26 March 2021 to shareholders on the share register at 19 March 2021. This dividend will be recognised in shareholders' equity in the next interim financial statements.

## 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 12 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
  - b. giving a true and fair view of the Group's financial position as at 31 December 2020 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 24th day of February 2021

## **Independent Auditor's Report to the Directors of Bendigo Telco Ltd**

### **Report on the Half-Year Financial Report**

#### **Conclusion**

We have reviewed the half-year financial report of Bendigo Telco Ltd, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, 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:

- a. giving a true and fair view of Bendigo Telco Ltd's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard 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.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### **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.



**Chartered Accountants**

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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 Company's financial position as at 31 December 2020 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**  
61-65 Bull Street Bendigo 3550  
Dated this 24<sup>th</sup> day of February 2021

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

**Joshua Griffin**  
Lead Auditor