



**BENDIGO TELCO LIMITED**

**A.B.N. 88 089 782 203**

**2021 FINANCIAL REPORT**

## OPERATING AND FINANCIAL REVIEW

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were telecommunications services.

### OPERATING RESULTS AND REVIEW OF OPERATIONS

#### About Bendigo Telco

Bendigo Telco, formed in year 2000, was established by a group of prominent Bendigo based businesses who wanted improved access to competitive pricing telecommunication and technology across our local market. These businesses identified the disadvantages (market failure) that they as regional businesses faced when compared with their metropolitan competitors. Early analysis identified the need to create a locally owned and focused organisation to improve the telecommunication and technology solutions, in terms of price, priority, competition, and access to essential infrastructure.

Bendigo Telco has played a major role in addressing many of these shortcomings as well as promoting a more competitive and responsive telco market across all of the communities that we now support. The company continues to provide of a broad range of telecommunications services to enterprise, business, and consumer customers across these Australian regional markets.

#### Operational Review

Over the past 12 months, the Group has continued to produce sound results in a challenging and competitive market. The Groups results reflect reduced revenues and margins from a number of our legacy voice and data services, whilst revenues from NBN and a number of our other services have remained stable. The decline in these legacy revenues is in line with our expectations and industry trends. We expect further declines in FY22.

The Group has also seen a decrease in mobile revenues primarily attributable to a reduction in the number of services offered across our consumer customer base. The Group is currently in the final stages of recontracting the supply of mobile services which we expect will provide competitive pricing and a more aligned product set to our customer base. We expect our mobile service revenues to grow during FY22.

The Group has been able to increase revenues across other product sets including Voice over Internet and Cloud product offerings. We are convinced that by focusing on improving the accessibility, support and delivery of technology outcomes for our customers and communities, it will be able to position itself for future sustainable growth and continued creation of shareholder value.

During the year, the Group refined its priorities, strategic approach and core operating model to ensure that we could continue to produce quality customer and community outcomes in an evolving and challenging technology market place. This important work included redefining management and operational priorities incorporating a balanced approach across our key focus areas, to ensure the appropriate level of attention and growth opportunities can be 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.*

By focusing on the delivery of quality customer outcomes across existing capabilities and introducing new product and service initiatives, the Group will be able to achieve theses strategic priorities.

## Impact of COVID-19

Over the past 12 months, the COVID-19 pandemic has continued to impact people, businesses and communities. The Group continues to follow government guidelines and have been able to maintain remote working arrangements for staff with minimal impact to efficiency or productivity.

Over this period, we have focused on ensuring that our customers and communities requirements have been met as the reliance on our services, support and infrastructure became even more critical as they too adjusted their own working arrangements.

The events relating to COVID-19 have not had an adverse impact on either the operations or financial performance of the company during this period. Given the uncertainty, the longer-term impacts of COVID-19 are difficult to fully assess at this stage. The company continues to monitor the situation and engage with customers to ensure we meet or exceed their service and support requirements.

The business received \$50,000 from the 2nd ATO cash flow boost during FY21 and was not entitled to any other Government related payments.

## Financial and Operating Results

Summary financial results	FY21 \$'000	FY20 \$'000	Change (%)
Revenue	29,718	33,368	(10.94%)
Gross margin	15,557	16,715	(6.93%)
EBITDA	4,188	4,647	(9.88%)
Net profit/(loss) after tax	1,037	1,065	(2.63%)
Underlying net profit/(loss) after tax*	1,433	1,788	(19.85%)
Earnings per share (cents)	13.36	13.73	

\* Underlying net profit/(loss) after tax represents results excluding non-cash impairments to goodwill and other non-current assets and restructuring costs

Total Group revenue decreased by 10.94% from the prior year delivering a total turnover of \$29,718,095 (FY20: \$33,367,674) in line with our expectations.

The NPAT result for the year, on a reported basis, was a profit of \$1,036,754 (FY20: \$1,064,822). The Group incurred restructuring and repositioning costs of \$535,861 attributable to redefining management and operational priorities which directly impacted this year's profit.

The net assets of the Group decreased by \$173,852 from the prior year to \$7,982,109 (FY20: \$8,155,961). The Group was able to maintain a strong equity ratio of 46.70% (FY20: 42.18%).

The Directors resolved to pay a fully franked final dividend of 7.5 cents per share which will be paid to shareholders on 30 September 2021. This brings the total dividend for FY21 to 13.5 cents fully franked. This represents a 73% payout ratio on FY21 underlying earnings (NPAT excluding restructuring costs).

## **Year Ahead**

FY22 will continue to present both challenges and opportunities for the Group. The Group will maintain its investment in its people, processes, and products and is confident that by remaining focused on its strategic priorities and delivering on its stated objectives it will continue to produce a solid result for shareholders.

The Board is pleased with the progress and performance of the Group and continues to look for investment or business enhancement opportunities which will improve the Groups prospects of continued success.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the directors there were no significant changes in the state of affairs of the group that occurred during the financial year under review not otherwise disclosed in this report or the financial 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 monitor the situation.

Since the end of the financial year a fully franked final dividend in the amount of 7.5 cents per share was declared by the Board of Directors on 25 August 2021 which will be distributed to shareholders on 30 September 2021.

## **EVENTS AFTER THE REPORTING PERIOD**

No matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

## **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

Disclosure of information relating to major developments in the operations of the Group and the expected results of those operations in future financial years, which, in the opinion of the directors, will not unreasonably prejudice the interests of the Group, is contained in the Report by the Chairman and Managing Director in the Concise Annual Report.

## **ENVIRONMENTAL ISSUES**

The group is not subject to any significant environmental regulation.

## CORPORATE GOVERNANCE STATEMENT

Bendigo Telco Limited 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 Limited have adopted the following principles of Corporate Governance. The policies may be viewed on the group website [www.bendigotelco.com.au](http://www.bendigotelco.com.au).

1. A Board Charter which outlines the responsibilities of the Board by formalising and disclosing functions reserved to the Board and those delegated to management.
2. An Audit and Risk Committee Charter and the appointment of the Audit and Risk Committee as a sub-committee of the Board. The members of the Audit and Risk Committee were Directors Rob Hunt, Graham Bastian, Rod Payne, Don Erskine and Greg Gillett.
3. 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 the Group's security price.
4. A Remuneration policy which sets out the terms and conditions for the Managing Director and other senior managers. The members of the Remuneration Committee were Directors Rob Hunt and Don Erskine.
5. A Continuous Disclosure policy which complies with the obligations imposed by National Stock Exchange (NSX) Listing Rules and the *Corporations Act 2001*. 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.

### BOARD COMPOSITION

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report are detailed in the director's report.

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred herein as the Group) consisting of Bendigo Telco Limited and its controlled entities for the financial year ended 30 June 2021. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2021 and is to be read in conjunction with the following information:

### GENERAL INFORMATION

#### DIRECTORS

The following persons were directors of Bendigo Telco during or since the end of the financial year up to the date of this report:

Mr R Hunt (Chairman)	Mr R Payne
Mr G Bastian (resigned 21 October 2020)	Mr K Dole
Ms M O'Sullivan (resigned 21 October 2020)	Mr G Gillett
Mr D Erskine	Ms N Rooke
Mr J Selkirk	

Particulars of each director's experience and qualifications are set out later in this report.

#### DIVIDENDS PAID OR RECOMMENDED

##### Ordinary Dividends Paid:

	Cents	\$
Final – September 2020	9.5	736,989
Interim – March 2021	6.0	465,467
	<b>15.5</b>	<b>1,202,456</b>

##### Ordinary Dividends Declared:

Final - September 2021	7.5	581,834
------------------------	-----	---------

#### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has indemnified all directors, officers and managers in respect of liabilities to other persons (other than the Group or related body corporate) that may arise from their position as directors, officers or managers of the Group except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Group has not provided any insurance for an auditor of the Group or a related body corporate.

#### PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of Court under section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

## NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Group are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the following services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Committee prior to the commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with the APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or are payable to Andrew Frewin Stewart for non-audit services provided during the year ended 30 June 2021:

	\$
Share registry services	20,677
Taxation	900
	<u>21,577</u>

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 16 of the financial report.

## OPTIONS

The Group has not issued any share options.

## INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report are detailed below.

### Robert Hunt – AM, FAICD - Chairman

<b>Occupation</b>	Director / Investor
<b>Qualifications</b>	Fellow of the Australian Institute of Company Directors, 2003 Doctor of the University (honoris causa), LaTrobe University, 1999
<b>Experience</b>	Mr Hunt retired as Managing Director of Bendigo and Adelaide Bank on 3 July 2009 after 21 years as Chief Executive Officer. Mr Hunt is the architect of the <b>Community Bank®</b> 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. These Enterprises provide communities with a framework, the cashflow, capacity and flexibility to address new economic opportunities.
<b>Interest in shares</b>	Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust) 55,000 Shares Indirect – Hunters Ridge Pty Ltd (Rob & Annette Hunt Superannuation Fund) 458,758 Shares
<b>Special Responsibilities</b>	Chair of Remuneration Committee and Member of Audit and Risk Committee.
<b>Other Directorships &amp; Appointments</b>	Director, Apollo Bay Central District Community Bank since 2011; Director, BEUT Property Pty Ltd
<b>Honours and Awards</b>	Order of Australia Award /Member (AM) General Division, 2002; Paul Harris Fellowship Award, Rotary Club of Bendigo Sandhurst, 2000; Citizen of the Year Award, City of Greater Bendigo 1999; Key to the City Award, City of Greater Bendigo 2009.

---

### Donald Erskine – Director

<b>Occupation</b>	Managing Director – Industrial Conveying (Aust.) Pty Ltd
<b>Experience</b>	Don is trained as a mechanical engineer. He is Managing Director of Industrial Conveying (Aust.) Pty Limited which was formed by Don in 1979 and DJE Investments Pty Ltd (Yourland Developments). 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, Director of Bendigo Economic Development Committee, Chairman of Australian Technical College and Director of Bendigo Regional Institute of TAFE. Don is actively involved in the Bendigo Community.
<b>Interest in Shares</b>	Direct - 0 Shares Indirect – Erskine Investments Pty Ltd 939,326 Shares
<b>Special Responsibilities</b>	Member of Remuneration Committee and Member of the Audit and Risk Committee.
<b>Other Directorships</b>	Nil

---



---

**Kevin Dole – Director**

<b>Occupation</b>	Managing Director
<b>Qualifications</b>	Associate Diploma in Information Processing (Latrobe)
<b>Experience</b>	<p>Kevin was appointed as Managing Director in July 2021. Prior to this appointment he provided consultancy for 12 months in a full time capacity and has been on the Board of Directors since September 2016.</p> <p>His career spans over 34 years in the technology industry with specific experience in delivering solutions and services in the banking and finance sector. Throughout his career he has held several senior technical and leadership roles. He has considerable experience in Strategic development, large program delivery, due diligence for mergers and acquisitions and delivery of organisation change programs.</p> <p>Kevin is focused on continuing to ensure long term shareholder value and delivering value for all stakeholders through sustainable partnerships.</p>
<b>Interest in shares</b>	Direct – Nil
<b>Special Responsibilities</b>	Nil
<b>Other Directorships</b>	Nil

---

**Rodney Payne – Director**

<b>Occupation</b>	Principal Harwood Andrews Lawyers
<b>Qualifications</b>	Bachelor of Law (Melbourne University)
<b>Experience</b>	<p>Rod has been a lawyer in commercial practice for 35 years and has been a partner at Harwood Andrews since 2000.</p> <p>Rod was a director of Geelong Community Telco Pty Ltd and Vicwest Community Telco prior to the amalgamation of Vicwest with Bendigo Telco Ltd.</p> <p>In his legal practice Rod has undertaken a broad range of commercial work and in his role in Karingal and Karingal St Laurence has been involved in major developments and mergers.</p>
<b>Interest in shares</b>	Indirect - Linrod Holdings Pty Ltd atf the Payne Investment Trust A/C 7,089 shares
<b>Special Responsibilities</b>	Member of Audit and Risk Committee
<b>Other Directorships</b>	<p>Director - The Legal Lantern Group</p> <p>Director - Karingal St Laurence</p>

---

**Jonathan (Jock) Selkirk – Director**

<b>Occupation</b>	Chief Financial Officer, Country Club Living Pty Ltd.
<b>Qualifications</b>	Bach. Business, Chartered Accountant, Graduate Australian Institute of Company Directors.
<b>Experience</b>	<p>Jock has held executive roles across several industries including financial services, manufacturing, building and property development. Jock started his career in chartered accounting, then moved into banking &amp; financial services in both Melbourne &amp; London and was CFO at a Ballarat manufacturing and distribution business for 11 years prior to his current role. He has experience in driving business growth, governance, risk management, and people and culture development. He has also held several director roles in both the private and public sector.</p> <p>Jock is also actively involved in other community programs.</p>
<b>Interest in shares</b>	Nil
<b>Special Responsibilities</b>	Nil
<b>Other Directorships</b>	Board member Ballarat and Clarendon College, Ballarat.

---

**Gregory Gillett – Director**

<b>Occupation</b>	Retired
<b>Qualifications</b>	Senior Fellow of the Financial Services Institute of Australia.
<b>Experience</b>	<p>Greg is a retired Bank Executive with 37 years of experience in the banking industry (20 years at NAB and 17 years at Bendigo Bank).</p> <p>The last 10 years of his working life being in Executive roles at the Bendigo Bank. Greg has held Executive roles covering Retail Banking, Marketing, Human Resources, Strategic Planning and Community Development.</p> <p>Greg has been a company Director of both private and publicly listed companies.</p>
<b>Interest in shares</b>	Direct - 24,108 shares
<b>Special</b>	
<b>Responsibilities</b>	Chairman of Audit and Risk Committee
<b>Other Directorships</b>	Nil

---

**Nicole Rooke – Director**

<b>Occupation</b>	Head of Corporate Strategy, Bendigo and Adelaide Bank Ltd
<b>Qualifications</b>	CPA, B Commerce
<b>Experience</b>	<p>Nicole has 15+ years' experience in Financial Services and is currently Head of Corporate Strategy for Bendigo and Adelaide Bank.</p> <p>Prior to working for the bank, Nicole was based in London and held financial and management accounting roles for Sempra Energy and Intelligent Engineering. Prior to this, Nicole worked as a public accountant and tax specialist for Pitcher Partners and was based in Melbourne.</p> <p>Nicole's prior Directorship was with VRCLP from 2016 to 2018, a not-for-profit organisation focused on effective leadership for a vibrant and sustainable regional Victoria.</p>
<b>Interest in shares</b>	Nil
<b>Special</b>	
<b>Responsibilities</b>	Nil
<b>Other Directorships</b>	Nil

---

**COMPANY SECRETARY**

The following person held the position of company secretary at the end of the financial year:

Mr Ken Belfrage FCA, GAICD, Dip. Bus.

Mr Belfrage is an experienced Company Director and Company Secretary who has extensive business, finance and general management skills including 34 years as a practicing public accountant.

## MEETINGS OF DIRECTORS

During the financial year, 10 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Directors	Directors' Meetings		Audit & Risk Committee		Remuneration Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
Robert Hunt	10	10	4	4	1	1
Graham Bastian	4	4	1	1	-	-
Donald Erskine	10	10	4	4	1	1
Michelle O'Sullivan	4	2	-	-	-	-
Kevin Dole	10	10	-	-	-	-
Jonathan Selkirk	10	9	-	-	-	-
Rodney Payne	10	9	4	4	-	-
Gregory Gillett	10	9	4	4	-	-
Nicole Rooke	10	10	-	-	-	-

## DIRECTORS BENEFITS AND INTEREST IN CONTRACTS

No director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by the group with the director, a firm of which the director is a member or an entity in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the group's accounts, prepared in accordance with the Corporate Regulations, or the fixed salary of full-time employees of the group, controlled entity or related body corporate other than interests and benefits disclosed at Note 30 to the Financial Statements.

## REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by Section 308 (3c) of the *Corporations Act 2001*.

This report details the nature and amount of remuneration for each key management person of the Group, and for the executives receiving the highest remuneration.

### Principles used to determine the nature and amount of remuneration

The remuneration policy of the Group has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and incentives based on key performance areas affecting the Group's financial results. The Board of the Group believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the group is as follows:

- The remuneration policy, setting the terms and conditions for the KMP, was developed by the Remuneration Committee and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.
- The Remuneration Committee reviews key management personnel packages annually. This review is subject to the remuneration policy set by the Board.
- The Remuneration Committee, at their discretion, can refer their business to the full Board for consideration.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

KMP receive, at minimum a superannuation guarantee contribution required by the government, which is currently 10% of the individuals average weekly ordinary time earnings (AWOTE). Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to KMP is valued at the cost to the Group and expensed. KMP are also entitled and encouraged to participate in the employee share plan to align directors' interests with shareholder interests. Shares given to KMP are expensed at the market price as listed on the National Stock Exchange at the date of granting of any shares under the employee share plan.

### Performance-based remuneration

As part of each of the KMP's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with KMP to ensure buy-in.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved.

## Directors

From the inception of the Group, all non-executive directors who have served have done so free of charge. It was put to the Annual General Meeting in October 2007, and approved, that a payment of \$15,000 per director be made for each full year of service from 1 July 2007 onwards.

## Key Management Personnel

### (i) Non-Executive Directors

Robert Hunt	Chairman
Donald Erskine	Director
Graham Bastian	Director (Retired 21 October 2020)
Michelle O'Sullivan	Director (Retired 21 October 2020)
Jonathan Selkirk	Director
Rodney Payne	Director
Gregory Gillett	Director
Nicole Rooke	Director

### (ii) Executive Director

Kevin Dole	Executive Director (1 July 2020 to 31 May 2021), Managing Director (1 June 2021 to 30 June 2021)
------------	--

### (iii) Other KMP

Steven Wright	Acting Executive General Manager (1 July 2020 to 31 May 2021), Chief Financial Officer (1 June 2021 to 30 June 2021)
John Barlow	Acting General Manager - Operations (1 July 2020 to 5 March 2021)
Kale Beesley	Acting General Manager - Technology (1 July 2020 to 29 March 2021)

## Group performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue, profits and dividends for the last five years for the Group, as well as the share price at the end of the respective financial years.

Analysis of the actual figures show consistent profits each year, with the exception of 2017 which dropped as a result of additional operational and acquisition costs associated with the implementation and consolidation of a business merger. 2019 net profits were impacted due to the non-cash impairment of goodwill and other intangibles. 2020 net profits were impacted due to the non-cash impairment of intangible assets. Dividends paid to shareholders remain strong with an average dividend yield over the past five years of 8.32% fully franked. The Board is satisfied with the group's progress which can be attributed in part to the previously described Remuneration Policy and is satisfied with the overall trend in shareholder wealth over the past five years.

	2017	2018	2019	2020	2021
Revenue	\$31.9M	\$35.4M	\$36.6M	\$33.4M	\$29.7M
EBITDA	\$3.08M	\$3.86M	\$1.28M	\$4.65M	\$4.19M
Net profit/(loss)	\$0.91M	\$1.22M	(\$1.33M)	\$1.06M	\$1.04M
Share price at year end	\$2.10	\$1.95	\$1.40	\$1.15	\$1.25
Dividends paid	13.0 cents	12.0 cents	12.0 cents	12.0 cents	15.5 cents

Bendigo Telco Limited and Controlled Entities  
ABN 88 089 782 203  
Financial Report for the Year Ended 30 June 2021

**Details of remuneration for year ended 30 June 2021**

		Short term benefits		Post employment benefits	Share-based payment			
		Salaries & Fees	Non-Cash Benefits	Superannuation	Shares	Termination Benefits	Total	Proportion of remuneration performance based
		\$	\$	\$	\$	\$	\$	%
Non-Executive Directors								
Robert Hunt	2021	13,699	-	1,301	-	-	15,000	-
	2020	13,699	-	1,301	-	-	15,000	-
Graham Bastian	2021	5,000	-	-	-	-	5,000	-
	2020	15,000	-	-	-	-	15,000	-
Donald Erskine	2021	-	-	15,000	-	-	15,000	-
	2020	-	-	15,000	-	-	15,000	-
Michelle O'Sullivan	2021	4,566	-	434	-	-	5,000	-
	2020	13,699	-	1,301	-	-	15,000	-
Jonathon Selkirk	2021	13,699	-	1,301	-	-	15,000	-
	2020	13,699	-	1,301	-	-	15,000	-
Rodney Payne	2021	15,000	-	-	-	-	15,000	-
	2020	15,000	-	-	-	-	15,000	-
Gregory Gillett	2021	13,699	-	1,301	-	-	15,000	-
	2020	13,699	-	1,301	-	-	15,000	-
Nicole Rooke	2021	13,699	-	1,301	-	-	15,000	-
	2020	13,699	-	1,301	-	-	15,000	-
Executive Director								
Kevin Dole	2021	243,928	-	13,977	-	-	257,905	-
	2020	13,699	-	1,301	-	-	15,000	-
Other KMP								
Steven Wright	2021	226,859	-	20,125	-	-	246,984	10
	2020	200,276	-	17,861	-	-	218,137	11
Jarrold Draper	2021	-	-	-	-	-	-	-
	2020	67,800	-	6,632	-	20,250	94,682	-
John Barlow	2021	101,257	10,000	10,618	-	65,566	187,441	4
	2020	124,413	15,000	11,819	-	-	151,232	-
Kale Beesley	2021	111,845	11,250	10,725	-	-	133,820	4
	2020	120,076	15,000	11,407	-	-	146,483	-
		2021	763,251	21,250	76,083	-	65,566	926,150
		2020	624,759	30,000	70,525	-	20,250	745,534

This marks the end of the audited remuneration report.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors on 25 August 2021.



Robert Hunt

Chairman



Donald Erskine

Director



Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afsbendigo.com.au

### **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 year ended 30 June 2021, 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.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated this 25<sup>th</sup> day of August 2021

**Joshua Griffin**  
Lead Auditor



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Revenue	3(a)	29,718,095	33,367,674
Cost of products sold		(14,161,505)	(16,652,702)
Other income	3(b)	58,800	50,000
Finance income	3(c)	1,040	5,693
Salaries and employee benefit costs		(7,550,030)	(7,660,919)
Occupancy and associated costs		(332,263)	(393,825)
General administration costs		(1,715,367)	(1,300,267)
Depreciation and amortisation costs	4(a)	(2,437,878)	(2,515,677)
Advertising and promotion costs		(159,176)	(202,744)
Systems costs		(1,620,772)	(1,773,281)
Borrowing costs	4(c)	(242,689)	(293,286)
Impairment losses	4(d)	-	(723,120)
Profit before income tax		1,558,255	1,907,546
Income tax expense	5	(521,501)	(842,724)
Net profit for the year		1,036,754	1,064,822
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>1,036,754</u>	<u>1,064,822</u>
Total comprehensive income attributable to members of Bendigo Telco Limited		<u>1,036,754</u>	<u>1,064,822</u>
<b>Earnings per share</b>			
Basic earnings per share (cents)	9	13.36	13.73
Diluted earnings per share (cents)	9	13.36	13.73

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2021 \$	2020 \$
<b>Current Assets</b>			
Cash and cash equivalents	10	3,098,818	4,120,844
Trade and other receivables	11	1,319,733	1,088,785
Prepayments		1,159,904	1,792,232
Inventories	12	77,440	104,701
<b>Total Current Assets</b>		<b>5,655,895</b>	<b>7,106,562</b>
<b>Non Current Assets</b>			
Property, plant and equipment	14	1,256,919	1,126,203
Right-of-use assets	15	4,889,285	5,372,539
Intangible assets	16	4,663,588	4,995,107
Deferred tax asset	22(b)	627,172	735,164
<b>Total Non Current Assets</b>		<b>11,436,964</b>	<b>12,229,013</b>
<b>TOTAL ASSETS</b>		<b>17,092,859</b>	<b>19,335,575</b>
<b>Current Liabilities</b>			
Trade and other payables	17	1,188,850	1,823,033
Borrowings	18	396,859	386,008
Lease Liabilities	19(a)	1,368,448	1,720,355
Employee Entitlements	20	966,993	987,396
Current tax liabilities	22(a)	59,204	411,195
<b>Total Current Liabilities</b>		<b>3,980,354</b>	<b>5,327,987</b>
<b>Non Current Liabilities</b>			
Borrowings	18	1,963,042	2,363,869
Lease Liabilities	19(b)	3,030,773	3,406,075
Employee Entitlements	20	93,548	81,683
Provisions	21	43,033	-
<b>Total Non Current Liabilities</b>		<b>5,130,396</b>	<b>5,851,627</b>
<b>TOTAL LIABILITIES</b>		<b>9,110,750</b>	<b>11,179,614</b>
<b>NET ASSETS</b>		<b>7,982,109</b>	<b>8,155,961</b>
<b>EQUITY</b>			
Issued capital	23	7,032,430	7,040,580
Retained earnings		949,679	1,115,381
<b>TOTAL EQUITY</b>		<b>7,982,109</b>	<b>8,155,961</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	Ordinary Share Capital \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2019</b>		<u>7,069,308</u>	<u>981,493</u>	<u>8,050,801</u>
<b>Comprehensive Income</b>				
Profit for the year		-	1,064,822	1,064,822
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>1,064,822</u>	<u>1,064,822</u>
<b>Transaction with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the year	8	-	(930,934)	(930,934)
Shares issued during the year		-	-	-
Cost of equity raised		<u>(28,728)</u>	<u>-</u>	<u>(28,728)</u>
<b>Total transactions with owners and other transfers</b>		<u>(28,728)</u>	<u>(930,934)</u>	<u>(959,662)</u>
<b>Balance at 30 June 2020</b>		<u><b>7,040,580</b></u>	<u><b>1,115,381</b></u>	<u><b>8,155,961</b></u>
<b>Balance at 1 July 2020</b>		<u>7,040,580</u>	<u>1,115,381</u>	<u>8,155,961</u>
<b>Comprehensive Income</b>				
Profit for the year		-	1,036,754	1,036,754
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>1,036,754</u>	<u>1,036,754</u>
<b>Transaction with owners, in their capacity as owners, and other transfers</b>				
Dividends recognised for the year	8	-	(1,202,456)	(1,202,456)
Shares issued during the year		-	-	-
Cost of equity raised		<u>(8,150)</u>	<u>-</u>	<u>(8,150)</u>
<b>Total transactions with owners and other transfers</b>		<u>(8,150)</u>	<u>(1,202,456)</u>	<u>(1,210,606)</u>
<b>Balance at 30 June 2021</b>		<u><b>7,032,430</b></u>	<u><b>949,679</b></u>	<u><b>7,982,109</b></u>

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		33,157,929	37,226,302
Payments to suppliers and employees		(29,101,521)	(31,172,931)
Lease payments not included in lease liabilities	4(b)	(53,503)	(67,767)
Interest paid on lease liabilities		(104,830)	(122,469)
Interest paid on borrowings		(82,829)	(101,712)
Income tax (paid)/refunded		(773,649)	135,191
Interest received		1,040	5,693
<b>Net cash provided by operating activities</b>	<b>27</b>	<b>3,042,637</b>	<b>5,902,307</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets		-	(7,515)
Purchase of property, plant and equipment		(637,510)	(358,723)
Proceeds from sale of property, plant and equipment		30,772	43,000
<b>Net cash used in investing activities</b>		<b>(606,738)</b>	<b>(323,238)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Cost of shares issued		-	(28,728)
Repayment of lease liabilities		(1,865,493)	(1,957,365)
Repayment of bank loans		(389,976)	(410,141)
Dividends paid		(1,202,456)	(930,934)
<b>Net cash used in financing activities</b>		<b>(3,457,925)</b>	<b>(3,327,168)</b>
<b>Net increase / (decrease) in cash held</b>		<b>(1,022,026)</b>	<b>2,251,901</b>
Cash and cash equivalents at beginning of financial year		4,120,844	1,868,943
<b>Cash and cash equivalents at end of the financial year</b>	<b>10</b>	<b>3,098,818</b>	<b>4,120,844</b>

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL REPORT

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and the International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### (a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets and liabilities of the parent (Bendigo Telco Limited) and the wholly owned subsidiaries. A subsidiary is an entity the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of the subsidiary are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation.

#### Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of a business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

#### (b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### **(c) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of twelve months or less, and bank overdrafts. Bank overdrafts are reported within short-term financial liabilities in current liabilities on the Statement of Financial Position.

#### **(d) Trade receivables**

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in paragraph 63 of AASB 15: Revenue from Contracts with Customers. As trade receivables are managed solely to collect contractual cash flows and the contractual terms within the financial asset give rise to cash flows that are solely payments of principal outstanding on specified dates, trade receivables are subsequently measured at amortised cost. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

#### **(e) Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of the cost at time of purchase.

#### **(f) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on either a straight line or diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets which are consistent with the prior year are:

<b>Asset Class</b>	<b>Depreciation Rate (%)</b>
Office Furniture & Equipment:	
Advertising Collateral	7.5
Furniture & Fittings	7.5 - 37.5
Office Equipment	7.5 - 40
Office Computer Equipment	20 - 66.67
Satellite Equipment	50
Software	33 - 80
Retail/Display Equipment	11.25
Installation/Servicing Equipment	11.25 - 30
Motor Vehicles	18.75 - 25
Leasehold	2.5 - 40
Telecommunications & Infrastructure:	
Infrastructure	7.59
Data Centre	2.5 - 50
Network Computer & Infrastructure	8 - 50
Connectivity Links	7.5 - 50
Cloud	14.29 - 50

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

#### **(g) Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Impairment testing is also performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## **(h) Employee Benefits**

### **Short-term employee benefits**

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the Statement of Financial Position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the Statement of Financial Position.

### **Other long-term employee benefits**

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its Statement of Financial Position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

### **Retirement benefit obligations**

#### *Defined contribution superannuation benefits.*

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's Statement of Financial Position.



**(i) Revenue**

Revenue under AASB 15: Revenue from Contracts with Customers arises from goods and services sold as part of ordinary activities. The group applies the five-step approach to customer arrangements to identify the contract for accounting purposes (i.e. to determine the amount and timing of revenue to be recognised).

Revenue from recurring Voice, Data Networks, Broadband, IT Services, Hardware and Installations, Data Centre and Cloud is recognised at the time that the good or service is provided, with the exception of those items set out below. Revenue from the customer is recognised at a point in time when control of the good or service passes to the customer.

**Mobile Repayment Option (MRO)**

- Customer acquisition of mobile handset which is repaid by the customer over a 24 month contract.
- Revenue recognised when control of the mobile handset is passed to the customer.

**Modem provided with DSL/NBN plan**

- Customer provided with a compatible modem when signing to a DSL/NBN 24 month plan.
- Revenue recognised when control of the modem is passed to the customer.

**Router provided with a VPN solution**

- Customer provided with a compatible router when signing a 12, 24 or 36 month contract.
- As customer does not take ownership of the router, the related service revenue is recognised over the term of the contract.

**Sales commissions**

- Sales commissions are provided as incentives for sales. These commissions vary depending on the product sold.
- Costs are capitalised and the expense recognised equally over the term of the contract.

## **(j) Leases (the Group as lessee)**

### **The Group as a lessee**

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets (ie fair value less than \$10,000) are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using only the most current known index or rate;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments, based on an index or rate take effect, the lease liability is remeasured and adjusted against the right-of-use asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

### **The Group as a Lessor**

The Group is not entered into any contracts whereby the Group is considered a lessor.

## **(k) Financial Instruments**

### **Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

### **Classification and subsequent measurement**

#### *Financial liabilities*

Financial instruments are subsequently measured at amortised cost, using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability cannot be reclassified.

The Group classifies trade and other payables, lease liabilities and borrowings in this category.

#### *Financial assets*

Financial assets are subsequently measured at amortised costs if both of the following criteria are met.

- the financial asset is managed solely to collect contractual cash flows, and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method less any impairment.

The Group recognise cash and cash equivalents and trade and other receivables in this category.

## **Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the Statement of Financial Position.

### *Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### *Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## **Impairment**

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the simplified approach to impairment, as applicable under AASB 9: Financial Instruments.

This approach is applicable to trade receivable or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the Statement of Profit or Loss and Other Comprehensive Income.

## **(l) Intangibles**

### **Goodwill**

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

### **Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Computer software development costs have been assessed as having a useful life of three years and will be tested annually for impairment and carried at cost less accumulated amortisation and impairment losses.

Projects that have not been completed by the end of the financial year have not yet been assessed for a useful life, this will be completed at the end of the project, therefore costs for these projects are recorded in the Statement of Financial Position without any amortisation. Once a useful life is established, amortisation will commence, and the projects will also be tested annually for impairment and carried at cost less accumulated amortisation and impairment losses.

## **(m) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of the acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, except for the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO which are disclosed as operating cash flows.

## **(n) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of past transactions or other past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

## **(o) Issued Capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## **(p) Comparative Information**

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## **(q) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

### **Key Estimates – Impairment**

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2021. Should the projected turnover figures be less than 90% of budgeted figures incorporated into value in use calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 30 June 2021 amounting to \$3,483,786 (2020: \$3,483,786).

### **Key Judgments – Revenue**

#### *Performance obligations under AASB 15*

To identify performance obligations under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/type, cost/value, quantity and the period of transfer related to the goods or services promised.

### **Key Judgments – Leases**

#### *Lease term and option to extend under AASB 16*

The lease term is defined as the non-cancellable period of a lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The options that are reasonably going to be exercised is a key management judgement that the Group will make.

The Group determines the likelihood to exercise the options on a lease-by-lease basis, looking at various factors such as which assets are strategic and which are key to future strategy of the Group, in addition to the following:

- If there are significant penalties to terminate (or not to extend), the Group is typically reasonably certain to extend (or not terminate).
  - If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
  - Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
- All leases have been calculated including all renewal options, as it is reasonably certain that the leases will be extended (or not terminated). The lease term is reassessed if an option is not exercised or the group becomes obliged to not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

#### *Incremental borrowing rate under AASB 16*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, eg term, country, currency and security.

#### **(r) Segment Reporting**

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different for those segments operating in other economic environments. Refer to Note 26.

#### **(s) Share Based Payments**

The Group measures the goods and services received by equity-settled share based payment transactions as an increase in equity, directly, at the fair value of the goods or services rendered, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services rendered, the Group shall measure their value, and the corresponding increase in equity, indirectly by reference to the fair value of the equity instruments granted.

If the equity instruments granted vest immediately, are unconditional and are not required to complete a specified period of service, the Group shall presume that the services rendered by the counterparty as consideration for the equity instruments have been received. On grant date, the Group recognises the services rendered in full, with a corresponding increase in equity.

If the equity instruments do not vest until the counterparties complete a specified period of service, the Group shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the vesting period. The Group accounts for these services as they are rendered by the counterparty during the vesting period, with a corresponding increase to equity.

Share-based payment arrangements in which the group received goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions, regardless of how the equity instruments are obtained by the Group.

#### **(t) Trade payables**

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(u) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(v) New and Amended Accounting Policies Adopted by the Group**

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2020;

- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Materiality (AASB 101 and AASB 108)
- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business (AASB 3)
- AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform (AASB 9, AASB 139 and AASB 7)
- AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia (AASB 1054)
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework



## 2. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

### Statement of Financial Position

	2021	2020
	\$	\$
<b>ASSETS</b>		
Current assets	5,655,895	7,106,562
Non-current assets	11,436,964	12,229,013
<b>TOTAL ASSETS</b>	<u>17,092,859</u>	<u>19,335,575</u>
<b>LIABILITIES</b>		
Current liabilities	3,980,354	5,327,987
Non-current liabilities	5,130,396	5,851,627
<b>TOTAL LIABILITIES</b>	<u>9,110,750</u>	<u>11,179,614</u>
<b>EQUITY</b>		
Issued Capital	7,032,430	7,040,580
Retained Earnings	949,679	1,115,381
<b>TOTAL EQUITY</b>	<u>7,982,109</u>	<u>8,155,961</u>

### Statement of Profit or Loss and Other Comprehensive Income

Total profit	1,036,754	1,064,822
Total comprehensive income	<u>1,036,754</u>	<u>1,064,822</u>

### Guarantees

During the reporting period, no guarantees exist between the parent and subsidiaries.

### Contingent liabilities

At 30 June 2021, no contingent liabilities exist in relation to the subsidiaries.

### Contractual commitments

At 30 June 2021, no capital commitments exist in relation to the subsidiaries.

## 3. REVENUE AND OTHER INCOME

	2021	2020
	\$	\$
<b>(a) Revenue:</b>		
Revenue from contracts with customers	29,718,095	33,367,674
	<u>29,718,095</u>	<u>33,367,674</u>
<b>(b) Other income:</b>		
Profit on sale of assets	8,800	-
Government grants	50,000	50,000
	<u>58,800</u>	<u>50,000</u>
<b>(c) Finance income:</b>		
Interest received	1,040	5,693
	<u>1,040</u>	<u>5,693</u>
	<u>29,777,935</u>	<u>33,423,367</u>

#### 4. EXPENSES

<b>(a) Depreciation and amortisation expense</b>	2021 \$	2020 \$
Depreciation of non-current assets:		
Office furniture & equipment	98,563	118,510
Motor vehicles	35,907	43,296
Leasehold	25,550	58,924
Telecommunications & infrastructure	302,676	341,819
Amortisation of intangibles	331,519	664,072
	<u>794,215</u>	<u>1,226,621</u>
Depreciation of right-of-use assets:		
Motor vehicles	17,154	20,246
Telecommunications & infrastructure	1,155,938	806,058
Buildings	470,571	462,752
	<u>1,643,663</u>	<u>1,289,056</u>
	<u>2,437,878</u>	<u>2,515,677</u>

#### **(b) Recognition exemption**

The Group has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2021 \$	2020 \$
Expenses relating to low-value leases	48,303	63,000
Expenses relating to short-term leases	5,200	4,767
	<u>53,503</u>	<u>67,767</u>

Expenses relating to leases exempt from recognition are included in occupancy and borrowing expenses.

The Group pays for the right-to-use computer equipment. The underlying assets have been assessed as low value and exempted from recognition.

<b>(c) Other expenses</b>	2021 \$	2020 \$
Borrowing expenses:		
Interest paid	191,670	224,181
Other	2,716	6,105
Equipment lease expenses	48,303	63,000
	<u>242,689</u>	<u>293,286</u>
Bad debts	13,971	42,571
Impairment allowance	(6,249)	(56,052)
	<u>7,722</u>	<u>(13,481)</u>
Rental expense on operating leases:		
Buildings	5,200	4,767
Loss of sale on assets	-	2,563

#### (d) Impairment losses

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

	2021	2020
	\$	\$
Impairment of Intangible – VicWest Community Telco Customer List	-	305,500
Impairment of Intangible – Bendigo Bank Telco Customer List	-	417,620
	<u>-</u>	<u>723,120</u>

#### 5. TAX EXPENSE

	2021	2020
	\$	\$
a. The components of tax expense comprise:		
Current tax	421,658	723,548
Deferred tax	99,843	119,176
	<u>521,501</u>	<u>842,724</u>
b. The prima facie tax on profit from activities before income tax is reconciled to the income tax expenses as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 26.0% (2020: 27.5%)	405,146	524,575
Add:		
Tax effect of:		
- Movement in provision for impairment	(1,625)	(15,414)
- Movement in provision for employee benefits	(2,220)	28,711
- Movement in provision for make good	11,189	-
- Movement in deferred tax	99,843	119,176
- Capital allowances	(1,184)	2,726
- Non-deductible expenses	207,382	468,775
- AASB 15 & 9 adjustments	-	53,086
	<u>313,385</u>	<u>657,060</u>
Less:		
Tax effect of:		
- Capital raising costs	7,709	28,727
- Non taxable Government Grants	13,000	13,750
- Right-of-use rental payments	131,543	137,495
	<u>152,252</u>	<u>179,972</u>
Carried forward losses	44,778	158,939
	<u>44,778</u>	<u>158,939</u>
Income tax attributable to entity	<u>521,501</u>	<u>842,724</u>

## 6. KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2021.

The totals of remuneration paid to KMP of the Group during the year are as follows:

	2021 \$	2020 \$
Short-term employee benefits	784,501	654,759
Post-employment benefits	76,083	70,525
Other long-term benefits	-	-
Termination benefits	65,566	20,250
Share-based payments	-	-
	926,150	745,534

### Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

### Post-employment benefits

These amounts are the current-year's costs of superannuation contributions made during the year and post-employment life insurance benefits.

### Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

### Termination benefits

Amounts paid to KMP during the year upon termination of employment from the Group.

### Share-based payments

These amounts represent the expense related to the participation of KMP in employee share schemes as measured by the fair value of the shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

## KMP Shareholdings

The number of ordinary shares in Bendigo Telco Limited held by each KMP of the Group during the financial year is as follows:

<b>30 June 2021</b>	<b>Balance at beginning of year</b>	<b>Granted as remuneration during year</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Robert Hunt	513,758	-	-	513,758
Graham Bastian	2,000	-	-	2,000
Donald Erskine	939,326	-	-	939,326
Michelle O'Sullivan	44,711	-	-	44,711
Kevin Dole	-	-	-	-
Jonathan Selkirk	-	-	-	-
Rodney Payne	7,089	-	-	7,089
Gregory Gillett	24,108	-	-	24,108
Nicole Rooke	-	-	-	-
Steven Wright	3,238	-	-	3,238
Jarrold Draper	-	-	-	-
John Barlow	2,821	-	-	2,821
Kale Beesley	3,623	-	-	3,623
	<u>1,540,674</u>	<u>-</u>	<u>-</u>	<u>1,540,674</u>

<b>30 June 2020</b>	<b>Balance at beginning of year</b>	<b>Granted as remuneration during year</b>	<b>Other changes during year</b>	<b>Balance at end of year</b>
Robert Hunt	473,758	-	40,000	513,758
Graham Bastian	2,000	-	-	2,000
Donald Erskine	939,326	-	-	939,326
Michelle O'Sullivan	44,711	-	-	44,711
Kevin Dole	-	-	-	-
Jonathan Selkirk	-	-	-	-
Rodney Payne	7,089	-	-	7,089
Gregory Gillett	24,108	-	-	24,108
Nicole Rooke	-	-	-	-
Jim Nielsen	2,518	-	-	2,518
Adam Murdoch	3,418	-	(3,418)	-
Jeff Jordan	12,500	-	(12,500)	-
Jason Sim	-	-	-	-
Steven Wright	3,238	-	-	3,238
Jarrold Draper	-	-	-	-
John Barlow	2,821	-	-	2,821
Kale Beesley	3,623	-	-	3,623
	<u>1,519,110</u>	<u>-</u>	<u>24,082</u>	<u>1,543,192</u>

## 7. AUDITORS' REMUNERATION

	2021 \$	2020 \$
Remuneration of the auditor Andrew Frewin Stewart, for:		
Auditing the financial report	80,505	83,320
Taxation services	900	-
Share registry services	20,677	19,012
	<u>102,082</u>	<u>102,332</u>

## 8. DIVIDENDS PAID AND PROPOSED

	2021 \$	2020 \$
Distributions paid:		
2020 Final fully franked ordinary dividend of 9.5 (2019: 7.0) cents per share franked at the rate of 26.0% (2019: 27.5%)	736,989	543,045
2021 Interim fully franked ordinary dividend of 6.0 (2020: 5.0) cents per share franked at the rate of 26.0% (2020: 27.5%)	<u>465,467</u>	<u>387,889</u>
	<u>1,202,456</u>	<u>930,934</u>

Total dividends (cents) per share for the period	15.50	12.00
a. Proposed Final 2021 fully franked ordinary dividend of 7.5 (2020: 9.5) cents per share franked at the rate of 25.0% (2020: 26.0%)	581,834	736,989

After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2021 but will be brought to account in the 2022 financial year.

b. Balance of franking account at year-end adjusted for franking credits arising from:

- dividends recognised as receivables and franking debits arising from payment of proposed dividends	1,322,170	1,005,044
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(193,945)	(279,548)

## 9. EARNINGS PER SHARE

	2021 \$	2020 \$
a. Reconciliation of earnings to profit or loss		
Profit for the year	1,036,754	1,064,822
Earnings used in calculation of basic and diluted EPS	<u>1,036,754</u>	<u>1,064,822</u>
b. Weighted average number of ordinary shares		
Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	7,757,784	7,757,784

## 10. CASH AND CASH EQUIVALENTS

	2021 \$	2020 \$
Cash at bank and on hand	2,998,818	4,004,514
Short term bank deposits	<u>100,000</u>	<u>116,330</u>
	<u>3,098,818</u>	<u>4,120,844</u>

Cash on hand is non interest bearing.

Cash at bank earned interest rates of 0% (2020: 0% and 0.20%) depending on the level of funds from time to time. Cash at bank is subject to interest rate risk, as it earns interest at floating rates. In 2021 the average floating interest rates for the Group were 0.04% (2020: 0.21%).

The effective interest rate on short term bank deposits was 0.52% (2020: 1.70%); these deposits had an average maturity of 360 days.

### Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the Statement of Financial Position as follows:

	2021 \$	2020 \$
Cash and cash equivalents	<u>3,098,818</u>	<u>4,120,844</u>

## 11. TRADE AND OTHER RECEIVABLES

	2021 \$	2020 \$
Trade debtors	320,606	425,413
Other receivables	1,000,008	670,502
Provision for impairment	(881)	(7,130)
	<u>1,319,733</u>	<u>1,088,785</u>

### Impairment of receivables

The average credit period on the sale of goods and rendering of services is 16 days (2020: 12 days). No interest is charged on trade receivables exceeding normal credit terms. An allowance has been made for estimated non-recoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Ageing of trade receivables is as follows:

a. Ageing of past due	2021 \$	2020 \$
0 – 30 days	280,768	361,152
30 – 60 days	38,226	54,385
60 – 90 days	4	2,723
Over 91 days	1,608	7,153
	<u>320,606</u>	<u>425,413</u>

b. The following table shows the movement in lifetime expected credit loss that has been recognised for trade debtors in accordance with the simplified approach set out in AASB 9: Financial Instruments.

Lifetime expected credit loss: credit impaired	2021 \$	2020 \$
Opening balance	7,130	63,182
Net measurement of loss allowance	7,722	(13,481)
Amounts written off as uncollectable	(13,971)	(42,571)
Amounts recovered during the year	-	-
Balance at the end of the year	<u>881</u>	<u>7,130</u>

A provision for impairment of trade receivables is established in accordance with AASB 9: Financial Instruments using the simplified method. In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Ageing	Expected default rate	Gross carrying amount	Credit loss allowance
Current	0.083%	280,768	233
31 - 60 days past due	0.851%	38,226	325
61 - 90 days past due	6.667%	4	-
90+ days past due	20.120%	1,608	323
Total		<u>320,606</u>	<u>881</u>



12. INVENTORIES	2021	2020
	\$	\$
Inventory	77,440	104,701
	<u>77,440</u>	<u>104,701</u>

### 13. INTEREST IN SUBSIDIARIES

#### a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. The subsidiaries principal place of business is also its country of incorporation.

Name of Subsidiaries	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		2021 %	2020 %	2021 %	2020 %
BCT Shepparton Pty Ltd	Shepparton, Australia	100	100	-	-
Vicwest Community Telco Ltd	Geelong & Ballarat, Australia	100	100	-	-

Subsidiaries financial statements used in preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

#### b. Significant Restrictions

There are no restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

#### 14. PROPERTY PLANT AND EQUIPMENT

	2021 \$	2020 \$
<b>Office, Furniture, Equipment &amp; Vehicles</b>		
At Cost	2,398,561	2,399,033
Accumulated depreciation	<u>(2,241,385)</u>	<u>(2,152,357)</u>
	<u>157,176</u>	<u>246,676</u>
<b>Motor Vehicles</b>		
At Cost	298,622	335,061
Accumulated depreciation	<u>(253,054)</u>	<u>(238,403)</u>
	<u>45,568</u>	<u>96,658</u>
<b>Leasehold</b>		
At Cost	734,390	695,397
Accumulated depreciation	<u>(598,865)</u>	<u>(573,314)</u>
	<u>135,525</u>	<u>122,083</u>
<b>Telecommunications &amp; Infrastructure</b>		
At Cost	5,306,919	4,746,382
Accumulated depreciation	<u>(4,332,312)</u>	<u>(4,029,639)</u>
Accumulated impairment losses	<u>(55,957)</u>	<u>(55,957)</u>
	<u>918,650</u>	<u>660,786</u>
<b>Total Property, Plant &amp; Equipment</b>	<u><u>1,256,919</u></u>	<u><u>1,126,203</u></u>

##### a. Movement in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Office, Furniture, Equipment	Motor Vehicles	Leasehold	Telecommunica tions & Infrastructure	TOTAL
<b>Balance at 1 July 2019</b>	166,469	233,133	176,418	3,546,165	4,122,185
Reallocated on initial	-	(63,013)	-	(2,809,829)	(2,872,842)
Additions	201,492	-	4,589	266,269	472,350
Disposals	(2,775)	(30,166)	-	-	(32,941)
Depreciation	(118,510)	(43,296)	(58,924)	(341,819)	(562,549)
Impairment	-	-	-	-	-
<b>Balance at 30 June 2020</b>	<u>246,676</u>	<u>96,658</u>	<u>122,083</u>	<u>660,786</u>	<u>1,126,203</u>
Additions	9,983	-	38,992	560,540	609,515
Disposals	(920)	(15,183)	-	-	(16,103)
Depreciation	(98,563)	(35,907)	(25,550)	(302,676)	(462,696)
Impairment	-	-	-	-	-
<b>Balance at 30 June 2021</b>	<u><u>157,176</u></u>	<u><u>45,568</u></u>	<u><u>135,525</u></u>	<u><u>918,650</u></u>	<u><u>1,256,919</u></u>

## 15. RIGHT-OF-USE ASSETS

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives and initial direct costs.

The Group derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

	2021 \$	2020 \$
<b>Leased Motor Vehicles</b>		
At Cost	64,807	89,961
Accumulated depreciation	(57,685)	(59,816)
	<u>7,122</u>	<u>30,145</u>
<b>Leased Telecommunications &amp; Infrastructure</b>		
At Cost	5,544,441	4,406,156
Accumulated depreciation	(2,989,921)	(1,833,982)
	<u>2,554,520</u>	<u>2,572,174</u>
<b>Leased Buildings</b>		
At Cost	3,261,239	3,232,972
Accumulated depreciation	(933,596)	(462,752)
	<u>2,327,643</u>	<u>2,770,220</u>
<b>Total Right-Of-Use Assets</b>	<u><u>4,889,285</u></u>	<u><u>5,372,539</u></u>

### a. Movement in carrying amounts

Movement in the carrying amounts for each class of right-of-use assets between the beginning and the end of the current financial year

	Motor Vehicles	Telecommunications & Infrastructure	Buildings	TOTAL
<b>Balance at 1 July 2019</b>	-	-	-	-
Reallocated on initial application of AASB 16	63,013	2,809,829	-	2,872,842
Recognised on adoption of AASB 16	-	-	3,231,243	3,231,243
Remeasurement adjustments	-	-	1,729	1,729
Additions	-	568,403	-	568,403
Disposals	(12,622)	-	-	(12,622)
Depreciation	(20,246)	(806,058)	(462,752)	(1,289,056)
Impairment	-	-	-	-
<b>Balance at 30 June 2020</b>	<u>30,145</u>	<u>2,572,174</u>	<u>2,770,220</u>	<u>5,372,539</u>
Remeasurement adjustments	-	-	27,994	27,994
Additions	-	1,138,284	-	1,138,284
Disposals	(5,869)	-	-	(5,869)
Depreciation	(17,154)	(1,155,938)	(470,571)	(1,643,663)
Impairment	-	-	-	-
<b>Balance at 30 June 2021</b>	<u><u>7,122</u></u>	<u><u>2,554,520</u></u>	<u><u>2,327,643</u></u>	<u><u>4,889,285</u></u>

## 16. INTANGIBLES

	2021 \$	2020 \$
<b>Goodwill</b>		
Cost	5,344,282	5,344,282
Accumulated Impairment Losses	(1,860,496)	(1,860,496)
Net Carrying Value	<u>3,483,786</u>	<u>3,483,786</u>
<b>Customer List</b>		
Cost	3,160,559	3,160,559
Accumulated Amortisation	(1,451,036)	(1,239,930)
Accumulated Impairment Losses	(723,120)	(723,120)
Net Carrying Value	<u>986,403</u>	<u>1,197,509</u>
<b>Internally Generated Software</b>		
Cost	1,857,384	1,857,384
Accumulated Amortisation	(1,833,087)	(1,776,346)
Net Carrying Value	<u>24,297</u>	<u>81,038</u>
<b>Project Development</b>		
Cost	889,140	889,140
Accumulated Amortisation	(645,551)	(581,879)
Accumulated Impairment Losses	(74,487)	(74,487)
Net Carrying Value	<u>169,102</u>	<u>232,774</u>
<b>Total Intangibles</b>	<u><u>4,663,588</u></u>	<u><u>4,995,107</u></u>

### a. Movement in carrying amounts

	Goodwill	Customer List	Internally Generated Software	Project Development	TOTAL
<b>Year ended 30 June 2020</b>					
Balance at beginning of year	3,483,786	2,298,304	263,952	328,742	6,374,784
Additions	-	-	7,515	-	7,515
Disposals	-	-	-	-	-
Amortisation charge	-	(377,675)	(190,429)	(95,968)	(664,072)
Impairment losses	-	(723,120)	-	-	(723,120)
	<u>3,483,786</u>	<u>1,197,509</u>	<u>81,038</u>	<u>232,774</u>	<u>4,995,107</u>
<b>Year ended 30 June 2021</b>					
Balance at beginning of year	3,483,786	1,197,509	81,038	232,774	4,995,107
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Amortisation	-	(211,106)	(56,741)	(63,672)	(331,519)
Impairment losses	-	-	-	-	-
	<u>3,483,786</u>	<u>986,403</u>	<u>24,297</u>	<u>169,102</u>	<u>4,663,588</u>

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income. Goodwill has an indefinite useful life.

## Impairment Disclosures

Goodwill was allocated to cash-generating units (CGU's) acquired through business combinations in 2016.

	2021	2020
	\$	\$
Acquired CGU VicWest (2016)	3,483,786	3,483,786
Total Goodwill	<u>3,483,786</u>	<u>3,483,786</u>

The recoverable amounts of the cash generating units above is determined based on value in use calculations. The value in use is calculated based on the present value of cash flow projections over an 8-year period with the period extending beyond 3 years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of a 5-year weighted average cost of capital (WACC) at the beginning of the budget period.

The following key assumptions were used in the value-in-use calculations:

	Discount Rate		Growth Rate	
	2021	2020	2021	2020
Vicwest segment	6%	6%	(12%)	(11%)

Management has based the value in use calculations on budgets for the reporting CGU. These budgets use historical weighted average growth rates to project revenue across all aspects of the operational CGU. Costs are calculated taking into account historical gross margins as well as estimating weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the CGU's operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular CGU.

## 17. TRADE AND OTHER PAYABLES

	2021	2020
	\$	\$
Unsecured liabilities:		
Trade payables	560,238	1,077,964
Sundry payables and accrued expenses	<u>628,612</u>	<u>745,069</u>
	<u>1,188,850</u>	<u>1,823,033</u>
(i) Financial liabilities classified as trade and other payables		
Trade and other payables	1,188,850	1,823,033
GST payable	<u>(50,931)</u>	<u>(97,997)</u>
	<u>1,137,919</u>	<u>1,725,036</u>

## 18. BORROWINGS

	2021 \$	2020 \$
Current		
Secured by fixed and floating registered mortgage debenture		
Bank loans	396,859	386,008
Total current borrowings	<u>396,859</u>	<u>386,008</u>
Non current		
Secured by fixed and floating registered mortgage debenture		
Bank Loans	1,963,042	2,363,869
Total non-current borrowings	<u>1,963,042</u>	<u>2,363,869</u>

The group has three facilities provided by the Bendigo and Adelaide Bank Limited.

1. Commercial Business (Overdraft) Facility to a maximum value of \$500,000.
2. Lease liabilities are secured by the underlying leased assets.

Both facilities are secured by a Registered First Company Debenture charge from Bendigo Telco Limited in its own right.

3. Business Loans, with the following conditions:

Bendigo & Adelaide Bank may conduct a review of Bendigo Telco's financial position each 12 months. If Bendigo & Adelaide Bank determine that there has been an adverse change in the financial position of Bendigo Telco, the facility may be terminated.

Evidence is to be provided to Bendigo & Adelaide Bank every 6 months showing that all statutory payments are up to date.

Management accounts are to be provided to Bendigo & Adelaide Bank on a half yearly basis (within 60 days of period end).

On a consolidated basis Equity (Equity/Total Assets) is to be measured half yearly and maintained at a minimum ratio of 40%.

On a consolidated basis a Debt Service Coverage Ratio is to be measured half yearly and maintained at greater than 1.5 times. This ratio is to be calculated on basis of EBITDA less tax (provisioned at 30% of calculated net profit for period)/contracted finance commitments.

Annual audited Group consolidated financial statements to be made available to Bendigo & Adelaide Bank within 180 days of financial year end.

Interest rates will immediately convert to a market rate of interest if there is a material change in ownership of Bendigo Telco Ltd. A material change in ownership is defined as any existing or new shareholder (excluding Bendigo & Adelaide Bank) exceeding 20% shareholding and/or Bendigo Telco listing on the ASX or taking action to list on the ASX.

## 19. LEASE LIABILITIES

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.00%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The Group has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

### Lease portfolio

McLaren Street, Bendigo, Vic	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in 01/07/2017. The lease has two further five year extension options available. The Group is reasonably certain to exercise the options.
Williamson Street, Bendigo, Vic	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in 01/07/2017. The lease has two further five year extension options available. The Group is reasonably certain to exercise the options.
Edwards Road, Bendigo, Vic	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in 01/09/2018. There are no extension options.
Piper Road, Bendigo, Vic	The lease agreement is a non-cancellable lease with an initial term of three years which commenced in 15/03/2018. The lease was renewed for a further two years with no extension options.
Peel Street, Ballarat, Vic	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in 01/12/2017. There are no extension options.
Murray Street, Hobart, Tas	The lease agreement is a non-cancellable lease with an initial term of five years which commenced in 01/11/2016. The lease has two further four year extension options available. The Group is reasonably certain to exercise the options.
Network Infrastructure	The lease agreement is a non-cancellable lease with a term of three years which commenced in 01/02/2019.
Cloud Infrastructure	The lease agreement is a non-cancellable lease with a term of three years which commenced in 20/09/2019.
Network Maintenance	The lease agreement is a non-cancellable lease with a term of three years which commenced in 06/04/2020.
Network Infrastructure	The lease agreement is a non-cancellable lease with a term of three years which commenced in 30/06/2020.
Cloud Infrastructure	The lease agreement is a non-cancellable lease with a term of three years which commenced in 20/07/2020.
Cloud Infrastructure	The lease agreement is a non-cancellable lease with a term of five years which commenced in 27/11/2020.

The Group assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

<b>a) Current lease liabilities</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Telecommunications & Infrastructure lease liabilities	1,047,322	1,370,648
Unexpired interest	(53,976)	(48,762)
	<u>993,346</u>	<u>1,321,886</u>
Building lease liabilities	465,739	505,371
Unexpired interest	(90,637)	(106,902)
	<u>375,102</u>	<u>398,469</u>
	<u>1,368,448</u>	<u>1,720,355</u>
<b>b) Non-current lease liabilities</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Telecommunications & Infrastructure lease liabilities	1,016,877	970,346
Unexpired interest	(47,100)	(21,263)
	<u>969,777</u>	<u>949,083</u>
Building lease liabilities	2,452,356	2,941,003
Unexpired interest	(391,360)	(484,011)
	<u>2,060,996</u>	<u>2,456,992</u>
	<u>3,030,773</u>	<u>3,406,075</u>
<b>c) Maturity analysis</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Not later than 12 months	1,513,061	1,876,019
Between 12 months and 5 years	2,149,289	2,367,158
Greater than 5 years	1,319,944	1,544,191
Total undiscounted lease payments	<u>4,982,294</u>	<u>5,787,368</u>
Unexpired interest	(583,073)	(660,938)
Present value of lease liabilities	<u>4,399,221</u>	<u>5,126,430</u>



## 20. EMPLOYEE ENTITLEMENTS

	2021 \$	2020 \$
Current		
Annual Leave	477,877	444,845
Long Service Leave	489,116	542,551
	<u>966,993</u>	<u>987,396</u>
Non Current		
Long Service Leave	93,548	81,683
	<u>93,548</u>	<u>81,683</u>

### Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion of this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion of this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(h).

## 21. PROVISIONS

	2021 \$	2020 \$
Non Current		
Make Good	43,033	-
	<u>43,033</u>	<u>-</u>

### Provision for Make Good

The Group is required to restore the leased premises of their office buildings pursuant to the make good requirements of the lease. A provision for make good has been raised based upon the estimated expenditure incurred upon termination of the lease.

During the financial year, the Group re-assessed the lease agreements with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs. The provisions were previously assessed as nil or immaterial with no provision recognised in the accounts.

## 22. TAX ASSETS AND LIABILITIES

	2021 \$	2020 \$
a. Current tax		
Income tax payable	59,204	411,195
b. Deferred Tax Assets		
Balance as at 30 June	627,172	735,164
Represented by tax effect of:		
- Provision for impaired debts	220	4,886
- Provision for annual leave	119,469	122,332
- Provision for long service leave	145,666	171,664
- Provision for make good	10,758	-
- Capital allowances	31,576	35,986
- Capital raising costs deductible	-	10,248
- Right-of-use asset and lease liability	27,114	23,441
- Carried forward losses	292,369	366,607
	627,172	735,164

## 23. ISSUED CAPITAL

	No. of Shares	2021 \$	2020 \$
Fully paid ordinary shares at beginning of period	7,757,784	7,841,558	7,841,558
Less cost of equity raised - IPO	-	(284,199)	(284,199)
Less cost of equity raised - Scheme of arrangement	-	(524,929)	(516,779)
	7,757,784	7,032,430	7,040,580

## 24. CAPITAL COMMITMENTS

### Capital Expenditure Commitments

	2021 \$	2020 \$
Capital expenditure commitments contracted for:		
Cloud Infrastructure	-	454,607
Network infrastructure	314,355	-
	314,355	454,607
Payable:		
No later than 12 months	73,350	151,536
Between 12 months and 5 years	241,006	303,071
	314,356	454,607

## 25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent assets or contingent liabilities at the date of this report to affect the financial statements.

## 26. 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 operates under two divisions, Business and Enterprise (B&E) and Consumer and Small Business (CSB). 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.

### Major customers

During the year ended 30 June 2021 approximately 36.4% (2020: 35%) 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 30 June 2021

	B&E \$	CSB \$	Total \$
<b>Revenue from contracts with customers</b>			
Voice	5,804,322	1,623,146	7,427,468
Mobile	877,646	1,524,661	2,402,307
Data Networks	10,058,586	-	10,058,586
Broadband	967,017	2,851,003	3,818,020
IT Services	250,250	-	250,250
Hardware and Installations	458,933	94,838	553,771
Data Centre	2,767,956	-	2,767,956
Cloud	2,280,936	36,542	2,317,478
Other	51,685	70,574	122,259
	<u>23,517,331</u>	<u>6,200,764</u>	<u>29,718,095</u>
<b>Other Income</b>			
Profit on sale of assets	8,800	-	8,800
Government Grants	50,000	-	50,000
Interest received	1,040	-	1,040
	<u>59,840</u>	<u>-</u>	<u>59,840</u>
Interest expense			(191,670)
Depreciation and amortisation			(2,437,878)
Other expenses			(25,590,132)
<b>Profit before income tax expense</b>			<u><u>1,558,255</u></u>

**Revenue by division and product set for the period ending 30 June 2020**

	B&E \$	CSB \$	Total \$
<b>Revenue from contracts with customers</b>			
Voice	7,110,093	2,054,758	9,164,851
Mobile	1,029,273	1,895,165	2,924,438
Data Networks	10,437,810	-	10,437,810
Broadband	984,992	3,088,952	4,073,944
IT Services	226,114	-	226,114
Hardware and Installations	1,167,678	152,694	1,320,372
Data Centre	3,043,537	-	3,043,537
Cloud	2,027,911	32,790	2,060,701
Other	35,650	80,257	115,907
	<u>26,063,058</u>	<u>7,304,616</u>	<u>33,367,674</u>
<b>Other Income</b>			
Government Grants	50,000	-	50,000
Interest received	5,693	-	5,693
	<u>55,693</u>	<u>-</u>	<u>55,693</u>
Interest expense			(224,181)
Depreciation and amortisation			(2,515,677)
Other expenses			(28,775,963)
<b>Profit before income tax expense</b>			<u><u>1,907,546</u></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.

**27. CASH FLOW INFORMATION**

	2021 \$	2020 \$
Reconciliation of net cash provided by operating activities with		
Profit after income tax	1,036,754	1,064,822
Non-cash flows in profit:		
Depreciation and amortisation	2,437,878	2,515,677
Loss / (Profit) on sale of assets	(8,800)	2,563
Impairment loss on goodwill and intangibles	-	723,120
Change in assets and liabilities		
(Increase)/decrease in assets and Increase/(decrease) in liabilities		
Receivables	(230,948)	649,212
Prepayments	632,328	156,549
Inventories	27,261	85,880
Deferred tax asset	107,992	147,904
Accounts payable	(634,183)	(377,833)
Provisions	34,496	104,402
Taxation	(351,991)	830,011
Issued capital	(8,150)	-
Net cash flow from operating activities	<u><u>3,042,637</u></u>	<u><u>5,902,307</u></u>

## 28. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 7.5 cents per share was declared by the Board of Directors on 25 August 2021 which will be distributed to shareholders on 30 September 2021.

## 29. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

	2021	2020
	\$	\$
Amounts of a prescribed benefit given during the year by the Group or a related party to a director or prescribed superannuation fund in connection with the retirement from a prescribed office.	Nil	Nil

## 30. DIRECTORS RELATED PARTY DISCLOSURES

The names of directors who have held office during the financial year are:

Robert Hunt  
Don Erskine  
Graham Bastian (resigned 21 October 2020)  
Michelle O'Sullivan (resigned 21 October 2020)  
Nicole Rooke  
Kevin Dole  
Jonathan Selkirk  
Rodney Payne  
Gregory Gillett

No director or related entity has entered in to a material contract with the group.

	2021	2020
Directors Shareholdings	No.	No.
Robert Hunt	513,758	513,758
Graham Bastian	2,000	2,000
Donald Erskine	939,326	939,326
Michelle O'Sullivan	44,711	44,711
Kevin Dole	-	-
Jonathan Selkirk	-	-
Rodney Payne	7,089	7,089
Gregory Gillett	24,108	24,108
Nicole Rooke	-	-

## 31. FINANCIAL RISK MANAGEMENT

### (a) Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with bank, short-term investments, accounts receivable and payable and leases. The main purpose of non-derivative financial instruments is to raise finance for group operations.

The group's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group's overall risk management programme focuses on the unpredictability of the telecommunications market and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out by the Board of Directors and senior management.

- (i) Market Risk – the group has no exposure to any transactions denominated in a currency other than Australian dollars.
- (ii) Price Risk – the group is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The group is not exposed to commodity price risk.
- (iii) Credit Risk – the group has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history and credit rating.
- (iv) Liquidity Risk – the group maintains prudent liquidity management by maintaining sufficient cash and the availability of funding from credit facilities.
- (v) Cash flow and fair value interest rate risk – interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. The group has mitigated risk on long-term interest-bearing liabilities by negotiating fixed rate contracts.

The accounting policies including the terms and conditions of each class of financial asset and financial liability both recognised and unrecognised at balance date, are as follows:

Recognised	Accounting Policies	Terms and Conditions
<i>Financial assets</i>		
Cash or Cash Equivalents and Short-term Deposits	Cash or cash equivalents and short-term deposits are stated at cost and any interest is taken up as income on an accrual basis.	These items are cash or are readily convertible to cash.
Accounts Receivable – Debtors	As per AASB 9, an expected credit loss model is applied. To reflect changes in credit risk, this expected credit loss model requires the Group to account for expected credit loss since initial recognition.	Trade receivables are generally due for settlement within 14 days.
<i>Financial liabilities</i>		
Creditors and Accruals	Liabilities are recognised for amounts to be paid in the future for goods and services.	Trade creditors are normally settled on 30 day terms, or in accordance with agreement with individual creditors.
Bank loans	Bank loans measured using the effective interest rate method.	Secured by fixed and floating registered mortgage debenture.
Lease liabilities	Lease liabilities are measured at the present value of the lease payments still to be paid.	Remaining lease terms reasonably expected to be exercised.

## (b) Financial Instruments

### Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

		Fixed Interest Rate Maturing			
		Weighted Average Effective Interest		Floating Interest Rate	
Notes		2021	2020	2021	2020
		%	%	\$	\$
<b>Financial Assets</b>					
Cash or Cash Equivalents	10	-	-	2,998,818	4,004,514
Short-term Deposits	10	0.53	1.70	100,000	116,330
Accounts Receivable - Debtors	11	-	-	-	-
<b>Total Financial Assets</b>		<b>0.53</b>	<b>1.70</b>	<b>3,098,818</b>	<b>4,120,844</b>
<b>Financial Liabilities</b>					
Creditors & Accruals	17(i)	-	-	-	-
Bank Loans	18	0.10	0.25	-	-
Lease Liabilities	19	4.00	4.00	-	-
<b>Total Financial Liabilities</b>		<b>4.10</b>	<b>4.25</b>	<b>-</b>	<b>-</b>
		Within 1 Year		1 to 5 years	
		2021	2020	2021	2020
		\$	\$	\$	\$
<b>Financial Assets</b>					
Cash or Cash Equivalents	10	-	-	-	-
Short-term Deposits	10	-	-	-	-
Accounts Receivable - Debtors	11	-	-	-	-
<b>Total Financial Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>					
Creditors & Accruals	17(i)	-	-	-	-
Bank Loans	18	396,859	386,008	462,919	863,562
Lease Liabilities	19	1,513,061	1,876,019	2,149,289	2,367,158
<b>Total Financial Liabilities</b>		<b>1,909,920</b>	<b>2,262,027</b>	<b>2,612,208</b>	<b>3,230,720</b>
		Over 5 years		Non Interest Bearing	
		2021	2020	2021	2020
		\$	\$	\$	\$
<b>Financial Assets</b>					
Cash or Cash Equivalents	10	-	-	-	-
Short-term Deposits	10	-	-	-	-
Accounts Receivable - Debtors	11	-	-	1,319,733	1,088,785
<b>Total Financial Assets</b>		<b>-</b>	<b>-</b>	<b>1,319,733</b>	<b>1,088,785</b>
<b>Financial Liabilities</b>					
Creditors & Accruals	17(i)	-	-	1,137,919	1,725,036
Bank Loans	18	1,500,123	1,500,307	-	-
Lease Liabilities	19	1,319,944	1,544,191	-	-
<b>Total Financial Liabilities</b>		<b>2,820,067</b>	<b>3,044,498</b>	<b>1,137,919</b>	<b>1,725,036</b>

	Notes	Total	
		2021	2020
		\$	\$
<b>Financial Assets</b>			
Cash or Cash Equivalents	10	2,998,818	4,004,514
Short-term Deposits	10	100,000	116,330
Accounts Receivable - Debtors	11	1,319,733	1,088,785
<b>Total Financial Assets</b>		<b>4,418,551</b>	<b>5,209,629</b>
<b>Financial Liabilities</b>			
Creditors & Accruals	17(i)	1,137,919	1,725,036
Bank Loans	18	2,359,901	2,749,877
Lease Liabilities	19	4,399,221	5,126,430
<b>Total Financial Liabilities</b>		<b>7,897,041</b>	<b>9,601,343</b>
Creditors and accruals are expected to be paid as follows:		2021	2020
		\$	\$
Less than 6 months		1,137,919	1,725,036
6 months to 1 year		-	-
1 – 5 years		-	-
Over 5 years		-	-
		<b>1,137,919</b>	<b>1,725,036</b>

### (c) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of Bendigo Telco which have been recognised on the Statement of Financial Position is the carrying amount net of any provisions for impairment.

Bendigo Telco has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history and credit rating.

### Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Notes	Carrying Amount	
		2021	2020
		\$	\$
Cash or Cash Equivalents	10	3,098,818	4,120,844
Trade & Other Receivables	11	1,319,733	1,088,785
		<b>4,418,551</b>	<b>5,209,629</b>

The Group's entire exposure to credit risk for Trade Receivables was attributable to customers located in Australia.



#### (d) Liquidity Risk

The following are the contractual maturities of financial liabilities for the Group:

		Carrying Amount \$	Contracted Cash Flows \$	1 year or less \$	1-5 years \$	Over 5 years \$
<b>30 June 2021</b>	Notes					
<b>Financial Liabilities</b>						
Trade and other payables	17(i)	1,137,919	1,137,919	1,137,919	-	-
Bank Loans	18	2,359,901	2,359,901	396,859	462,919	1,500,123
Lease Liabilities	19	4,399,221	4,982,294	1,513,061	2,149,289	1,319,944
<b>Total financial liabilities</b>		<b>7,897,041</b>	<b>8,480,114</b>	<b>3,047,839</b>	<b>2,612,208</b>	<b>2,820,067</b>

Lease Liabilities have been entered into subsequent to balance date.

#### (e) Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	Notes	Total Carrying Amount per Statement of Financial Position		Aggregate Net Fair Values	
		2021 \$	2020 \$	2021 \$	2020 \$
<b>Financial Instruments</b>					
<b>Financial assets</b>					
Cash or cash equivalents	10	2,998,818	4,004,514	2,998,818	4,004,514
Short-term bank deposits	10	100,000	116,330	100,000	116,330
Accounts receivable - debtors	11	1,319,733	1,088,785	1,319,733	1,088,785
<b>Total financial assets</b>		<b>4,418,551</b>	<b>5,209,629</b>	<b>4,418,551</b>	<b>5,209,629</b>
<b>Financial liabilities</b>					
Creditors and accruals	17(i)	1,137,919	1,725,036	1,137,919	1,725,036
Bank Loans	18	2,359,901	2,749,877	2,359,901	2,749,877
Lease Liabilities	19	4,399,221	5,126,430	4,399,221	5,126,430
<b>Total financial liabilities</b>		<b>7,897,041</b>	<b>9,601,343</b>	<b>7,897,041</b>	<b>9,601,343</b>

The following methods and assumptions are used to determine the net fair values of Financial Assets and Financial Liabilities:

#### Recognised Financial Instruments

Cash or Cash Equivalents and Short-term Deposits	These financial instruments have a short term to maturity. Accordingly it is considered that carrying amounts reflect fair values.
Accounts Receivable – Debtors	Carrying amounts reflect fair values.
Creditors and Accruals	Carrying amounts reflect fair values.
Bank loans	Carrying amounts reflect fair values.
Lease liabilities	Carrying amounts reflect fair values.

## (f) Sensitivity Analysis

### Interest Rate Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

#### *Interest Rate Sensitivity Analysis*

At 30 June 2021, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2021	2020
	\$	\$
Change in profit		
Increase in interest rate by 2%	72,197	59,898
Decrease in interest rate by 2%	(72,197)	(59,898)
Change in equity		
Increase in interest rate by 2%	72,197	59,898
Decrease in interest rate by 2%	(72,197)	(59,898)

## 32. REGISTERED OFFICE/PRINCIPAL PLACES OF BUSINESS

### Registered Office

23 McLaren Street, Bendigo, Victoria.

### Principal Places of Business

23 McLaren Street, Bendigo, Victoria.

113 Williamson Street, Bendigo, Victoria.

121 Edwards Road, Bendigo, Victoria.

39 Peel Street, Ballarat, Victoria.

Lv 9, 39 Murray Street, Hobart, Tasmania.

Suite 2, Level 1, 39 Paterson Street, Launceston, Tasmania

33 Piper Street, Bendigo, Victoria.

#### **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 of the group are in accordance with the *Corporations Act 2001*, and:
  - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with the International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated group;
2. in the director's 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;
3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer; and
4. the audited remuneration report set out in the Directors Report (as part of the remuneration report), for the year ended 30 June 2021, comply with section 300A of the *Corporations Act 2001* and the Corporations Regulation 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the directors



Robert Hunt  
Chairman



Donald Erskine  
Director

Signed on 25 August 2021



Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afsbendigo.com.au

---

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Bendigo Telco Ltd's (the company) and its subsidiaries (collectively the Group), which comprises:

- ✓ Consolidated statement of financial position as at 30 June 2021
- ✓ Consolidated statement of profit or loss and other comprehensive income
- ✓ Consolidated statement of changes in equity
- ✓ Consolidated statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration.

In our opinion, the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Act 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afs Bendigo.com.au

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were most significant in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report, including in relation to these matters. Accordingly, our audit included performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key audit matter	How our audit addressed the matter
<b>Impairment of goodwill and intangible assets</b>	
Given the changing nature of the industry in which the Group operates, and the risks associated with the global COVID-19 pandemic, there is a risk there could be a material impairment to goodwill and intangible asset balances.	We evaluated the Group's impairment calculations including testing of the recoverable amount of the CGU. We assessed the reasonableness of the cash flow projection used in impairment model as well as the Group's historical ability to achieve forecasts.
Determination as to whether or not impairment indicators relating to an asset or Cash Generating Unit (CGU) are present involves significant judgement about the future cash flows and plans for these assets and CGUs.	We evaluated the reasonableness of key assumptions used in the impairment model including the discount rate, terminal growth rates and forecast growth assumptions.
The Group's disclosures about goodwill will specifically explain that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future.	We performed sensitivity analysis around the key drivers of the cash flow projection. Having considered the change in assumptions (individually or collectively) that would be required for the CGU to be impaired, we considered the likelihood of such a movement in those key assumptions arising. We evaluated the adequacy of impairments that had been recognised during the financial year. We evaluated the adequacy of disclosure included in Note 16.
<b>Revenue recognition</b>	
There are significant judgement areas relating to revenue recognition. These are:	Our audit procedures to address the risk of material misstatement relating to revenue recognition included:
<ul style="list-style-type: none"> <li>accounting for new products and plans including multiple element arrangements</li> <li>accounting for large and complex service contracts.</li> </ul>	<ol style="list-style-type: none"> <li>Evaluating the design and effectiveness of key controls over the capture and measurement of revenue transactions, including evaluating the general controls over the relevant IT systems.</li> <li>Detailed analysis of revenue based on expectations derived from our industry knowledge and following up variances from our expectations.</li> <li>Detailed substantive testing of significant revenue balances.</li> </ol>
The accuracy and completeness of amounts recorded as revenue is an inherent industry risk due to the complexity of billing systems, the complexity of products and services, and the combination of products sold and price changes in the year. The complexity of the billing systems also requires some reliance on the Group's IT systems with automated processes and controls over the capturing, valuing and recording of transactions.	We evaluated the Group's accounting policies and disclosures about its revenue recognition included in Note 1 and Note 3 for compliance with the revenue recognition requirements of the Australian Accounting Standards (AASBs).



Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afsbendigo.com.au

Key audit matter	How our audit addressed the matter
<b>Capitalisation and asset lives</b>	
<p>There are a number of areas where judgement impacts the carrying value of property, plant and equipment, software intangible assets and their respective depreciation and amortisation profiles. This is a key part of the audit due to the judgement involved in:</p> <ul style="list-style-type: none"> <li>the decision to capitalise expense costs</li> <li>the annual asset life review</li> <li>the timeliness of the transfer from assets in the course of construction.</li> </ul>	<p>We understood and assessed the Group's design and operating effectiveness of controls over the fixed asset cycle, evaluated the appropriateness of capitalisation policies, performed tests of a sample of costs capitalised during the year and assessed the timeliness of transfer of assets in the course of construction.</p> <p>We also performed testing on the application of the asset life review. This testing included assessing judgements made by the Group on:</p> <ol style="list-style-type: none"> <li>1. The nature of underlying cost capitalised</li> <li>2. The appropriateness of assets lives applied in the calculation of depreciation and amortisation.</li> </ol> <p>We evaluated the adequacy of disclosures included in Note 1.</p>
<b>Reliance on automated processes and controls</b>	
<p>A significant part of the Group's financial processes are heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of transactions. This is a key part of our audit because of the:</p> <ul style="list-style-type: none"> <li>complex IT environment supporting diverse business processes</li> <li>mix of manual and automated controls</li> <li>multiple internal and outsourced support arrangements</li> <li>complexity of the billing systems which result in revenue being recognised.</li> </ul>	<p>Our audit procedures to address the risk of material misstatement relating to reliance on automated processes and controls included:</p> <ol style="list-style-type: none"> <li>1 Evaluating the design and effectiveness of key controls over the capture, valuing and measurement of transactions, including evaluating the general controls over the relevant IT systems.</li> <li>2 Detailed analysis of revenue and expenditure based on expectations derived from our industry knowledge and following up variances from our expectations.</li> <li>3 Detailed substantive testing of significant revenue and expenditure balances.</li> <li>4 Assessing the competence of each service organisation's auditors, where reliance is placed on data obtained from those service organisations.</li> </ol>



**Chartered Accountants**

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
[afsbendigo.com.au](http://afsbendigo.com.au)

---

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control



Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afs Bendigo.com.au

evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 14 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of the Group, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated this 25<sup>th</sup> day of August 2021

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

**Joshua Griffin**  
Lead Auditor



## SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 27 July 2021.

### Distribution of Shareholders

Category	Number of Holders
1 - 1,000	137
1,001 - 5,000	247
5,001 - 10,000	71
10,001 - 100,000	61
100,001 and over	6
	<u>522</u>

The number of shareholdings held in less than marketable parcels is 29.

### Top 10 Shareholders

Name of Shareholder	Number of Shares	% of Total Shares
Bendigo and Adelaide Bank	2,386,747	30.8
Erskine Investments Pty Ltd	939,326	12.1
Hunters Ridge Pty Ltd	513,758	6.6
Ron Poyser Administrators Pty Ltd	438,400	5.7
National Nominees Limited	160,000	2.1
P.J. & D.A. Eddy Pty Ltd	100,000	1.3
MGR Property Pty Ltd	90,000	1.2
Latrobe University	84,000	1.1
Community Telco Syndicate	78,000	1.0
Indicrock Superannuation Pty Ltd	70,058	0.9
Total shares held by top 10 holders	<u>4,860,289</u>	<u>62.7</u>