



# Interim Financial Report

for the Half-year ended

31 December 2015

## **DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2015.

### **Directors**

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

Donald James Erskine  
Robert George Hunt  
Graham William Bastian  
Michelle Kaye O'Sullivan  
Andrew Craig Watts

### **Review of Operations**

Bendigo Telco delivered a net profit after tax for the six months to 31 December 2015 of \$427,726.

The company has continued to reposition its revenue stream away from traditional fixed-voice services through investments into the key growth areas of virtual private networks and cloud services. Other major revenues continued to come from products such as data centre services, technical support services, broadband internet, mobile phone, wholesale data products, supply and installation of telephone systems, and data cabling. The company has made significant investments to replace some of the ageing core network infrastructure with more efficient, scalable equipment that will deliver improved redundancy and cost efficiencies into the future.

During the period, the company strengthened its business relationships with suppliers of primary telecommunications services and now has direct wholesale contracts in place with Telstra, AAPT, Nextgen and NBN Co. These direct relationships will allow the business to access services at lower costs and enable us to remain price competitive in a dynamic marketplace.

The company has had a continued focus in relation to McPherson Media, a wholly owned subsidiary which was purchased in October 2014. Over the past year we have recontracted much of the existing customer base while moving them to higher margin products that provide increased customer satisfaction. This has been achieved by delivering new technologies, such as NBN, resulting in significantly improved customer experience.

The business also underwent significant development in the area of corporate branding during the last financial year - following the change of its legal name from Bendigo Community Telco Limited to Bendigo Telco Limited.

The net assets of Bendigo Telco were \$5,704,780. Bendigo Telco has maintained good working capital, with current assets exceeding current liabilities by \$1,323,639.

Under the leadership of CEO, Jeff Jordan, the company continues to be centred on ensuring an increased focus on sales and marketing, and strengthening strategic relationships for the business.

The directors believe the company is in a strong and stable financial position to expand and grow its current operations.

**Auditor's Independence Declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 3 for the half-year ended 31 December 2015.

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



Donald Erskine, Chairman



Andrew Watts, Director

Dated this 17th day of February 2016



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

I declare that to the best of my knowledge and belief, during the half-year year ended 31 December 2015 there has been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review.
- any applicable code of professional conduct in relation to the review.

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated this 17<sup>th</sup> day of February 2016

A handwritten signature in black ink, appearing to read 'Adrian Downing'.

**Adrian Downing**  
Lead Auditor

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	<b>31.12.2015</b>	<b>31.12.2014</b>
	\$	\$
Revenue	11,393,819	10,853,782
Cost of products sold	(5,409,481)	(5,352,994)
Other income	6,547	71,793
Salaries and employee benefit costs	(2,908,083)	(2,551,116)
Occupancy and associated costs	(372,097)	(291,238)
General administration costs	(511,073)	(578,153)
Depreciation and amortisation costs	(710,140)	(484,992)
Advertising and promotion costs	(88,650)	(151,178)
Systems costs	(388,328)	(379,990)
Borrowing costs	<u>(388,379)</u>	<u>(341,878)</u>
Profit before income tax	624,135	794,036
Income tax expense	<u>(196,409)</u>	<u>(206,750)</u>
Net profit for the period	427,726	587,286
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	<u><u>427,726</u></u>	<u><u>587,286</u></u>
Total comprehensive income attributable to members of Bendigo Telco Limited	<u><u>427,726</u></u>	<u><u>587,286</u></u>
 <b>Earnings per share</b>		
Basic earnings per share (cents)	7.44	10.24
Diluted earnings per share (cents)	7.44	10.24

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2015**

	<b>31.12.2015</b>	<b>30.06.2015</b>
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents	2,086,669	947,316
Trade and other receivables	1,024,882	1,526,766
Prepayments	1,592,519	1,374,610
Inventories	170,669	131,516
Taxation	25,100	-
<b>Total Current Assets</b>	<b>4,899,839</b>	<b>3,980,208</b>
<b>Non Current Assets</b>		
Property, plant and equipment	4,161,434	2,368,031
Intangible assets	1,411,293	1,506,320
Deferred tax assets	217,188	231,738
Prepayments	294,490	-
<b>Total Non Current Assets</b>	<b>6,084,405</b>	<b>4,106,089</b>
<b>TOTAL ASSETS</b>	<b>10,984,244</b>	<b>8,086,297</b>
<b>Current Liabilities</b>		
Trade and other payables	2,499,843	1,392,058
Provisions	529,833	642,928
Taxation	-	84,413
Borrowings	546,524	-
<b>Total Current Liabilities</b>	<b>3,576,200</b>	<b>2,119,399</b>
<b>Non Current Liabilities</b>		
Provisions	137,758	115,312
Borrowings	1,565,506	-
<b>Total Non Current Liabilities</b>	<b>1,703,264</b>	<b>115,312</b>
<b>TOTAL LIABILITIES</b>	<b>5,279,464</b>	<b>2,234,711</b>
<b>NET ASSETS</b>	<b>5,704,780</b>	<b>5,851,586</b>
<b>EQUITY</b>		
Issued capital	3,532,435	3,532,435
Retained earnings	2,172,345	2,319,151
<b>TOTAL EQUITY</b>	<b>5,704,780</b>	<b>5,851,586</b>

*The accompanying notes form part of these financial statements*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	<b>Ordinary Share Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2014</b>	3,484,505	2,341,566	5,826,071
<b>Comprehensive Income</b>			
Profit for the period	-	587,286	587,286
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	<b>3,484,505</b>	<b>2,928,852</b>	<b>6,413,357</b>
<b>Transaction with owners, in their capacity as owners, and other transfers</b>			
Dividends recognised for the period	2 -	(746,892)	(746,892)
Shares issued during the period	47,930	-	47,930
<b>Total transactions with owners and other transfers</b>	<b>47,930</b>	<b>(746,892)</b>	<b>(698,962)</b>
<b>Balance at 31 December 2014</b>	<b>3,532,435</b>	<b>2,181,960</b>	<b>5,714,395</b>
<b>Balance at 1 July 2015</b>	3,532,435	2,319,151	5,851,586
<b>Comprehensive Income</b>			
Profit for the period	-	427,726	427,726
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	<b>3,532,435</b>	<b>2,746,877</b>	<b>6,279,312</b>
<b>Transaction with owners, in their capacity as owners, and other transfers</b>			
Dividends recognised for the period	2 -	(574,532)	(574,532)
Shares issued during the period	-	-	-
<b>Total transactions with owners and other transfers</b>	<b>-</b>	<b>(574,532)</b>	<b>(574,532)</b>
<b>Balance at 31 December 2015</b>	<b>3,532,435</b>	<b>2,172,345</b>	<b>5,704,780</b>

*The accompanying notes form part of these financial statements*

**CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	<b>31.12.2015</b>	<b>31.12.2014</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	12,517,014	11,323,199
Interest paid	(41,917)	-
Payments to suppliers and employees	(9,749,141)	(10,241,830)
Income tax paid	(291,372)	(486,596)
Interest received	6,547	48,125
<b>Net cash provided by operating activities</b>	<b>2,441,131</b>	<b>642,898</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of BCT Shepparton	-	(596,608)
Purchase of intangible assets	(61,519)	(222,184)
Purchase of property, plant and equipment	(457,153)	(821,831)
Proceeds from sale of property, plant and equipment	-	39,091
<b>Net cash used in investing activities</b>	<b>(518,672)</b>	<b>(1,601,532)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of finance lease	(208,574)	-
Dividends paid	(574,532)	(746,892)
<b>Net cash used in financing activities</b>	<b>(783,106)</b>	<b>(746,892)</b>
<b>Net increase / (decrease) in cash held</b>	<b>1,139,353</b>	<b>(1,705,526)</b>
Cash and cash equivalents at beginning of period	947,316	3,157,294
<b>Cash and cash equivalents at end of the period</b>	<b>2,086,669</b>	<b>1,451,768</b>

*The accompanying notes form part of these financial statements*



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

### **Note 1: Summary of significant accounting policies**

#### **Basis of Preparation**

These general purpose financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update of the latest annual financial statements of Bendigo Telco Limited. As such, it does not contain information that represents relatively insignificant changes during the half-year within the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 30 June 2015, together with any public announcements made during the following half-year.

#### **Accounting Policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

#### **Critical Accounting Estimates and Judgments**

The critical estimates and judgments are consistent with those applied and disclosed in the June 2015 annual report.

#### **New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period**

No significant changes in accounting requirements have arisen during the half year ended 31 December 2015.

**Note 2: Dividends Paid and Proposed**

	<b>31.12.2015</b>	<b>31.12.2014</b>
Distributions paid:	\$	\$
2015 Final fully franked ordinary dividend of 10.0 (2014: 13.0) cents per share franked at the tax rate of 30% (2014: 30%).	574,532	746,892
Distributions proposed:		
2016 Interim fully franked ordinary dividend of 7.0 (2015: 7.0) cents per share franked at the tax rate of 30% (2015: 30%).	402,173	402,173

After the reporting date the above dividend was declared. The amount has not been recognised as a liability as at 31 December 2015 but will be brought into account in the 2016 financial year.

**Note 3: Operating Segments**

**(a) Information about reportable segments**

<b>Aggregated Communications Departments</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
	\$	\$
External segment revenues	11,393,819	10,853,782
Segment expenses	(9,676,549)	(9,285,348)
Net segment profit	1,717,270	1,568,434

**(b) Reconciliation of Reportable Segment Revenue**

Total profit for reportable segments (aggregated)	1,717,270	1,568,434
Other revenue	6,547	71,793
Unallocated amounts:		
Finance expense	(388,379)	(341,878)
Depreciation and amortisation	(710,140)	(484,992)
Debtor impairment	(1,163)	(19,321)
Consolidated profit before income tax	624,135	794,036

**Assets & Liabilities**

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

**Note 4: Contingent Liabilities**

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

**Note 5: Events after the end of the interim period**

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

Since the end of the interim period, the directors have resolved to pay an interim fully franked dividend of 7.0 cents per share (2015: 7.0 cents per share) payable on 30 March 2016 to shareholders on the share register at 16 March 2016. This dividend will be recognised in shareholders' equity in the next interim financial statements.

Also since the end of the interim period, Bendigo Telco Limited (BT), Bendigo and Adelaide Bank Limited, Vicwest Community Telco Limited (Vicwest) and Community Telco Australia Pty. Limited (CTA) have executed a non-binding Memorandum of Understanding to investigate a potential combination of Vicwest and parts of CTA's business into Bendigo Telco Limited to expand and enhance the delivery of telecommunication services, technologies and products to their customers and the constituents of the communities they serve. If it proceeds, the transaction will be put to BT and Vicwest shareholders for approval.

Whilst discussions are continuing positively, it is acknowledged that there is no certainty that the transaction will eventuate.

## DIRECTORS' DECLARATION

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

1. The financial statements and notes, as set out on pages 1 to 11 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Donald Erskine, Chairman



Andrew Watts, Director

Dated this 17th day of February 2016



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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bendigo Telco Ltd, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### Directors Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Bendigo Telco Ltd's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bendigo Telco Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bendigo Telco Ltd, would be in the same terms if provided to the directors as at the time of this auditor's review report.

### Conclusion

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

- a) giving a true and fair view of Bendigo Telco Ltd's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is written over a light-colored rectangular background.

**Andrew Frewin Stewart**  
61-65 Bull Street Bendigo 3550  
Dated this 17<sup>th</sup> day of February 2016

A handwritten signature in black ink, appearing to read 'Adrian Downing', is written over a light-colored rectangular background.

**Adrian Downing**  
Lead Auditor

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