Bendigo Telco

BENDIGO TELCO LIMITED

A.B.N. 88 089 782 203

2022 FINANCIAL REPORT

OPERATING AND FINANCIAL REVIEW

PRINCIPAL ACTIVITIES

The principal activities of Bendigo Telco Limited (the Group) during the course of the financial year were telecommunications services.

OPERATING RESULTS AND REVIEW OF OPERATIONS

Operational Review

The Group has continued to navigate through a changing and challenging telco market recording a solid EBITDA of $2,863,421 and an after-tax profit of $251,815 for the financial year ended 30 June 2022. The results reflect the continued change in the telecommunications market through evolution in technology and pricing changes as well as the continued investment in modernising our product set and enhancing our skill base for the future.

Decreases in revenue and margins from our legacy voice and data products has continued in FY22 with the Group also experiencing revenue declines in mobile, VPN and SIP whilst NBN revenues remained relatively stable.

The Group has continued to invest and streamline its service model and as a result of the active engagement with existing and new customers and communities has reported an increase in revenues from both its managed IT services and business solutions service offerings. This increased level of demand from customers is pleasing and confirms that our vision to be our customers preferred technology partner is sound.

The Group remains convinced that by focusing on improving the accessibility and delivery of technology outcomes for our customers and communities and uplifting the business through new initiatives, the Group will be able to position itself for future sustainable growth and creation of shareholder value.

Business Asset Acquisition

On 20 May 2022, the Group acquired MGR Information Technology and HiTech Communications from MGR Information Technology Pty Ltd. The directors of the Group concluded the acquisition of these businesses gave rise to an asset acquisition as opposed to a business combination. Refer to Note 1(q) for details of the key judgements applied by directors. The Group agreed to a purchase price of $1,500,000, including $300,000 of deferred contingent consideration which is payable on 20 May 2023 subject to certain terms and conditions being met. The deferred contingent consideration of $300,000 is recorded as a Provision, refer to Note 21 for further information.

Intangible Asset Recognition

During the year the Group invested in the development of an IT Service Management (ITSM) platform. Management has assessed the development as a Platform as a Service (PaaS) and capitalised costs incurred for the design, build and implementation of bespoke applications that have been tailored to the specific business requirements of the Group and our customers.

Management considered key criteria during the assessment and on the basis that the Group retained control and responsibility of the data and applications, holds exclusive rights to the developed software and is able to restrict access to the developed software, therefore concluding that the costs incurred met the definition, recognition and measurement requirements under AASB 138, and capitalised an internally generated intangible asset of $588,842. Refer to Note 16 for further information.

Property Leases

In the second half of the financial year, the Group reviewed its property lease arrangements and subsequently made the decision to consolidate office space, relocating its head office from McLaren and Williamson Streets, Bendigo to its data centre and offices located at Innovation Court, Kennington.

The McLaren and Williamson Street premises were vacated and make-good completed prior to 30 June 2022. As these leases contained further terms, the group performed a remeasurement of its right of use assets/lease liabilities which resulted in a gain on remeasurement of $134,740 which has been disclosed as other income in the accounts.

After year-end, the Group also formally surrendered its existing lease for Innovation Court, Kennington, and entered into a new lease agreement securing an extended access to the property. The new 5-year lease commences 1 September 2022 and has an additional 5-year option.

Impact of COVID-19

COVID-19 has forced people, businesses and communities to change the way they operate. The Group continues to monitor and follow government guidelines ensuring that we maintain the health, safety and wellbeing of our staff, partners, customers and communities.

Whilst the events relating to COVID-19 have not had a direct impact on the financial performance of the Group, it has had an impact on the Group operations, specifically in relation to the retention and attraction of skills and required of our people. The Group has experienced a higher-than-average staff turnover in the last 12-months driven by the changes in workplace and workforce requirements and expectations.

Given the uncertainty, the longer-term impacts of COVID-19 remain difficult to fully assess. The Group continues to monitor the situation with a renewed focus on customer engagement, ensuring we meet or exceed their service requirements and expectations.

Financial and Operating Results

Total Group revenue decreased by 10.53% from the prior year delivering a total turnover of $26,589,243 (FY21: $29,718,095) in line with our expectations and reflecting the changing product and technology utilised by our customers.

The NPAT result for the year, on a reported basis, was a profit of $251,815 (FY21: $1,036,754).

Summary financial results	FY22 $'000	FY21 $'000	Change (%)
Revenue	26,589	29,718	(10.53%)
Gross margin	14,032	15,557	(9.80%)
EBITDA	2,863	4,188	(31.64%)
Net profit/(loss) after tax	252	1,037	(75.70%)
Underlying net profit/(loss) after tax*	252	1,433	(82.41%)
Earnings per share (cents)	3.25	13.36	

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

The net assets of the Group decreased by $485,175 from the prior year to $7,496,934 (FY21: $7,982,109). The Group was able to maintain a creditable equity ratio of 51.66% (FY21: 46.70%) however recorded a short-term working capital deficiency of $442,139 with current liabilities of $4,512,117 exceeding current assets of $4,069,978.

The key factor attributable to this working capital deficiency was the Group's acquisition of Managed (MSP) and IT Consulting clients from MGR Information Technology Pty Ltd. Settlement occurred in May 2022, with the purchase being funded through the Group's cash reserves.

Forecasts and projections of the future cash flow from the acquired customer base combined with the Group's $500,000 unused bank overdraft facility will be sufficient to manage the Group's working capital deficiency for the foreseeable future.

Cash flows from operating activities were a net inflow $2,349,478 for the year, compared to a net inflow of $3,042,637 in the previous year. Net cash used in investing activities were an outflow of $2,109,911 (30 June 2021: $606,738 outflow), and net cash flows used in financing activities were $2,476,258 (30 June 2021: $3,457,925 outflow). The Group recorded cash and cash equivalents of $862,127 at 30 June 2022, decreasing from $3,098,818 in the prior year.

The directors resolved to pay a fully franked final dividend of 2.0 cents per share which will be paid to shareholders on 30 September 2022. The total dividend for FY22 is 4.0 cents fully franked. This represents a 123% payout ratio on FY22 underlying earnings.

Year Ahead

FY23 will continue to present both challenges and opportunities for the Group. The Group will continue to invest in its people, processes, and products whilst we continue to deliver on our customer led strategy.

The Group will continue to look for both organic and inorganic growth opportunities ensuring that we maintain a balance across our key strategic themes being our people, customers, community, operations and financial.

The board remains confident that a continued focus on the Group's strategic priorities and objectives will enable the Group to continue to invest in its people, product and processes as well looking for investment opportunities which will enhance the Group's prospects of ongoing success and continue our objective of creating shareholder value and genuine strategic value for all stakeholders.

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.

EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 2.0 cents per share was declared by the Board of Directors on 31 August 2022 which will be distributed to shareholders on 30 September 2022.

Since the end of the financial year the Group has surrendered the final year of the building lease for Edwards Road, Bendigo (Bendigo Data Centre) and entered into a five year extension, with an option for a further five years. This will not impact the Group's profit but there is an estimated increase to Right-of-use Assets and Lease Liabilities of $924,150 when brought to account 1 September 2022.

At 30 June 2022, the Group recorded non-current borrowings payable to Bendigo and Adelaide Bank Limited of $1,565,982, which included the following:

- Principal and interest loan of $65,550, which is due and payable during July and August 2023
- Interest only loan of $1,500,432, which is due and payable in August 2023.

Refer to Note 18 for further information regarding the terms and conditions of the Group's borrowing facilities.

Since the end of the financial year, in August 2022 the classification of these borrowings has changed from a non-current liability to a current liability on the statement of financial position, significantly reducing the Group's working capital position by $1,565,982. The maturity of the Group's $1,500,432 interest only facility is the key driver for the reduction in working capital subsequent to the end of the financial year.

Whilst negotiations to refinance the Group's interest only facility are yet to commence subsequent to the end of the financial year, the directors have a reasonable expectation the interest only facility will be refinanced on terms and conditions that are acceptable to the Group. Refer to Note 1 for further information regarding going concern.

Since the end of the financial year the Group has agreed to acquire the Managed Services customer list of a Bendigo based business.

The total purchase price of $250,000 will be paid by cash with full settlement expected to be completed in early September 2022.

The acquisition will add additional managed services customers and aligns to the Groups strategy of growing its service-based business.

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.

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, 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 2022. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2022 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 D Erskine
Mr J Selkirk
Mr R Payne
Mr K Dole
Mr G Gillett
Ms N Rooke

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

DIVIDENDS PAID OR RECOMMENDED

Ordinary Dividends Paid (Fully Franked):

	Cents	$
Final – September 2021	7.50	581,834
Interim – March 2022	2.00	155,156
	9.50	**736,990**

Ordinary Dividends Declared (Fully Franked):

Final - September 2022	2.00	155,156

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 2022:

	$
Taxation services	995
Share registry services	16,378
	17,373

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2022 has been received and can be found on page 17 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

Occupation	Director / Investor
Qualifications	Fellow of the Australian Institute of Company Directors, 2003 Doctor of the University (honoris causa), LaTrobe University, 1999
Experience	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 **Community Bank**® 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.
Interest in shares	Indirect – Hunters Ridge Pty Ltd (Hunt Family Trust) 55,000 Shares Indirect – Hunters Ridge Pty Ltd (Rob & Annette Hunt Superannuation Fund) 458,758 Shares
Special Responsibilities	Chair of Remuneration Committee and Member of Audit and Risk Committee.
Other Directorships & Appointments	Director, Apollo Bay Central District Community Bank since 2011; Director, BEUT Property Pty Ltd
Honours and Awards	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

Occupation	Managing Director – Industrial Conveying (Aust.) Pty Ltd
Experience	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. 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.
Interest in Shares	Direct - 0 Shares Indirect – Erskine Investments Pty Ltd 939,326 Shares
Special Responsibilities	Member of Remuneration Committee and Member of the Audit and Risk Committee.
Other Directorships	Nil

Kevin Dole – Director

Occupation	Managing Director
Qualifications	Associate Diploma in Information Processing (Latrobe)
Experience	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. His career spans over 35 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. Kevin is focused on continuing to ensure long term shareholder value and delivering value for all stakeholders through sustainable partnerships.
Interest in shares	Nil
Special Responsibilities	Nil
Other Directorships	Director - Bendigo Stadium Limited Director - St Arnaud Sporting Club

Rodney Payne – Director

Occupation	Principal Harwood Andrews Lawyers
Qualifications	Bachelor of Law (Melbourne University)
Experience	Rod has been a lawyer in commercial practice for 35 years and has been a partner at Harwood Andrews since 2000. Rod was a director of Geelong Community Telco Pty Ltd and Vicwest Community Telco prior to the amalgamation of Vicwest with Bendigo Telco Ltd. 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.
Interest in shares	Indirect - Linrod Holdings Pty Ltd atf the Payne Investment Trust A/C 16,732 shares
Special Responsibilities	Member of Audit and Risk Committee
Other Directorships	Director - The Legal Lantern Group

Jonathan (Jock) Selkirk – Director

Occupation	Chief Financial Officer, Country Club Living Pty Ltd.
Qualifications	Bach. Business, Chartered Accountant, Graduate Australian Institute of Company Directors.
Experience	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 & financial services in both Melbourne & 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. Jock is also actively involved in other community programs.
Interest in shares	Nil
Special Responsibilities	Nil
Other Directorships	Board member Ballarat and Clarendon College, Ballarat.

Gregory Gillett – Director	
Occupation	Retired
Qualifications	Senior Fellow of the Financial Services Institute of Australia.
Experience	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). 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. Greg has been a company Director of both private and publicly listed companies.
Interest in shares	Direct - 24,108 shares
Special Responsibilities	Chairman of Audit and Risk Committee
Other Directorships	Nil

Nicole Rooke – Director	
Occupation	Head of Corporate Strategy, Bendigo and Adelaide Bank Ltd
Qualifications	CPA, B Commerce
Experience	Nicole has 15+ years' experience in Financial Services and is currently Head of Corporate Strategy for Bendigo and Adelaide Bank. 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. 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.
Interest in shares	Nil
Special Responsibilities	Nil
Other Directorships	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, 11 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	11	10	3	2	1	1
Donald Erskine	11	11	3	3	1	1
Kevin Dole	11	11	3	3	-	-
Jonathan Selkirk	11	11	-	-	-	-
Rodney Payne	11	11	3	3	-	-
Gregory Gillett	11	10	3	3	-	-
Nicole Rooke	11	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
Jonathan Selkirk	Director
Rodney Payne	Director
Gregory Gillett	Director
Nicole Rooke	Director

(ii) Executive Director

Kevin Dole	Managing Director

(iii) Other KMP

Steven Wright	Chief Financial Officer
Margaret O'Rourke	Head of Customer and Community Engagement (02/08/2021 to 30/06/2022)

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 from 2018 to 2021. 2019 underlying profits were also in line with this period however reported net profit was impacted due to the non-cash impairment of goodwill and other intangibles. 2022 net profits have decreased due to the continued deterioration of legacy products and the investment into the expansion and integration of the Groups service based business. Dividends paid to shareholders remain strong with an average dividend yield over the past five years of 8.82% fully franked. The Board is satisfied with the group’s progress and the overall trend in shareholder wealth over the past five years.

	2018	**2019**	**2020**	**2021**	**2022**
Revenue	$35.4M	$36.6M	$33.4M	$29.7M	$26.6M
EBITDA	$3.86M	$1.28M	$4.65M	$4.19M	$2.86M
Net profit/(loss)	$1.22M	($1.33M)	$1.06M	$1.04M	$0.25M
Share price at year end	$1.95	$1.40	$1.15	$1.25	$0.95
Dividends paid	12.0 cents	12.0 cents	12.0 cents	15.5 cents	9.5 cents

Details of remuneration for year ended 30 June 2022

		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	2022	13,636	-	1,364	-	-	15,000	-
Hunt	2021	13,699	-	1,301	-	-	15,000	-
Graham	2022	-	-	-	-	-	-	-
Bastian	2021	5,000	-	-	-	-	5,000	-
Donald	2022	3,295	-	11,705	-	-	15,000	-
Erskine	2021	-	-	15,000	-	-	15,000	-
Michelle	2022	-	-	-	-	-	-	-
O'Sullivan	2021	4,566	-	434	-	-	5,000	-
Jonathon	2022	13,636	-	1,364	-	-	15,000	-
Selkirk	2021	13,699	-	1,301	-	-	15,000	-
Rodney	2022	15,000	-	-	-	-	15,000	-
Payne	2021	15,000	-	-	-	-	15,000	-
Gregory	2022	13,636	-	1,364	-	-	15,000	-
Gillett	2021	13,699	-	1,301	-	-	15,000	-
Nicole	2022	13,636	-	1,364	-	-	15,000	-
Rooke	2021	13,699	-	1,301	-	-	15,000	-
Executive Director								
Kevin	2022	256,327	-	25,898	-	-	282,225	11
Dole	2021	243,928	-	13,977	-	-	257,905	-
Other KMP								
Steven	2022	209,451	-	19,492	-	-	228,943	10
Wright	2021	226,859	-	20,125	-	-	246,984	10
John	2022	-	-	-	-	-	-	-
Barlow	2021	101,257	10,000	10,618	-	65,566	187,441	4
Kale	2022	-	-	-	-	-	-	-
Beesley	2021	111,845	11,250	10,725	-	-	133,820	4
Margaret	2022	155,936	-	12,359	-	-	168,295	-
O'Rourke	2021	-	-	-	-	-	-	-
	2022	694,553	-	74,910	-	-	769,463	
	2021	763,251	21,250	76,083	-	65,566	926,150	

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 31 August 2022.

Robert Hunt	Donald Erskine
Chairman	Director

AFS
Partners in success
Chartered Accountants

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03 5443 0344

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 2022, 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 31st day of August 2022

Joshua Griffin
Lead Auditor

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $	2021 $
Revenue	3(a)	26,589,243	29,718,095
Cost of products sold		(12,557,638)	(14,161,505)
Other income	3(b)	134,740	58,800
Finance income	3(c)	309	1,040
Salaries and employee benefit costs		(7,792,589)	(7,550,030)
Occupancy and associated costs		(308,202)	(332,263)
General administration costs		(1,508,821)	(1,715,367)
Depreciation and amortisation costs	4(a)	(2,337,545)	(2,437,878)
Advertising and promotion costs		(159,507)	(159,176)
Systems costs		(1,483,495)	(1,620,772)
Borrowing costs	4(c)	(178,360)	(242,689)
Profit before income tax		398,135	1,558,255
Income tax expense	5	(146,320)	(521,501)
Net profit for the year		251,815	1,036,754
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		251,815	1,036,754
Total comprehensive income attributable to members of Bendigo Telco Limited		251,815	1,036,754
Earnings per share			
Basic earnings per share (cents)	9	3.25	13.36
Diluted earnings per share (cents)	9	3.25	13.36

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 $	2021 $
Current Assets			
Cash and cash equivalents	10	862,127	3,098,818
Trade and other receivables	11	1,590,208	1,319,733
Prepayments		1,157,223	1,001,272
Inventories	12	150,708	77,440
Current tax assets	22(a)	309,712	-
Total Current Assets		**4,069,978**	**5,497,263**
Non Current Assets			
Prepayments		46,404	158,632
Property, plant and equipment	14	1,260,114	1,256,919
Right-of-use assets	15	2,189,309	4,889,285
Intangible assets	16	6,331,437	4,663,588
Deferred tax asset	22(b)	614,807	627,172
Total Non Current Assets		**10,442,071**	**11,595,596**
TOTAL ASSETS		**14,512,049**	**17,092,859**
Current Liabilities			
Trade and other payables	17	1,738,804	1,188,850
Borrowings	18	398,206	396,859
Lease Liabilities	19(a)	980,963	1,368,448
Employee Entitlements	20	1,090,411	966,993
Provisions	21	303,733	-
Current tax liabilities	22(a)	-	59,204
Total Current Liabilities		**4,512,117**	**3,980,354**
Non Current Liabilities			
Borrowings	18	1,565,982	1,963,042
Lease Liabilities	19(b)	839,046	3,030,773
Employee Entitlements	20	80,938	93,548
Provisions	21	17,032	43,033
Total Non Current Liabilities		**2,502,998**	**5,130,396**
TOTAL LIABILITIES		**7,015,115**	**9,110,750**
NET ASSETS		**7,496,934**	**7,982,109**
EQUITY			
Issued capital	23	7,032,430	7,032,430
Retained earnings		464,504	949,679
TOTAL EQUITY		**7,496,934**	**7,982,109**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Ordinary Share Capital $	Retained Earnings $	Total $
Balance at 1 July 2020		7,040,580	1,115,381	8,155,961
Comprehensive Income				
Profit for the year		-	1,036,754	1,036,754
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,036,754	1,036,754
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	8	-	(1,202,456)	(1,202,456)
Shares issued during the year		-	-	-
Cost of equity raised		(8,150)	-	(8,150)
Total transactions with owners and other transfers		(8,150)	(1,202,456)	(1,210,606)
Balance at 30 June 2021		**7,032,430**	**949,679**	**7,982,109**
Balance at 1 July 2021		7,032,430	949,679	7,982,109
Comprehensive Income				
Profit for the year		-	251,815	251,815
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	251,815	251,815
Transaction with owners, in their capacity as owners, and other transfers				
Dividends recognised for the year	8	-	(736,990)	(736,990)
Shares issued during the year		-	-	-
Cost of equity raised		-	-	-
Total transactions with owners and other transfers		-	(736,990)	(736,990)
Balance at 30 June 2022		**7,032,430**	**464,504**	**7,496,934**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		29,014,549	33,157,929
Payments to suppliers and employees		(25,979,469)	(29,101,521)
Lease payments not included in lease liabilities	4(b)	(58,303)	(53,503)
Interest paid on lease liabilities		(71,675)	(104,830)
Interest paid on borrowings		(53,062)	(82,829)
Income tax paid		(502,871)	(773,649)
Interest received		309	1,040
Net cash provided by operating activities	27	**2,349,478**	**3,042,637**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(1,644,264)	-
Purchase of property, plant and equipment		(501,755)	(637,510)
Proceeds from sale of property, plant and equipment		36,108	30,772
Net cash used in investing activities		**(2,109,911)**	**(606,738)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(1,343,555)	(1,865,493)
Repayment of bank loans		(395,713)	(389,976)
Dividends paid		(736,990)	(1,202,456)
Net cash used in financing activities		**(2,476,258)**	**(3,457,925)**
Net decrease in cash held		**(2,236,691)**	**(1,022,026)**
Cash and cash equivalents at beginning of financial year		3,098,818	4,120,844
Cash and cash equivalents at end of the financial year	10	**862,127**	**3,098,818**

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.

Going Concern

At 30 June 2022 the Group recorded net assets of $7,496,934 and recorded earnings before interest, tax, depreciation and amortisation (EBITDA) of $2,863,421.

However, the Group recorded a working capital deficiency of $442,139 at 30 June 2022, with current liabilities of $4,512,117 exceeding current assets of $4,069,978.

The key factor attributable to this working capital deficiency was the Group's acquisition of Managed (MSP) and IT Consulting clients from MGR Information Technology Pty Ltd.

Settlement occurred in May 2022, with the purchase being funded through the Group's cash reserves. Refer to Note 13 for further information.

To manage the Group's $442,139 working capital deficiency at 30 June 2022, the directors note the Group has access to a $500,000 bank overdraft which can be used if necessary.

In light of this, the directors have reviewed the Group's forecasts and projections, which include the effect of approximately $300,000 of additional net cash inflows that will be generated from customer lists acquired during the year ended 30 June 2022.

The forecasts and projections are also based on facts and circumstances known at the date of this report, including the reasonable possibility of changes in trading performance, alongside the following specific subsequent events:

- Declared final fully franked dividend payable on 30 September 2022 of $155,156.
- $1,565,982 of borrowing facilities were reclassified from non-current liabilities to current liabilities in August 2022.
- Acquisition of Managed Service customer list for a total purchase price of $250,000 with settlement expected in early September 2022.

Refer to Note 28 for further information regarding these significant events that have occurred since the end of the financial year.

In light of such subsequent events, the directors have a reasonable expectation that:

- the Group's $1,500,432 interest only borrowing facility will be refinanced on terms and conditions that are acceptable to the Group prior to maturity in August 2023
- the Group will generate $100,000 of additional net cash inflows during the year ended 30 June 2023 from customer lists acquired subsequent to balance date.

Assuming the interest only facility can be refinanced on terms and conditions that are acceptable to the Group and projected cash flows from the customer list acquired in September 2022 are realised, these forecasts and projections demonstrate that the Group's $500,000 unused bank overdraft facility will be sufficient to manage the Group's working capital deficiency for the foreseeable future.

Accordingly, the directors conclude the Group has adequate resources to pay its debts as and when they fall due for the foreseeable future and for these reasons, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

(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 affect 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 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:

Asset Class	**Depreciation Rate (%)**
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, Managed 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 may be 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.

Equipment with Managed IT Services solutions
- Customer provided with a compatible equipment when signing a 12 to 60 month contract.
- As customer does not take ownership of the equipment, 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.

Managed IT Services:
- Customer receives network, application, infrastructure and security support on a regular ongoing basis
- Revenue is recognised over time in accordance with the contract as the customer receives a benefit as the Group performs

(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.

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.

Customer Lists

Customer lists are initially recorded at the residual transaction price allocated based on relative fair value and have been assessed as having a useful life of six to ten years and carried at cost less accumulated amortisation and impairment losses. The directors are required to perform an annual assessment to identify indications of impairment and only where indications are present is the asset required to be tested for impairment.

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 carried at cost less accumulated amortisation and impairment losses. The directors are required to perform an annual assessment to identify indications of impairment and only where indications are present is the asset required to be tested for impairment.

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 carried at cost less accumulated amortisation and impairment losses. The directors are required to perform an annual assessment to identify indications of impairment and only where indications are present is the asset required to be tested for impairment.

(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 2022. 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 2022 amounting to $3,483,786 (2021: $3,483,786).

Key Judgments – Revenue

Performance obligations under AASB 15

To identify performance obligations under AASB 15, Management exercises judgement 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.

The Group's incremental borrowing rate used within lease calculations range from 0% to 6%.

Key Judgments – Asset acquisition

On 21 May 2022, the Group acquired MGR Information Technology, Hi Tech ICT, Hi Tech Comms, Central Victorian Cloud Services and Central Victorian Technology Services from MGR Information Technology Pty Ltd. The directors have applied significant judgement to determine whether this transaction gave rise to the acquisition over a business under AASB 3 Business Combinations, or whether the transaction gave rise to the acquisition of an asset (or group of assets) which is outside the scope of AASB 3 Business Combinations.

The directors concluded that the processes acquired from the vendor were not critical to the Group's ability to produce outputs nor were they considered scarce or unique as the Group already had its own processes to deliver outputs to similar customers. As such, the directors concluded this gave rise to an asset acquisition as opposed to a business combination.

Key Judgments – Internally Generated Intangible Assets

Recognition and measurement requirements under AASB 138

During the year the Group invested in the first phase of an IT Service Management (ITSM) platform. A 3rd Party vendor was engaged to assist with the design, build and implementation of the platform which included the development of bespoke applications, tailored to the specific business requirements of the Group and therefore met the definition of a Platform as a Service (PaaS).

The Group recognised the customisation and configuration costs as an asset under AASB 138 Intangible Assets. This was on the basis that the Group controls and retains responsibility of the data and applications, holds exclusive rights and can restrict access to the to the developed software

(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) Accounting Standards Issued but Not Yet Effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the consolidated entity and their potential impact when adopted in future periods is outlined below:

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current (applicable for reporting periods commencing on or after 1 January 2023). Adoption of this standard is not expected to have a material impact.

AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (applicable for reporting periods commencing on or after 1 January 2022). Adoption of this standard is not expected to have a material impact.

AASB 17: Insurance Contracts (applicable for reporting periods commencing on or after 1 January 2023).
Adoption of this standard is not expected to have a material impact.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable for reporting periods beginning commencing on or after 1 January 2025). Adoption of this standard is not expected to have a material impact.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections and AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections (applicable for reporting periods beginning commencing on or after 1 January 2025). Adoption of this standard is not expected to have a material impact.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (applicable for reporting periods beginning on or after 1 January 2023). Adoption of this standard is not expected to have a material impact.

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

	2022	2021
	$	$
ASSETS		
Current assets	4,069,978	5,497,263
Non-current assets	10,442,071	11,595,596
TOTAL ASSETS	14,512,049	17,092,859
LIABILITIES		
Current liabilities	4,512,117	3,980,354
Non-current liabilities	2,502,998	5,130,396
TOTAL LIABILITIES	7,015,115	9,110,750
EQUITY		
Issued Capital	7,032,430	7,032,430
Retained Earnings	464,504	949,679
TOTAL EQUITY	7,496,934	7,982,109

Statement of Profit or Loss and Other Comprehensive Income

Total profit	251,815	1,036,754
Total comprehensive income	251,815	1,036,754

Contingent liabilities
The parent entity has no contingent liabilities at 30 June 2022.

Contingent assets
The parent entity has a contingent asset of $300,000. For further information on Contingent Assets refer to Note 25.

Guarantees
The parent entity has a bank guarantee of $100,000. For further information on Guarantees refer to Note 10.

Capital commitments
The parent entity has capital commitments of $37,000 contracted for but not yet capitalised in the financial statements at 30 June 2022. For further information on Capital commitments refer to Note 24.

Financial support for controlled entities
The parent entity, Bendigo Telco Limited, is providing and will continue to provide financial support to its controlled entities.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group as disclosed in Note 1.

3. REVENUE AND OTHER INCOME

	2022	2021
	$	$
(a) Revenue:		
Revenue from contracts with customers	26,589,243	29,718,095
	26,589,243	29,718,095
(b) Other income:		
Profit on sale of assets	-	8,800
Government grants	-	50,000
Gain on remeasurement of right-of-use asset, lease liability and make good	134,740	-
	134,740	58,800
(c) Finance income:		
Interest received	309	1,040
	309	1,040
	26,724,292	29,777,935

Refer to Note 26 for details of revenue from contracts with customers disaggregated by nature and timing of revenue recognition.

4. EXPENSES

(a) Depreciation and amortisation expense

	2022	2021
	$	$
Depreciation of property, plant and equipment:		
Office furniture & equipment	82,532	98,563
Motor vehicles	28,908	35,907
Leasehold	26,115	25,550
Telecommunications & infrastructure	324,515	302,676
	462,070	462,696
Amortisation of intangible assets:		
Customer List	225,790	211,106
Internally Generated Software	35,733	56,741
Project Development	14,892	63,672
	276,415	331,519
Depreciation of right-of-use assets:		
Motor vehicles	7,122	17,154
Telecommunications & infrastructure	1,162,146	1,155,938
Buildings	429,792	470,571
	1,599,060	1,643,663
	2,337,545	2,437,878

(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.

	2022	2021
	$	$
Expenses relating to low-value leases	48,303	48,303
Expenses relating to short-term leases	10,000	5,200
	58,303	53,503

Expenses relating to leases exempt from recognition are included in occupancy and associated costs.

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

(c) Other expenses

	2022	2021
	$	$
Borrowing expenses:		
Interest paid	127,741	191,670
Other	2,316	2,716
Equipment lease expenses	48,303	48,303
	178,360	242,689
Bad debts	3,609	13,971
Impairment allowance	1,946	(6,249)
	5,555	7,722
Loss of sale on assets	382	-

5. TAX EXPENSE

a. The components of tax expense comprise:

	2022 $	2021 $
Current tax	133,955	421,658
Deferred tax	12,365	99,843
	146,320	521,501

b. The prima facie tax on profit from activities before income tax is reconciled to the income tax expenses as follows:

	2022 $	2021 $
Prima facie tax payable on profit from ordinary activities before income tax at 25% (2021: 26%)	99,534	405,146
Add:		
Tax effect of:		
- Movement in provision for impairment	486	(1,625)
- Movement in provision for employee benefits	27,702	(2,220)
- Movement in provision for make good	(5,567)	11,189
- Movement in deferred tax	12,365	99,843
- Capital allowances	(5,645)	(1,184)
- Non-deductible expenses	184,097	207,382
	213,438	313,385
Less:		
Tax effect of:		
- Capital raising costs	-	7,709
- Non taxable Government Grants	-	13,000
- Gain on remeasurement of right-of-use asset, lease liability and make good	33,685	-
- Right-of-use rental payments	118,742	131,543
	152,427	152,252
Carried forward losses	14,225	44,778
	14,225	44,778
Income tax attributable to entity	146,320	521,501

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 2022.

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

	2022 $	2021 $
Short-term employee benefits	694,553	784,501
Post-employment benefits	74,910	76,083
Other long-term benefits	-	-
Termination benefits	-	65,566
Share-based payments	-	-
	769,463	926,150

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:

30 June 2022	Balance at beginning of year	Granted as remuneration during year	Other changes during year	Balance at end of year
Robert Hunt	513,758	-	-	513,758
Donald Erskine	939,326	-	-	939,326
Kevin Dole	-	-	-	-
Jonathan Selkirk	-	-	-	-
Rodney Payne	7,089	-	9,643	16,732
Gregory Gillett	24,108	-	-	24,108
Nicole Rooke	-	-	-	-
Steven Wright	3,238	-	-	3,238
Maragret O'Rourke	-	-	-	-
	1,487,519	-	9,643	1,497,162

30 June 2021	Balance at beginning of year	Granted as remuneration during year	Other changes during year	Balance at end of year
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
Jarrod Draper	-	-	-	-
John Barlow	2,821	-	-	2,821
Kale Beesley	3,623	-	-	3,623
	1,540,674	-	-	1,540,674

7. AUDITORS' REMUNERATION

	2022 $	2021 $
Remuneration of the auditor Andrew Frewin Stewart, for:		
Auditing the financial report	80,370	80,505
Taxation services	995	900
Share registry services	16,378	20,677
	97,743	102,082

8. DIVIDENDS PAID AND PROPOSED

Distributions paid:	2022 $	2021 $
2021 Final fully franked ordinary dividend of 7.5 (2020: 9.5) cents per share franked at the rate of 26.0% (2020: 26.0%)	581,834	736,989
2022 Interim fully franked ordinary dividend of 2.0 (2021: 6.0) cents per share franked at the rate of 25.0% (2021: 26.0%)	155,156	465,467
	736,990	1,202,456
Total dividends (cents) per share for the period	9.50	15.50
a. Proposed Final 2022 fully franked ordinary dividend of 2.0 (2021: 7.5) cents per share franked at the rate of 25.0% (2021: 26.0%)	155,156	581,834

After the reporting date, the above dividend was declared. The amount has not been recognised as a liability as at 30 June 2022 but will be brought to account in the 2023 financial year.

	2022 $	2021 $
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	1,679,391	1,322,170
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(51,719)	(193,945)

9. EARNINGS PER SHARE

	2022 $	2021 $
a. Reconciliation of earnings to profit or loss		
Profit for the year	251,815	1,036,754
Earnings used in calculation of basic and diluted EPS	251,815	1,036,754
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
Basic earnings per share (cents)	3.25	13.36
Diluted earnings per share (cents)	3.25	13.36

10. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash at bank and on hand	761,953	2,998,818
Short term bank deposits	100,174	100,000
	862,127	3,098,818

Cash on hand is non interest bearing.

Cash at bank earned interest rates of 0.0% (2021: 0%) 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 2022 the average floating interest rates for the Group were 0.02% (2021: 0.04%).

The effective interest rate on short term bank deposits was 0.52% (2021: 0.52%); these deposits had an average maturity of 180 days.

The Group are required to enter establish a $100,000 term deposit as a bank guarantee provided to Optus Mobile Pty Ltd, a supplier of mobile services.

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:

	2022 $	2021 $
Cash and cash equivalents	862,127	3,098,818

11. TRADE AND OTHER RECEIVABLES

	2022 $	2021 $
Trade debtors	1,066,535	320,606
Other receivables	526,500	1,000,008
Provision for impairment	(2,827)	(881)
	1,590,208	1,319,733

Impairment of receivables

The average credit period on the sale of goods and rendering of services is 22 days (2021: 16 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	2022 $	2021 $
0 – 30 days	935,932	280,768
30 – 60 days	116,264	38,226
60 – 90 days	4,463	4
Over 91 days	9,876	1,608
	1,066,535	320,606

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	2022 $	2021 $
Opening balance	881	7,130
Net measurement of loss allowance	5,555	7,722
Amounts written off as uncollectable	(3,609)	(13,971)
Amounts recovered during the year	-	-
Balance at the end of the year	2,827	881

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	0.07%	935,932	655
31 - 60 days past due	0.70%	116,264	814
61 - 90 days past due	5.14%	4,463	229
90+ days past due	11.43%	9,876	1,129
Total		1,066,535	2,827

12. INVENTORIES

	2022 $	2021 $
Inventory	150,708	77,440
	150,708	77,440

13. CONTROLLED ENTITIES AND ASSET ACQUISITIONS

a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the parent entity. 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	
		2022	2021	2022	2021
		%	%	%	%
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.

c. Asset Acquisitions

On 21 May 2022 , the Group completed its contract with MGR Information Technology Pty Ltd to acquire their Managed (MSP) and IT Consulting clients.

The directors concluded this transaction gave rise to an asset acquisition as opposed to a business combination. Refer to Note 1(q) for further details regarding the key judgements applied by the directors.

The fair values of assets and liabilities acquired by the Group, and details of the consideration paid for such assets and liabilities are disclosed below.

Financial position	Notes	2022 $
ASSETS		
Property, plant and equipment	14	187,831
Inventories		50,391
Total assets		238,222
LIABILITIES		
Employee entitlements		173,290
Total liabilities		173,290
Net assets acquired		64,932
Less consideration paid		1,418,649
Less legal costs		1,705
Intangible assets acquired	16	1,355,422

Consideration paid of $1,418,649 includes $300,000 in deferred consideration, which as been retained by the Group at 30 June 2022 and is to be paid to the Vendor twelve (12) months from the Settlement Date. Payment of this amount, which is disclosed as a provision at 30 June 2022 (refer to Note 21), is contingent/subject to the retention of gross revenue being derived from the provision of goods and services to the acquired customer base in the ordinary course of business. Refer to Note 25 for further information regarding the Group's contingent assets and liabilities.

14. PROPERTY PLANT AND EQUIPMENT

	2022 $	2021 $
Office, Furniture, Equipment & Vehicles		
At Cost	2,519,283	2,398,561
Accumulated depreciation	(2,206,164)	(2,241,385)
	313,119	157,176
Motor Vehicles		
At Cost	267,939	298,622
Accumulated depreciation	(258,438)	(253,054)
	9,501	45,568
Leasehold		
At Cost	136,598	734,390
Accumulated depreciation	(45,838)	(598,865)
	90,760	135,525
Telecommunications & Infrastructure		
At Cost	5,559,520	5,306,919
Accumulated depreciation	(4,656,829)	(4,332,312)
Accumulated impairment losses	(55,957)	(55,957)
	846,734	918,650
Total Property, Plant & Equipment	1,260,114	1,256,919

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	Telecommunications & Infrastructure	TOTAL
Balance at 1 July 2020	246,676	96,658	122,083	660,786	1,126,203
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	-	-	-	-	-
Balance at 30 June 2021	157,176	45,568	135,525	918,650	1,256,919
Additions	52,207	-	9,118	252,599	313,924
Additions from asset acquisition	187,831	-	-	-	187,831
Disposals	(1,563)	(7,159)	(27,768)	-	(36,490)
Depreciation	(82,532)	(28,908)	(26,115)	(324,515)	(462,070)
Impairment	-	-	-	-	-
Balance at 30 June 2022	313,119	9,501	90,760	846,734	1,260,114

Refer to Note 13 for further details regarding the Group's asset acquisitions.

In connection with the Group's borrowings disclosed at Note 18, Bendigo and Adelaide Bank Limited hold General Security Deeds over all present and after acquired property of the Group.

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.

	2022 $	2021 $
Leased Motor Vehicles		
At Cost	38,985	64,807
Accumulated depreciation	(38,985)	(57,685)
	-	7,122
Leased Telecommunications & Infrastructure		
At Cost	5,830,219	5,544,441
Accumulated depreciation	(4,152,067)	(2,989,921)
	1,678,152	2,554,520
Leased Buildings		
At Cost	1,343,730	3,261,239
Accumulated depreciation	(832,573)	(933,596)
	511,157	2,327,643
Total Right-Of-Use Assets	2,189,309	4,889,285

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
Balance at 1 July 2020	30,145	2,572,174	2,770,220	5,372,539
Additions	-	1,138,284	-	1,138,284
Disposals	(5,869)	-	-	(5,869)
Remeasurement	-	-	27,994	27,994
Depreciation	(17,154)	(1,155,938)	(470,571)	(1,643,663)
Impairment	-	-	-	-
Balance at 30 June 2021	7,122	2,554,520	2,327,643	4,889,285
Additions	-	285,778	68,043	353,821
Disposals	-	-	-	-
Remeasurement	-	-	(1,454,737)	(1,454,737)
Depreciation	(7,122)	(1,162,146)	(429,792)	(1,599,060)
Impairment	-	-	-	-
Balance at 30 June 2022	-	1,678,152	511,157	2,189,309

The Group elected to not exercise options for McLaren and Williamson Street building leases, which required a remeasurement of $1,454,737. A gain on remeasurement of right-of-use asset, lease liability and make good of $134,740 was disclosed at note 3(b).

16. INTANGIBLES

	2022 $	2021 $
Goodwill		
Cost	5,344,282	5,344,282
Accumulated Impairment Losses	(1,860,496)	(1,860,496)
Net Carrying Value	3,483,786	3,483,786
Customer List		
Cost	4,515,981	3,160,559
Accumulated Amortisation	(1,676,826)	(1,451,036)
Accumulated Impairment Losses	(723,120)	(723,120)
Net Carrying Value	2,116,035	986,403
Internally Generated Software		
Cost	2,446,226	1,857,384
Accumulated Amortisation	(1,868,820)	(1,833,087)
Net Carrying Value	577,406	24,297
Project Development		
Cost	889,140	889,140
Accumulated Amortisation	(660,443)	(645,551)
Accumulated Impairment Losses	(74,487)	(74,487)
Net Carrying Value	154,210	169,102
Total Intangibles	6,331,437	4,663,588

a. Movement in carrying amounts

	Goodwill	Customer List	Internally Generated Software	Project Development	TOTAL
Year ended 30 June 2021					
Balance at beginning of year	3,483,786	1,197,509	81,038	232,774	4,995,107
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Amortisation charge	-	(211,106)	(56,741)	(63,672)	(331,519)
Impairment losses	-	-	-	-	-
	3,483,786	986,403	24,297	169,102	4,663,588
Year ended 30 June 2022					
Balance at beginning of year	3,483,786	986,403	24,297	169,102	4,663,588
Additions	-	-	588,842	-	588,842
Additions from asset acquisition	-	1,355,422	-	-	1,355,422
Disposals	-	-	-	-	-
Amortisation	-	(225,790)	(35,733)	(14,892)	(276,415)
Impairment losses	-	-	-	-	-
	3,483,786	2,116,035	577,406	154,210	6,331,437

Refer to Note 13 for further details regarding the Group's asset acquisitions.

Management have assessed that the customisation and configuration costs incurred in the development of a Platform as a Service (PaaS) meet the definition, recognition and measurement requirements under AASB 138, and have accordingly being recognised as an internally generated intangible asset. Refer to Note 1(q) for further information.

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 and is tested for impairment annually.

Impairment Disclosures

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

	2022 $	2021 $
Acquired CGU VicWest (2016)	3,483,786	3,483,786
Total Goodwill	3,483,786	3,483,786

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 5-year period. The cash flows are discounted using the yield of a 5-year weighted average cost of capital (WACC) of 6% at the beginning of the budget period.

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

	Discount Rate		Growth Rate	
	2022	2021	2022	2021
Vicwest segment	6%	6%	(13%)	(12%)

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

	2022 $	2021 $
Unsecured liabilities:		
Trade payables	623,472	560,238
Sundry payables and accrued expenses	1,115,332	628,612
	1,738,804	1,188,850
(i) Financial liabilities classified as trade and other payables		
Trade and other payables	1,738,804	1,188,850
GST payable	(56,679)	(50,931)
	1,682,125	1,137,919

18. BORROWINGS

	2022	2021
	$	$
Current		
Secured by fixed and floating registered mortgage debenture		
Bank loans	398,206	396,859
Total current borrowings	398,206	396,859
Non current		
Secured by fixed and floating registered mortgage debenture		
Bank Loans	1,565,982	1,963,042
Total non-current borrowings	1,565,982	1,963,042

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 which was not utilised at balance date.
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; and
- General Security Deeds over all present and after acquired property of Bendigo Telco Limited and its subsidiaries.

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.

The Group has two separate business loans with the Bendigo Bank;

- The principal and interest loan has a balance of $463,756 at 30 June 2022. This will be paid out in August 2023.

- The interest only loan has a balance of $1,500,432 at 30 June 2022. The loan becomes due and payable in August 2023 at which point the Group will be required to pay out the loan or refinance.

In order to manage the Group's working capital, the directors plan to refinance the interest only facility in August 2023. Whilst negotiations to refinance the interest only facility are yet to commence, the directors have a reasonable expectation the interest only facility will be financed on terms and conditions that are acceptable to the Group.

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

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 was renewed for threes years with a further four year extension option available. The Group is reasonably certain to exercise the options.
Bath Lane, Bendigo, Vic	The lease agreement is a non-cancellable lease with a term of two years which commenced in 01/04/2022. There are no extension options.
Cloud Infrastructure	The lease agreement is a non-cancellable lease with a term of three years which commenced in 20/09/2019. There are no extension options.
Network Maintenance	The lease agreement is a non-cancellable lease with a term of three years which commenced in 06/04/2020. There are no extension options.
Network Infrastructure	The lease agreement is a non-cancellable lease with a term of three years which commenced in 30/06/2020. There are no extension options.
Cloud Infrastructure	The lease agreement is a non-cancellable lease with a term of three years which commenced in 20/07/2020. There are no extension options.
Cloud Infrastructure	The lease agreement is a non-cancellable lease with a term of five years which commenced in 27/11/2020. There are no extension options.
Network Infrastructure	The lease agreement is a non-cancellable lease with a term of three years which commenced in 17/10/2021. There are no extension options.
Network Infrastructure	The lease agreement is a non-cancellable lease with a term of three years which commenced in 01/12/2021. There are no extension options.

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.

a) Current lease liabilities

	2022 $	2021 $
Telecommunications & Infrastructure lease liabilities	719,131	1,047,322
Unexpired interest	(27,611)	(53,976)
	691,520	993,346
Building lease liabilities	305,962	465,739
Unexpired interest	(16,519)	(90,637)
	289,443	375,102
	980,963	1,368,448

b) Non-current lease liabilities

	2022 $	2021 $
Telecommunications & Infrastructure lease liabilities	596,189	1,016,877
Unexpired interest	(20,402)	(47,100)
	575,787	969,777
Building lease liabilities	287,466	2,452,356
Unexpired interest	(24,207)	(391,360)
	263,259	2,060,996
	839,046	3,030,773

c) Maturity analysis

	2022 $	2021 $
Not later than 12 months	1,025,093	1,513,061
Between 12 months and 5 years	823,193	2,149,289
Greater than 5 years	60,462	1,319,944
Total undiscounted lease payments	1,908,748	4,982,294
Unexpired interest	(88,739)	(583,073)
Present value of lease liabilities	1,820,009	4,399,221

20. EMPLOYEE ENTITLEMENTS

	2022 $	2021 $
Current		
Annual Leave	582,640	477,877
Long Service Leave	507,771	489,116
	1,090,411	966,993
Non Current		
Long Service Leave	80,938	93,548
	80,938	93,548

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

	2022 $	2021 $
Current		
Lease Make Good	3,733	-
Deferred Contingent Acquisition	300,000	-
	303,733	-
Non Current		
Lease Make Good	17,032	43,033
	17,032	43,033

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 building leases for Mclaren and Williamson Streets ended, resulting in a decrease to the make good provision.

Provision for Deferred Contingent Acquisition

The Groups acquisition of MGR Information Technology Pty Ltd includes $300,000 in deferred consideration, which has been retained by the Group at 30 June 2022 and is to be paid to the Vendor twelve (12) months from the Settlement Date. Payment of this amount is contingent/subject to the retention of gross revenue being derived from the provision of goods and services to the acquired customer base in the ordinary course of business.

22. TAX ASSETS AND LIABILITIES

	2022 $	2021 $
a. Current tax		
Income tax payable / (refundable)	(309,712)	59,204
b. Deferred Tax Assets		
Balance as at 30 June	614,807	627,172
Represented by tax effect of:		
- Provision for impaired debts	707	220
- Provision for annual leave	145,660	119,469
- Provision for long service leave	147,177	145,666
- Provision for make good	5,191	10,758
- Capital allowances	27,543	31,576
- Right-of-use asset and lease liability	10,386	27,114
- Carried forward losses	278,143	292,369
	614,807	627,172

23. ISSUED CAPITAL

	No. of Shares	2022 $	2021 $
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)	(524,929)
	7,757,784	7,032,430	7,032,430

24. CAPITAL COMMITMENTS

Capital Expenditure Commitments

	2022	2021
Capital expenditure commitments contracted for:	$	$
Network infrastructure	37,000	314,355
	37,000	314,355
Payable:		
No later than 12 months	37,000	73,350
Between 12 months and 5 years	-	241,006
	37,000	314,356

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.

At 30 June 2022 the Group has recognised Provisions of $300,000 which relate to deferred consideration payable for the acquisition of assets from MGR Information Technology Pty Ltd (refer to Note 13 for further details of asset acquisitions). Payment of this amount is contingent on the retention of gross revenue being derived from the provision of goods and services to the acquired customer base. If gross revenue generated from acquired customers is less than 10% of the agreed gross revenue target, this would give rise to a reduction in provisions of $300,000 and an increase in other income of $300,000 for the year ended 30 June 2023.

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

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

Major customers

During the year ended 30 June 2022 approximately 36.0% (2021: 36.4%) of Bendigo Telco's external revenue was derived from sales to one customer (2021: one customer).

Revenue by division and product set for the period ending 30 June 2022

	Voice Services	Network Services	IT Services	Total
	$	$	$	$
Revenue from sales of services recognised over time				
Fixed Voice Services	2,041,977	-	-	2,041,977
SIP, VOIP, NBN Voice Services	3,527,095	-	-	3,527,095
VPN Products	-	9,221,375	-	9,221,375
Mobile Phone Services	2,157,843	-	-	2,157,843
E-Solutions Products	-	-	180,523	180,523
DSL Internet Services	-	108,691	-	108,691
NBN Internet Services	-	3,342,104	-	3,342,104
IT Services	-	-	837,122	837,122
Data Centre and MAN	-	-	2,684,200	2,684,200
Cloud Infrastructure Services	-	-	1,341,898	1,341,898
	7,726,915	12,672,170	5,043,743	25,442,828
Revenue from sale of goods recognised at point in time				
Mobile Phone Services	49,855	-	-	49,855
NBN Internet Services	-	15,134	-	15,134
Hardware and Installations	-	-	1,081,426	1,081,426
	49,855	15,134	1,081,426	1,146,415
Other Income				
Gain on remeasurement of right-of-use asset	44,913	44,913	44,914	134,740
	44,913	44,913	44,914	134,740
Finance Income				
Interest received	103	103	103	309
	103	103	103	309
Total revenue from contracts with customers	7,821,786	12,732,320	6,170,186	26,724,292
Interest expense				(127,741)
Depreciation and amortisation				(2,337,545)
Other expenses				(23,860,871)
Profit before income tax expense				398,135

Revenue by division and product set for the period ending 30 June 2021

	Voice Services	Network Services	IT Services	Total
	$	$	$	$
Revenue from sales of services recognised over time				
Fixed Voice Services	3,592,556	-	-	3,592,556
SIP, VOIP, NBN Voice Services	3,834,912	-	-	3,834,912
VPN Products	-	10,058,586	-	10,058,586
Mobile Phone Services	2,330,052	-	-	2,330,052
E-Solutions Products	-	-	122,259	122,259
DSL Internet Services	-	379,713	-	379,713
NBN Internet Services	-	3,396,391	-	3,396,391
IT Services	-	-	250,250	250,250
Data Centre and MAN	-	-	2,767,956	2,767,956
Cloud Infrastructure Services	-	-	2,317,478	2,317,478
	9,757,520	13,834,690	5,457,943	29,050,153
Revenue from sale of goods recognised at point in time				
Mobile Phone Services	72,255	-	-	72,255
NBN Internet Services	-	41,916	-	41,916
Hardware and Installations	-	-	553,771	553,771
	72,255	41,916	553,771	667,942
Other Income				
Profit on sale of assets	2,933	2,933	2,934	8,800
Government Grants	16,667	16,667	16,666	50,000
	19,600	19,600	19,600	58,800
Finance Income				
Interest received	347	347	346	1,040
	347	347	346	1,040
Total revenue from contracts with customers	9,849,722	13,896,553	6,031,660	29,777,935
Interest expense				(191,670)
Depreciation and amortisation				(2,437,878)
Other expenses				(25,590,132)
Profit before income tax expense				1,558,255

Assets & Liabilities

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

27. CASH FLOW INFORMATION

	2022 $	2021 $
Reconciliation of net cash provided by operating activities with		
Profit after income tax	251,815	1,036,754
Non-cash flows in profit:		
Depreciation and amortisation	2,337,545	2,437,878
Loss / (Profit) on sale of assets	382	(8,800)
Gain on remeasurement of lease liability	(134,740)	-
Change in assets and liabilities		
(Increase)/decrease in assets and Increase/(decrease) in liabilities		
Receivables	(270,475)	(230,948)
Prepayments	(43,724)	632,328
Inventories	(73,268)	27,261
Deferred tax asset	12,365	107,992
Accounts payable	549,954	(634,183)
Provisions	88,540	34,496
Taxation	(368,916)	(351,991)
Issued capital	-	(8,150)
Net cash flow from operating activities	2,349,478	3,042,637

28. EVENTS AFTER THE REPORTING PERIOD

Since the end of the financial year a final dividend in the amount of 2.0 cents per share was declared by the Board of Directors on 31 August 2022 which will be distributed to shareholders on 30 September 2022.

Since the end of the financial year the Group has surrendered the final year of the building lease for Edwards Road, Bendigo (Bendigo Data Centre) and entered into a five year extension, with an option for a further five years. This will not impact the Group's profit but there is an estimated increase to Right-of-use Assets and Lease Liabilities of $924,150 when brought to account 1 September 2022.

At 30 June 2022, the Group recorded non-current borrowings payable to Bendigo and Adelaide Bank Limited of $1,565,982, which included the following:

- Principal and interest loan of $65,550, which is due and payable during July and August 2023
- Interest only loan of $1,500,432, which is due and payable in August 2023.

Refer to Note 18 for further information regarding the terms and conditions of the Group's borrowing facilities.

Since the end of the financial year, in August 2022 the classification of these borrowings has changed from a non-current liability to a current liability on the statement of financial position, significantly reducing the Group's working capital position by $1,565,982. The maturity of the Group's $1,500,432 interest only facility is the key driver for the reduction in working capital subsequent to the end of the financial year.

Whilst negotiations to refinance the Group's interest only facility are yet to commence subsequent to the end of the financial year, the directors have a reasonable expectation the interest only facility will be refinanced on terms and conditions that are acceptable to the Group. Refer to Note 1 for further information regarding going concern.

Since the end of the financial year the Group has agreed to acquire the Managed Services customer list of a Bendigo based business.

The total purchase price of $250,000 will be paid by cash with full settlement expected to be completed in early September 2022.

The acquisition will add additional managed services customers and aligns to the Groups strategy of growing its service-based business.

29. RETIREMENT BENEFITS AND SUPERANNUATION PAYMENTS

	2022 $	2021 $
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
Kevin Dole
Rodney Payne
Jonathan Selkirk
Gregory Gillett
Nicole Rooke

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

Directors Shareholdings	2022 No.	2021 No.
Robert Hunt	513,758	513,758
Donald Erskine	939,326	939,326
Kevin Dole	-	-
Jonathan Selkirk	-	-
Rodney Payne	16,732	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**
Financial assets		
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.
Financial liabilities		
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.

	Notes	Fixed Interest Rate Maturing			
		Weighted Average Effective Interest		Floating Interest Rate	
		2022	2021	2022	2021
		%	%	$	$
Financial Assets					
Cash or Cash Equivalents	10	-	-	761,953	2,998,818
Short-term Deposits	10	0.53	0.53	100,174	100,000
Accounts Receivable - Debtors	11	-	-	-	-
Total Financial Assets		0.53	0.53	862,127	3,098,818
Financial Liabilities					
Creditors & Accruals	17(i)	-	-	-	-
Bank Loans	18	0.35	0.10	-	-
Lease Liabilities	19	1.78	4.00	-	-
Total Financial Liabilities		2.13	4.10	-	-

		Within 1 Year		1 to 5 years	
		2022	2021	2022	2021
		$	$	$	$
Financial Assets					
Cash or Cash Equivalents	10	-	-	-	-
Short-term Deposits	10	-	-	-	-
Accounts Receivable - Debtors	11	-	-	-	-
Total Financial Assets		-	-	-	-
Financial Liabilities					
Creditors & Accruals	17(i)	-	-	-	-
Bank Loans	18	398,206	396,859	65,550	462,919
Lease Liabilities	19	1,025,093	1,513,061	823,193	2,149,289
Total Financial Liabilities		1,423,299	1,909,920	888,743	2,612,208

		Over 5 years		Non Interest Bearing	
		2022	2021	2022	2021
		$	$	$	$
Financial Assets					
Cash or Cash Equivalents	10	-	-	-	-
Short-term Deposits	10	-	-	-	-
Accounts Receivable - Debtors	11	-	-	1,590,208	1,319,733
Total Financial Assets		-	-	1,590,208	1,319,733
Financial Liabilities					
Creditors & Accruals	17(i)	-	-	1,682,125	1,137,919
Bank Loans	18	1,500,432	1,500,123	-	-
Lease Liabilities	19	60,462	1,319,944	-	-
Total Financial Liabilities		1,560,894	2,820,067	1,682,125	1,137,919

	Notes	Total 2022 $	Total 2021 $
Financial Assets			
Cash or Cash Equivalents	10	761,953	2,998,818
Short-term Deposits	10	100,174	100,000
Accounts Receivable - Debtors	11	1,590,208	1,319,733
Total Financial Assets		2,452,335	4,418,551
Financial Liabilities			
Creditors & Accruals	17(i)	1,682,125	1,137,919
Bank Loans	18	1,964,188	2,359,901
Lease Liabilities	19	1,820,009	4,399,221
Total Financial Liabilities		5,466,322	7,897,041

Creditors and accruals are expected to be paid as follows:	2022 $	2021 $
Less than 6 months	1,682,125	1,137,919
6 months to 1 year	-	-
1 – 5 years	-	-
Over 5 years	-	-
	1,682,125	1,137,919

(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 the Group which have been recognised on the Statement of Financial Position is the carrying amount net of any provisions for impairment.

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.

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 2022 $	Carrying Amount 2021 $
Cash or Cash Equivalents	10	862,127	3,098,818
Trade & Other Receivables	11	1,590,208	1,319,733
		2,452,335	4,418,551

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 $
30 June 2022	Notes					
Financial Liabilities						
Trade and other payables	17(i)	1,682,125	1,682,125	1,682,125	-	-
Bank Loans	18	1,964,188	1,964,188	398,206	65,550	1,500,432
Lease Liabilities	19	1,820,009	1,908,748	1,025,093	823,193	60,462
Total financial liabilities		5,466,322	5,555,061	3,105,424	888,743	1,560,894

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:

		Total Carrying Amount per Statement of Financial Position		Aggregate Net Fair Values	
		2022	2021	2022	2021
Financial Instruments	Notes	$	$	$	$
Financial assets					
Cash or cash equivalents	10	761,953	2,998,818	761,953	2,998,818
Short-term bank deposits	10	100,174	100,000	100,174	100,000
Accounts receivable - debtors	11	1,590,208	1,319,733	1,590,208	1,319,733
Total financial assets		2,452,335	4,418,551	2,452,335	4,418,551
Financial liabilities					
Creditors and accruals	17(i)	1,682,125	1,137,919	1,682,125	1,137,919
Bank Loans	18	1,964,188	2,359,901	1,964,188	2,359,901
Lease Liabilities	19	1,820,009	4,399,221	1,820,009	4,399,221
Total financial liabilities		5,466,322	7,897,041	5,466,322	7,897,041

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 2022, 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:

	2022 $	2021 $
Change in profit		
Increase in interest rate by 2%	39,609	72,197
Decrease in interest rate by 2%	(39,609)	(72,197)
Change in equity		
Increase in interest rate by 2%	39,609	72,197
Decrease in interest rate by 2%	(39,609)	(72,197)

32. CORRECTION OF PRIOR PERIOD ERRORS

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

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

33. REGISTERED OFFICE/PRINCIPAL PLACES OF BUSINESS

Registered Office
121 Edwards Road, Bendigo, Victoria.

Principal Places of Business
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.
Shop 25 Bendigo Bank Central, Bath Lane, Bendigo, Victoria
Shop 34 Bendigo Bank Central, Bath Lane, Bendigo, Victoria
1 Somerville Street, Bendigo Victoria.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bendigo Telco Limited (the Group), 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 2022 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 2022, 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	Donald Erskine
Chairman	Director

Signed on 31 August 2022

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

Report on the audit of the financial Report

Our opinion

In our opinion, the financial report of Bendigo Telco Ltd (the Company) and its subsidiaries (collectively the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Act 2001.*

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 of the financial report, which discloses the following:

- At 30 June 2022, the Group recorded a working capital deficiency of $442,139, with current liabilities of $4,512,117 exceeding current assets of $4,069,978
- Subsequent to year-end, in August 2022, $1,565,982 of the Group's borrowing facilities were reclassified from non-current liabilities to current liabilities
- Subsequent to year-end, in August 2022, the Group entered into negotiations to acquire a Managed Service customer list for $250,000 with settlement expected to occur in September 2022
- Subsequent to year-end, in August 2022, the directors declared a fully franked dividend of $155,156 payable on 30 September 2022.

The directors have concluded the going concern basis is appropriate and that this position does not give rise to material uncertainty over going concern for the following reasons:

- The directors have a reasonable expectation the Group's $1,500,432 interest only borrowing facility will be refinanced on terms and conditions that are acceptable to the Group prior to maturity in August 2023.
- The directors have access to a $500,000 bank overdraft which the directors consider sufficient to manage the Group's working capital deficiency, subject to the Group's interest only borrowing facility being refinanced on terms and conditions acceptable to the Group prior to maturity in August 2023 as noted above.
- The Group's current liabilities include provisions of $300,000 for deferred contingent consideration relating to the final payment associated with the Group's asset acquisition that occurred in May 2022. Management expect net cash flows generated from the asset acquisitions will be sufficient to fund the settlement of the provision in May 2023.

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What we have audited

The Group's financial report comprises the following:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of profit or loss and other comprehensive income for the year then ended
- Consolidated statement of changes in equity for the year then ended
- Consolidated statement of cash flows for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory notes
- The directors' declaration of the Group.

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 Group 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.

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 2022, 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.

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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
Impairment of goodwill and intangible assets	
Given the changing nature of the industry in which the Group operates, there is a risk there could be a material impairment to goodwill and intangible asset balances. 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. 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 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. We evaluated the reasonableness of key assumptions used in the impairment model including the discount rate, terminal growth rates and forecast growth assumptions. 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.
Capitalisation and asset lives	
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: ▪ the decision to capitalise expense costs ▪ the annual asset life review ▪ the timeliness of the transfer from assets in the course of construction.	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. We also performed testing on the application of the asset life review. This testing included assessing judgements made by the Group on: 1. The nature of underlying cost capitalised 2. The appropriateness of assets lives applied in the calculation of depreciation and amortisation. We evaluated the adequacy of disclosures included in Note 1.

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Key audit matter	How our audit addressed the matter
Revenue recognition	
There are significant judgement areas relating to revenue recognition. These are: ▪ accounting for new products and plans including multiple element arrangements ▪ accounting for large and complex service contracts. 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.	Our audit procedures to address the risk of material misstatement relating to revenue recognition included: 1. 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. 2. Detailed analysis of revenue based on expectations derived from our industry knowledge and following up variances from our expectations. 3. Detailed substantive testing of significant revenue balances. We evaluated the Group's accounting policies and disclosures about its revenue recognition included in Note 1 and Note 3 for compliance with Australian Accounting Standards (AASBs).
Asset acquisitions	
There are significant judgement areas relating to determining whether the acquisition of a business gives rise to a business combination under AASB 3 *Business Combinations* or an asset acquisition. This requires management to consider: ▪ if acquired processes are critical to the Group's ability to continue producing outputs ▪ do the inputs acquired include an organised workforce that has skills, knowledge or experience to perform that process ▪ is the acquired process considered scarce or unique, or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs ▪ does the acquired process significantly contribute to the ability to continue producing outputs. Further, in accounting for an asset acquisition, management are required to recognise individual identifiable assets acquired and liabilities assumed at fair value.	Our audit procedures to address the risk of material misstatement relating to asset acquisitions and business combinations included: 1. Review contract of sale and identify key terms and conditions 2. Confirm our understanding of the businesses acquired including the nature of acquired processes 3. Assess whether acquired processes are considered substantive to the Group 4. Substantiate fair value of individual identifiable assets to supporting documentation 5. Test residual fair value allocated to acquisition of customer list (including capitalisation of purchase costs), ensuring no recognition of goodwill or deferred tax assets/liabilities on acquisition.

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Key audit matter	How our audit addressed the matter
Reliance on automated processes and controls	
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: ▪ complex IT environment supporting diverse business processes ▪ mix of manual and automated controls ▪ multiple internal and outsourced support arrangements ▪ complexity of the billing systems which result in revenue being recognised.	Our audit procedures to address the risk of material misstatement relating to reliance on automated processes and controls included: 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. 2. Detailed analysis of revenue and expenditure based on expectations derived from our industry knowledge and following up variances from our expectations. 3. Detailed substantive testing of significant revenue and expenditure balances. 4. Assessing the competence of each service organisation's auditors, where reliance is placed on data obtained from those service organisations.

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.

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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 Group's internal control

- 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 Group'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 Group 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.

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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 2022.

In our opinion, the Remuneration Report of the Group, for the year ended 30 June 2022, 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated this 31st day of August 2022

Joshua Griffin
Lead Auditor

SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 1 August 2022.

Distribution of Shareholders

Category	Number of Holders
1 - 1,000	137
1,001 - 5,000	242
5,001 - 10,000	67
10,001 - 100,000	59
100,001 and over	6
	511

The number of shareholdings held in less than marketable parcels is 38.

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	120,000	1.6%
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	4,880,289	62.91%