

FORM: Preliminary final report

Name of *issuer*

Bendigo Telco Limited

ACN or ARBN

88 089 782 203

Half yearly
(tick)

Preliminary
final (tick)

✓

Half year/financial year ended
(‘Current period’)

30 June 2022

For announcement to the market

Extracts from this statement for announcement to the market (*see note 1*).

				\$A,000
Revenue (<i>item 1.1</i>)	down	10%	to	26,724
Profit (loss) for the period (<i>item 1.9</i>)	down	76%	to	252
Profit (loss) for the period attributable to members of the parent (<i>item 1.11</i>)	down	76%	to	252
Dividends		Current period		Previous corresponding period
Franking rate applicable:		100%		100%
Final dividend (<i>preliminary final report only</i>)(<i>item 10.13-10.14</i>)				
Amount per <i>security</i>		2.0 cents		7.5 cents
Franked amount per <i>security</i>		2.0 cents		7.5 cents
Interim dividend (<i>Half yearly report only</i>) (<i>item 10.11 – 10.12</i>)				
Amount per <i>security</i>				
Franked amount per <i>security</i>				
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

Consolidated income statement *(The figures are not equity accounted)**(see note 3)**(as per paragraphs 81-85 and 88-94 of AASB 101: Presentation of Financial Statements)*

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues <i>(item 7.1)</i>	26,724	29,778
1.2 Expenses, excluding finance costs <i>(item 7.2)</i>	26,148	27,977
1.3 Finance costs	178	243
1.4 Share of net profits (losses) of associates and joint ventures <i>(item 15.7)</i>	-	-
1.5 Profit (loss) before income tax	398	1,558
1.6 Income tax expense <i>(see note 4)</i>	146	522
1.7 Profit (loss) from continuing operations		
1.8 Profit (loss) from discontinued operations <i>(item 13.3)</i>		
1.9 Profit (loss) for the period	252	1,037
1.10 Profit (loss) attributable to minority interests		
1.11 Profit (loss) attributable to members of the parent	252	1,037
1.12 Basic earnings per <i>security</i> <i>(item 9.1)</i>	3.25	13.36
1.13 Diluted earnings per <i>security</i> <i>(item 9.1)</i>	3.25	13.36
1.14 Dividends per <i>security</i> <i>(item 9.1)</i>	9.50	15.50

Comparison of half-year profits*(Preliminary final statement only)*

	Current period - \$A'000	Previous corresponding period - \$A'000
2.1 Consolidated profit (loss) after tax attributable to members reported for the 1st half year <i>(item 1.11 in the half yearly statement)</i>	121	667
2.2 Consolidated profit (loss) after tax attributable to members for the 2nd half year	131	370

Consolidated balance sheet

(See note 5)

(as per paragraphs 68-69 of AASB 101: Financial Statement Presentation)

Current assets		Current period - \$A'000	Previous corresponding period - \$A'000
3.1	Cash and cash equivalents	862	3,099
3.2	Trade and other receivables	1,900	1,320
3.3	Inventories	151	77
3.4	Prepaid expenses	1,157	1,001
3.5	Total current assets	4,070	5,497
Non-current assets			
3.6	Prepaid expenses	46	159
3.7	Other financial assets		
3.8	Investments in associates		
3.9	Deferred tax assets	615	627
3.10	Exploration and evaluation expenditure capitalised (see para. 71 of AASB 1022 – new standard not yet finalised)		
3.11	Development properties (mining entities)		
3.12	Property, plant and equipment (net)	1,260	1,257
3.13	Investment properties		
3.14	Goodwill	3,484	3,484
3.15	Other intangible assets	2,847	1,180
3.16	Right-of-use assets	2,189	4,889
3.17	Total non-current assets	10,442	11,596
3.18	Total assets	14,512	17,093
Current liabilities			
3.19	Trade and other payables	1,739	1,189
3.20	Short term borrowings	-	-
3.21	Current tax payable	-	59
3.22	Short term provisions	1,394	967
3.23	Current portion of long term borrowings	398	397
3.24	Lease liabilities	981	1,368
3.25	Liabilities directly associated with non-current assets classified as held for sale (para 38 of AASB 5)		
3.26	Total current liabilities	4,512	3,980

Non-current liabilities			
		Current period - \$A'000	Previous corresponding period - \$A'000
3.27	Long-term borrowings	1,566	1,963
3.28	Deferred tax liabilities		
3.29	Long term provisions	98	137
3.30	Lease Liabilities	839	3,031
3.31	Total non-current liabilities	2,503	5,130
3.32	Total liabilities	7,015	9,111
3.33	Net assets	7,497	7,982
	Equity		
3.34	Share capital	7,032	7,032
3.35	Other reserves		
3.36	Retained earnings	465	950
	Amounts recognised directly in equity relating to non-current assets classified as held for sale		
3.37	Parent interest		
3.38	Minority interest		
3.39	Total equity	7,497	7,982

Consolidated statement of changes in equity

(as per paragraphs 96-97 of AASB 101: Presentation of Financial Statements)

	Current period – A\$'000	Previous corresponding period – A\$'000
Revenues recognised directly in equity:		
Expenses recognised directly in equity:		
4.1 Net income recognised directly in equity		
4.2 Profit for the period	252	1,037
4.3 Total recognised income and expense for the period		
Attributable to:		
4.4 Members of the parent		
4.5 Minority interest		
Effect of changes in accounting policy (as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors):		
4.6 Members of the parent entity		
4.7 Minority interest		

Consolidated statement of cash flows

(See note 6)

(as per AASB 107: Cash Flow Statements)

		Current period - \$A'000	Previous corresponding period - \$A'000
	Cash flows related to operating activities		
5.1	Receipts from customers	29,014	33,158
5.2	Payments to suppliers and employees	(26,037)	(29,155)
5.3	Interest paid	(125)	(188)
5.4	Income taxes paid	(503)	(774)
5.5	Interest received	-	1
5.6	Net cash used in operating activities	2,349	3,043
	Cash flows related to investing activities		
5.7	Payments for purchases of property, plant and equipment	(502)	(638)
5.8	Proceeds from sale of property, plant and equipment	36	31
5.9	Payment for purchases of investments		
5.10	Proceeds from sale of equity investments		
5.11	Loans to other entities		
5.12	Loans repaid by other entities		
5.13	Interest and other items of similar nature received		
5.14	Dividends received		
5.15	Purchase of intangible assets	(1,644)	-
5.16	Net cash used in investing activities	(2,110)	(607)
	Cash flows related to financing activities		
5.17	Proceeds from issues of securities (shares, options, etc.)		
5.18	Repayment of lease liabilities	(1,344)	(1,865)
5.19	Repayment of borrowings	(396)	(390)
5.20	Dividends paid	(737)	(1,202)
5.21	Other (provide details if material)		
5.22	Net cash used in financing activities	(2,476)	(3,458)
	Net increase (decrease) in cash and cash equivalents	(2,237)	(1,022)
5.23	Cash at beginning of period (see <i>Reconciliations of cash</i>)	3,099	4,121
5.24	Exchange rate adjustments to item 5.23		
5.25	Cash at end of period (see <i>Reconciliation of cash</i>)	862	3,099

Reconciliation of cash provided by operating activities to profit or loss

(as per paragraph Aus20.1 of AASB 107: Cash Flow Statements)

	Current period \$A'000	Previous corresponding period \$A'000
6.1 Profit <i>(item 1.9)</i>	252	1,037
Adjustments for:		
6.2 Depreciation and amortisation	2,338	2,438
6.3 (Profit)/Loss on sale of assets	-	(9)
6.4 Gain on remeasurement	(135)	-
6.5 Impairment loss on goodwill and intangibles	-	-
6.6 (Increase)/decrease in receivables	(270)	(231)
6.7 (Increase)/decrease in prepayments	(44)	623
6.8 (Increase)/decrease in inventories	(73)	27
6.9 (Increase)/decrease in deferred tax asset	12	108
6.10 Increase/(decrease) in accounts payable	550	(634)
6.11 Increase/(decrease) in provisions	89	35
6.12 Increase/(decrease) in taxation	(369)	(352)
6.13 Increase/(decrease) in issued capital	-	(8)
6.14 Net cash from operating activities <i>(item 5.6)</i>	2,349	3,043

Notes to the financial statements

Details of revenues and expenses

(see note 16)

(Where items of income and expense are material, disclose nature and amount below in accordance with paragraphs 86-87 of AASB 101: Presentation of Financial Statements)

		Current period - \$A'000	Previous corresponding period - \$A'000
	Revenue		
	Sales revenue	26,589	29,718
	Other income	135	60
7.1	Total Revenue	26,724	29,778
	Expenses		
	Cost of products sold	(12,558)	(14,162)
	Salaries and employee benefits	(7,793)	(7,550)
	Systems costs	(1,483)	(1,621)
	General administration costs	(1,509)	(1,715)
	Depreciation and amortisation	(2,338)	(2,348)
	Occupancy and associated costs	(308)	(332)
	Other expenses	(338)	(402)
7.2	Total Expenses	(26,327)	(28,220)
	Profit (loss) before tax	398	1,558

Ratios

		Current period	Previous corresponding period
	Profit before tax / revenue		
8.1	Consolidated profit (loss) before tax (item 1.5) as a percentage of revenue (item 1.1)	1.49%	5.23%
	Profit after tax / equity interests		
8.2	Consolidated profit (loss) after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 3.37)	3.36%	12.99%

Earnings per Security

- 9.1 Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:

Profit for year 2022 - \$251,815 2021 – \$1,036,754

Weighted average number of ordinary shares 2022 – 7,757,784 2021 – 7,757,784

Basic and diluted EPS 2022 – 3.25 cents 2021 – 13.36 cents

Dividends

- 10.1 Date the dividend is payable

30 September 2022

- 10.2 Record date to determine entitlements to the dividend (i.e. on the basis of registerable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)

23 September 2022

- 10.3 If it is a final dividend, has it been declared? Yes

(Preliminary final report only)

- 10.4 The *dividend or distribution plans* shown below are in operation.

n/a

The last date(s) for receipt of election notices to the *dividend or distribution plans*

n/a

- 10.5 Any other disclosures in relation to *dividends or distributions*

n/a

Dividends paid or provided for on all securities*(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)*

		Current period - \$A'000	Previous corresponding period - \$A'000	Franking rate applicable
	Dividends paid or provided for during the reporting period			
10.6	Current year interim	155	465	25%
10.7	Franked dividends			
10.8	Previous year final	582	737	25%
10.9	Franked dividends			
	Dividends proposed and not recognised as a liability			
10.10	Franked dividends	155	582	25%

Dividends per security*(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)*

		Current year	Previous year	Franking rate applicable
	Dividends paid or provided for during the reporting period			
10.11	Current year interim	2.0 cents	6.0 cents	25%
10.12	Franked dividends – cents per share			
10.13	Previous year final	7.5 cents	9.5 cents	25%
10.14	Franked dividends – cents per share			
	Dividends proposed and not recognised as a liability			
10.15	Franked dividends – cents per share	2.0 cents	7.5 cents	25%

Exploration and evaluation expenditure capitalised

To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

	Current period \$A'000	Previous corresponding period \$A'000
11.1 Opening balance	n/a	
11.2 Expenditure incurred during current period		
11.3 Expenditure written off during current period		
11.4 Acquisitions, disposals, revaluation increments, etc.		
11.5 Expenditure transferred to Development Properties		
11.6 Closing balance as shown in the consolidated balance sheet (item 3.10)		

Development properties

(To be completed only by issuers with mining interests if amounts are material)

	Current period \$A'000	Previous corresponding period \$A'000
12.1 Opening balance	n/a	
12.2 Expenditure incurred during current period		
12.3 Expenditure transferred from exploration and evaluation		
12.4 Expenditure written off during current period		
12.5 Acquisitions, disposals, revaluation increments, etc.		
12.6 Expenditure transferred to mine properties		
12.7 Closing balance as shown in the consolidated balance sheet (item 3.11)		

Discontinued Operations

(see note 18)

(as per paragraph 33 of AASB 5: Non-current Assets Held for Sale and Discontinued Operations)

	Current period – A\$'000	Previous corresponding period – A\$'000
13.1 Revenue	n/a	
13.2 Expense		
13.3 Profit (loss) from discontinued operations before income tax		
13.4 Income tax expense <i>(as per para 81 (h) of AASB 112)</i>		
13.5 Gain (loss) on sale/disposal of discontinued operations		
13.6 Income tax expense <i>(as per paragraph 81(h) of AASB 112)</i>		

Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

		Number issued	Number listed	Paid-up value (cents)	Current period – A\$'000	Previous corresponding period – A\$'000
14.1	Preference securities <i>(description)</i>					
14.2	Balance at start of period					
14.3	a) Increases through issues					
14.4	a) Decreases through returns of capital, buybacks etc.					
14.5	Balance at end of period					
14.6	Ordinary securities <i>(description)</i>					
14.7	Balance at start of period	7,757,784	7,757,784	100	7,032	7,041
14.8	a) Increases through issues	-	-	-	-	-
14.9	b) Decreases through returns of capital, buybacks etc.	-	-	-	-	(8)
14.10	Balance at end of period	7,757,784	7,757,784	100	7,032	7,032
14.11	Convertible Debt Securities <i>(description & conversion factor)</i>					
14.12	Balance at start of period					
14.13	a) Increases through issues					
14.14	b) Decreases through maturity, converted.					
14.15	Balance at end of period					

		Number issued	Number listed	Paid-up value (cents)	Current period – A\$'000	Previous corresponding period – A\$'000
14.16	Options <i>(description & conversion factor)</i>					
14.17	Balance at start of period					
14.18	Issued during period					
14.19	Exercised during period					
14.20	Expired during period					
14.21	Balance at end of period					
14.22	Debentures <i>(description)</i>					
14.23	Balance at start of period					
14.24	a) Increases through issues					
14.25	b) Decreases through maturity, converted					
14.26	Balance at end of period					
14.27	Unsecured Notes <i>(description)</i>					
14.28	Balance at start of period					
14.29	a) Increases through issues					
14.30	b) Decreases through maturity, converted					
14.31	Balance at end of period					
14.32	Total Securities					

		Current period – A\$'000	Previous corresponding period – A\$'000
Reserves			
14.33	Balance at start of period		
14.34	Transfers to/from reserves		
14.35	Total for the period		
14.36	Balance at end of period		
14.37	Total reserves		
Retained earnings			
14.38	Balance at start of period	950	1,115
14.39	Profit for the balance	252	1,037
14.40	Recognition of DTA on BSA acquisition	-	-
14.41	Dividends	(737)	(1,202)
14.42	Balance at end of period	465	950

Details of aggregate share of profits (losses) of associates and joint venture entities*(equity method)**(as per paragraph Aus 37.1 of AASB 128: Investments in Associates and paragraph Aus 57.3 of AASB 131: Interests in Joint Ventures)*

Name of associate or joint venture entity

Reporting entities percentage holding

		Current period - \$A'000	Previous corresponding period - \$A'000
15.1	Profit (loss) before income tax		
15.2	Income tax		
15.3	Profit (loss) after tax		
15.4	Impairment losses		
15.5	Reversals of impairment losses		
15.6	Share of non-capital expenditure contracted for (excluding the supply of inventories)		
15.7	Share of net profit (loss) of associates and joint venture entities		

Control gained over entities having material effect*(See note 8)*16.1 Name of *issuer* (or *group*)16.2 Consolidated profit (loss) after tax of the *issuer* (or *group*) since
the date in the current period on which control was acquired16.3 Date from which profit (loss) in *item 16.2* has been calculated16.4 Profit (loss) after tax of the *issuer* (or *group*) for the whole of the
previous corresponding period

\$A'000

Loss of control of entities having material effect*(See note 8)*

17.1 Name of issuer (or group)

17.2 Consolidated profit (loss) after tax of the entity (or *group*) for the current period to the date of loss of control17.3 Date from which the profit (loss) in *item 17.2* has been calculated17.4 Consolidated profit (loss) after tax of the entity (or *group*) while controlled during the whole of the previous corresponding period

17.5 Contribution to consolidated profit (loss) from sale of interest leading to loss of control

\$A'000

Material interests in entities which are not controlled entities*The economic entity has an interest (that is material to it) in the following entities.*

		Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal		Contribution to profit (loss) (<i>item 1.9</i>)	
18.1	Equity accounted associated entities	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period \$A'000
				<i>Equity accounted</i>	
18.2	Total				
18.3	Other material interests			Non equity accounted (i.e. part of <i>item 1.9</i>)	
18.4	Total				

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 114: Segment Reporting. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 114 and indicates which amount should agree with items included elsewhere in this statement.

		Current period - \$A'000	Previous corresponding period - \$A'000
Segments			
Revenue:			
19.1	External sales	26,589	29,718
19.2	Inter-segment sales		
19.3	Total (consolidated total equal to <i>item 1.1</i>)	26,589	29,718
19.4	Segment result	2,773	4,171
19.5	Unallocated expenses	(2,375)	(2,613)
19.6	Operating profit (equal to <i>item 1.5</i>)	398	1,558
19.7	Interest expense	(178)	(243)
19.8	Interest income	-	1
19.9	Share of profits of associates		
19.10	Income tax expense	(146)	(522)
19.11	Net profit (consolidated total equal to <i>item 1.9</i>)	253	1,037
Other information			
19.12	Segment assets		
19.13	Investments in equity method associates		
19.14	Unallocated assets		
19.15	Total assets (equal to <i>item 3.18</i>)		
19.16	Segment liabilities		
19.17	Unallocated liabilities		
19.18	Total liabilities (equal to <i>item 3.32</i>)		
19.19	Capital expenditure		
19.20	Depreciation		
19.21	Other non-cash expenses		

NTA Backing

(see note 7)

20.1	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.07	\$0.35

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show the comparative amount.

21.1	n/a
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International Financial Reporting Standards

Under paragraph 39 of AASB 1: First –time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.

22.1	n/a
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Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.

22.2	n/a
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Comments by directors

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 134: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) but may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 134: Interim Financial Reporting. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. This report does not include all notes of the type normally included in an annual financial report [Delete if inapplicable.]

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible). In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations (as per paragraphs 16(b), 16(b) and Aus 16.1 of AASB 134: Interim Financial Reporting)

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 of full financial report 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 of full financial report 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.

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

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 of the full financial report 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:

- Proposed 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 of the full financial report 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.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

It is expected, based on the history of dividends payments, that dividends will be 100% franked over the next year.

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph 16(a) of AASB 134: Interim Financial Reporting. Disclose changes in the preliminary final statement in accordance with paragraphs 28-29 of 108: Accounting Policies, Changes in Accounting Estimates and Errors.)

An issuer shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. *(as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)*

n/a

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year *(as per paragraph 16(d) of AASB 134: Interim Financial Reporting)*

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.

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last annual report *(as per paragraph 16(j) of AASB 134: Interim Financial Reporting)*

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 of full financial report 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.

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence (as per paragraph 16(c) of AASB 134: Interim Financial Reporting)

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations (as per paragraph 16(i) of AASB 134: Interim Financial Reporting)

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) of full financial report 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.

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

Consideration paid of \$1,418,649 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, which is disclosed as a provision at 30 June 2022 (refer to Note 21 of full financial report), 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 of full financial report for further information regarding the Group's contingent assets and liabilities.

Annual meeting*(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

Bendigo Telco
5 Innovation Court
Kennington, VIC 3550

Date

Wednesday, 19 October 2022

Time

6.00 pm

Approximate date the annual report will be available

01/09/2022

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

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2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

☒ The financial statements have been audited. ☐ The financial statements have been subject to review by a registered auditor (or overseas equivalent).

☐ The financial statements are in the process of being audited or subject to review. ☐ The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* has a formally constituted audit committee.

Sign here:



Company Secretary

Date: 31/08/2022

Print name: Ken Belfrage

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. *Issuers* are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.
2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.
3. **Consolidated statement of financial performance**
 - Item 1.1 The definition of "revenue" is set out in *AASB 118: Revenue*
 - Item 1.6 This item refers to the total tax attributable to the amount shown in *item 1.5*. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg. fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the issuer must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franking rate applicable" for items in *section 9*.
5. **Consolidated statement of financial position**

Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 134: Interim Financial Reporting*, and *AASB 101: Presentation of Financial Statements*. Banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 116: Property, Plant and Equipment*. If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
6. **Consolidated statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 107: Cash Flow Statements*. *Issuers* should follow the form as closely as possible, but variations are permitted if the *directors* (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 107*.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary *securities* (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security*.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer's* consolidated operating profit (loss) after tax by more than 5% compared to the previous corresponding period.
9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.
10. **Rounding of figures** This statement anticipates that the information required is given to the nearest \$1,000. However, an *issuer* may report exact figures, if the \$A'000 headings are amended. If an *issuer* qualifies under ASIC Class Order 98/0100 dated 15 July 2004, it may report to the nearest million

dollars, or to the nearest \$100,000, if the \$A'000 headings are amended.

11. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 101: Presentation of Financial Statements* or *AASB 134: Interim Financial Reporting* as appropriate and are the unadjusted figures from the last annual or half year report as appropriate. However, if the previously reported figures are adjusted to achieve greater comparability, in accordance with an accounting standard or other reason, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.
12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the listing rules for an *issuer* to complete this statement does not prevent the *issuer* issuing statements more frequently. Additional material lodged with the *ASIC* under the *Corporations Act* must also be given to the *Exchange*. For example, a *directors'* report and declaration, if lodged with the *ASIC*, must be given to the *Exchange*.
13. **Accounting Standards** the *Exchange* will accept, for example, the use of International Accounting Standards for *foreign issuers*. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
14. **Borrowing corporations** This statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards.
15. **Details of expenses** *AASB 101: Presentation of Financial Statements* requires disclosure of expenses according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*. *Issuers* must disclose details of expenses using the layout (by nature or function) employed in their accounts.

The information in *items 7.1 - 7.2* may be provided in an attachment to Appendix 3

Relevant items *AASB 101: Presentation of Financial Statements* requires the separate disclosure of specific revenues and expenses which are of a size, nature or incidence that disclosure is *relevant*, as defined in *AASB 101*, in explaining the financial performance of the *issuer*. There is an equivalent requirement in *AASB 134: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*.

16. **Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.
17. **Discontinuing operations**
Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by *paragraph 7.5 (g) of AASB 134: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their accounts in accordance with *AASB 5: Non-current Assets for Sale and Discontinued Operations*. In any case, the information may be provided as an attachment to this Appendix 3.