



Bendigo Telco

2022

Concise Financial Report





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Chairman and Managing Director's Report

Dear Shareholders

On behalf of the Board and the Executive team we thank you for your ongoing support and commitment during the past year. Our business continues to support the delivery of our customer success which is only made possible by the commitment of you, our shareholders, our customers, and our team of dedicated people. Our vision to be our customers' preferred technology partner continues to guide our strategy and the investments we are making in your business.

Whilst our communities and economy are adapting to many changes, some of which were thrust upon us as a result of the COVID-19 pandemic,

we continue to focus on delivering on the needs of our customers - which are no different to the fundamental principles of why your business was formed over two decades ago.

Last year we signalled the need for your business to enhance its strategy, its investments, and its priorities to ensure we are in a position to deal with ever-changing telecommunications market conditions. As a result, we have been diversifying into providing a broader array of technology-based services to our customers and communities.

The level of demand from customers is confirming that our vision to be their preferred technology partner is sound.

Our business was formed from a need to address a market gap in the delivery of voice and network capabilities. As demand for technology within businesses and digitised services continues to underpin customer and community needs, our breadth of services will continue to grow. We will continue to work with industry partners and markets to address the gaps and deliver upon the needs for our customers.

With the introduction of industry leading technology changes, loss of revenues from our traditional fixed line business, new technologies and increased use of digital solutions across all businesses, we have been

1999

The Beginning

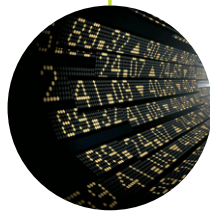
Bendigo Community Telco established by a consortium of local businesses.



2005

Stock Exchange Listing

Bendigo Community Telco listed on the National Stock Exchange.



2009

Metro Area Network

Completion of a fibre-ring operating in Bendigo.



2003

Our First Data Centre

Central Victoria's Innovation Park officially opens. Bendigo Data Centre begins operating.



2006

Building Our Fibre Network

Private fibre assets installed throughout Bendigo.



2011

First MPLS VPN

Awarded the Bendigo Bank BEN3 network contract. The first MPLS VPN deployed.

implementing services to support workplace productivity, adoption of cloud and consultancy services.

During the year we have made significant investment in our people, our customer connections and our products and services, along with the continued streamlining of our service model, as a result of our active engagement with existing and new customers and communities.

As expected, we experienced a reduction in revenues in some of our legacy products and services but we are confident we can supply quality products and solutions to our customer base across our individual markets.

Changes in the availability of technology through the adoption of cloud-based services and strategic partnering has enabled our business to modernise a number of traditional voice-based products and services whilst bringing other new products to market. In addition to new products, we have also implemented an industry leading service management platform, *Service Now*, that will boost our service capabilities across the entire group.

This investment in service management will underpin all future developments and automation in support of servicing our customers.

Financial Results

This year's results reflect the continued changes in the telecommunications market through evolution in technology and pricing changes as well as the ongoing investment we are making in modernising our product set.

The business has delivered a NPAT of \$252,000 with revenue of \$26.59m and a reported EBITDA of \$2.86m.

These results have provided the Board with the opportunity to declare a fully franked dividend of 2.0 cents for the final half year, bringing the total dividends paid from the FY22 trading year to 4.0 cents.

2011 Private Cloud Enablement

vSphere Cloud Infrastructure deployed at Bendigo Data Centre.



2014 First NBN Connection

Bendigo Telco becomes one of the first RSPs to onboard NBN. Wheelers Hill Bendigo Bank branch brought online.



2022 Your Preferred Technology Partner

Acquisition of MGR-IT and Hi-Tech businesses. Expansion of Services Teams, building on the strength of our existing "connections" businesses, as a single technology partner for our customers.



2014 Expansion

New offices open in Ballarat, Geelong and Tasmania.



2020 New Strategy

"Next Generation Bendigo Telco" strategy launched focussing on a whole of business transformation and new operating model to position the business and our customers for success.



2021 100GIG Bendigo

Previously only available in the world's biggest cities, businesses in Bendigo's city centre are invited to join the Bendigo and Adelaide Bank, City of Greater Bendigo, Bendigo Health and Coliban Water in accessing Bendigo Telco's 100 gigabit data link.



Chairman and Managing Director's Report

Whilst making the abovementioned strategic changes and undertaking our investment program, we have continued to produce an underlying cash profit and we are progressively building new revenues from activities we know will be valued across our new and existing customer and community base.

Growth Opportunity

During the year we successfully executed the acquisition of two businesses.

The MGR Information Technology Managed Services and Hitech telecommunications businesses were purchased to support a growth strategy in our services product lines.

Both these businesses were very complimentary to our customer led strategy and their acquisition supports our vision to grow our services product lines.

Through the acquisitions we will see growth in new markets, adopt additional services and gain additional capacity and resources in a very buoyant employment market.

The growth of our business will continue to be underpinned by talented people, whom we believe are not only our biggest asset but strongest advocates. Employing and locating all our expert technology staff in the regions in which we operate is a sign of our ethos of 'supporting successful communities leads to successful local economies'. Our approach ensures our customers have a partner focused on ensuring they can operate with no disadvantage to their capital city and global competitors.

As we continued to explore growth opportunities for the business, we also invested in establishing a new Customer Experience Centre (retail outlet) in Bendigo.

The positioning of this new Experience Centre on a busy CBD corner gives our business a significant amount of brand exposure as well as providing a location where we can promote the use of technology to our customers and on-sell our products and services. We see our role as an important one in bringing technology to our communities and having such an outlet supports this purpose.

Upcoming year

As we embark on our next financial year, we will continue to deliver on our customer led strategy as we prove ourselves to be a worthy technology partner for our customers. We will continue to grow our business, whether it be a combination of organic growth by realising the benefits of the investments we have made, or by exploring further acquisitions where it makes sense to support customer demand and value for you, our shareholders.



\$26,589,243

-10.53%

Total Company Revenue



\$2,863,421

-31.64%

EBITDA



\$251,815

-75.70%

NPAT

All growth activities are assessed to ensure they have a balance across our key strategic themes of:

- Ensuring we invest in the people and talent for the future business
- Our customers continue to be at the forefront of all our service offerings
- Communities, whether geographic or industry, are a key differentiator for joint success
- Our business needs to maintain a quality level of operations and delivery and cost efficiencies
- Prudent financial management for the sustainability of our business ensuring value for shareholders

There are clear opportunities for our business as we continue to add value in the markets we serve. We are confident under the leadership of our Managing Director and his leadership team we will continue to successfully operate in this ever-changing telco

technology marketplace, add value to our communities and produce an acceptable return on your shareholder capital.

Acknowledgements

On behalf of the Board and the Executive leadership team we would like to thank you, our valued shareholders, for your ongoing commitment and support.

As a business, the commitment we make to the success of our customers is paramount in everything we do, so we would like to extend a thank you to all our customers and communities who provide us with the opportunity and privilege to support you in the execution of your strategies.

As Chair and Managing Director we would like to extend a thank you to our fellow Board members for their ongoing support in providing prudent governance and advice.

In conclusion, to each of our valued staff members and the support they receive from their families and friends, your commitment, support, and dedication in delivering upon the success of our customers is greatly valued.



Rob Hunt
Chairman

Kevin Dole
Managing Director



\$2,349,478

-22.78%

Cash Flow from Operating Activities



3.2c

EPS based on NPAT



4.0c

FY22 Dividend

Strategic Partnerships and Innovation

When Bendigo Telco was founded in 1999 by a consortium of local businesses, including the Bendigo Bank, building enduring and strong relationships was a key objective.

In our Annual Report last year we shared the important work of our contribution to the Victorian State Government's initiative to plan for investments supporting a regional digital economy within a partnership of six LGAs, including City of Greater Bendigo. This initiative led by Regional Development Victoria (RDV) has led to closer working relationships with two of Victoria's leading industry-aligned universities, La Trobe University and Deakin University. The innovations delivered from these university programs will feed into our strategic direction and alignment with regional industries and businesses.



LA TROBE
UNIVERSITY

La Trobe University

The Central Victoria Advanced Manufacturing (CVAM) group was launched in 2020 to bring digital transformation and advanced manufacturing to Bendigo. This unique partnership between La Trobe University, the City of Greater Bendigo and the Bendigo Regional Manufacturing Group, supported by Fraunhofer IESE in Kaiserslautern, Germany, is helping to bridge the gap between research and practice, and create growth and prosperity for the region, which aligns strongly to Bendigo Telco's values.

The initial partnership for Bendigo Telco was through the **Digital Network project**. A Geospatial Information System was used to create a digital model of Bendigo Telco's optical fibre network under Bendigo. It has assisted us and other partners to plan for the network upgrade and interconnection needed for Bendigo's 100G City project.



From this preliminary involvement the partnership has now blossomed into working with other members of the Bendigo Regional Manufacturing Group within the University's **Strategic University Reform Fund (SURF)** program. This program's purpose is to create strong links between higher education institutions and business and industry; through enhancing collaboration between universities and local employers, improving commercialisation of applied research and enabling Government to work with the sector to respond to local priorities.

The program is investing in Manufacturing 4.0 projects that leverage IoT networks, sensors and data to drive digital transformation of advanced manufacturing processes.

The cohort of businesses within the program include Ceramic Oxide Fabricators, Australian Turntables Company, Hofmann Engineering, Don KR Castlemaine, MSD Animal Health Bendigo, Bendigo Pottery and AgCloud.

Bendigo Telco's exposure to this program, and contribution to individual projects, is setting the foundations for future growth at an industry level as well as with developing advanced skills and partnerships in the cloud / IoT / data / AI space.



Deakin University

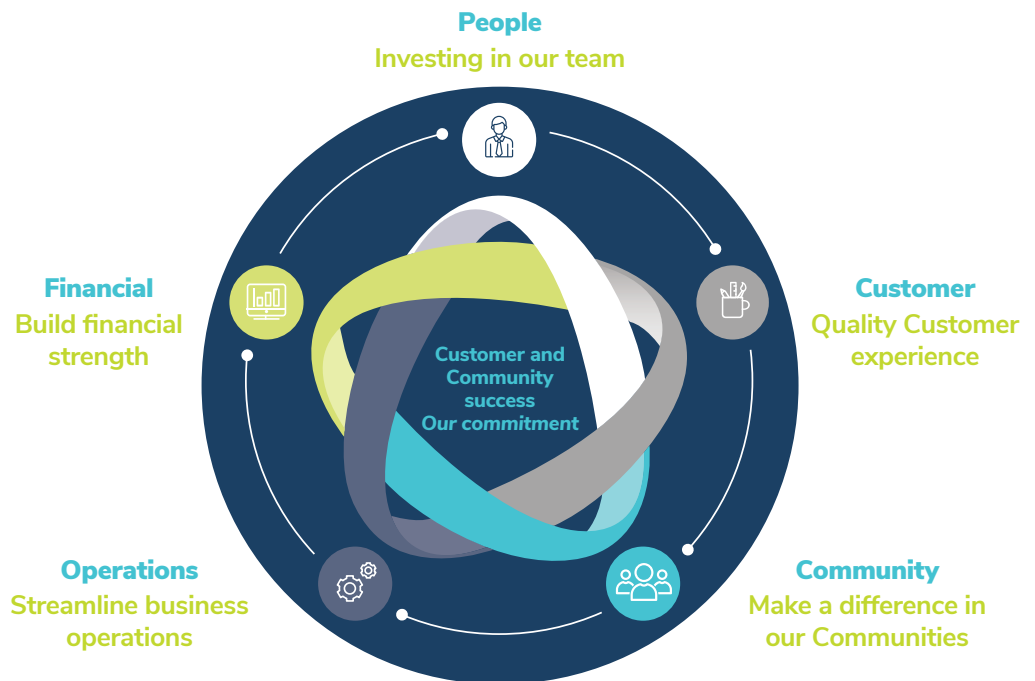
Bendigo Telco has also been actively engaged with Deakin University throughout this year with their **ManuFutures** team participating as a contributor to the inaugural 12 week **Ignite** program, a start-up incubation program for ten "Manufacturing 4.0" innovation business start-ups. Our contribution is aligned to IT strategy and cyber security planning for these future businesses. We have been invited to contribute to the second running of this program, which will commence in late 2022.

In addition, Bendigo Telco is in the early stages of co-developing a new funded program with Deakin known as **Digital Futures**, with the purpose of driving digital uplift and initiatives across regional Victorian businesses. The program is clearly very strongly aligned to our purpose and aspirations.

Business Growth

Last year we introduced the need to review our business to ensure we continue to remain relevant, connected and committed to delivering successful outcomes for our customers.

The work undertaken restated our Purpose, our Vision and renewed our strategic priorities. Our business strategy is delivered through a balanced investment in our People, our Customers and Communities, our Business Operations and Financial governance.



Our focus on the areas of People, Customer, Community, Operations and Finance has been fundamental in taking the next step in our transformation as we now *Position for Growth*.

We signalled the need for our business to enhance its strategy, its investments, and its priorities to ensure we are in a position to deal with the ever-changing needs of our customers.

Through our customer-led strategy we continued to look for opportunities to strengthen our business and invest in existing and new capabilities.

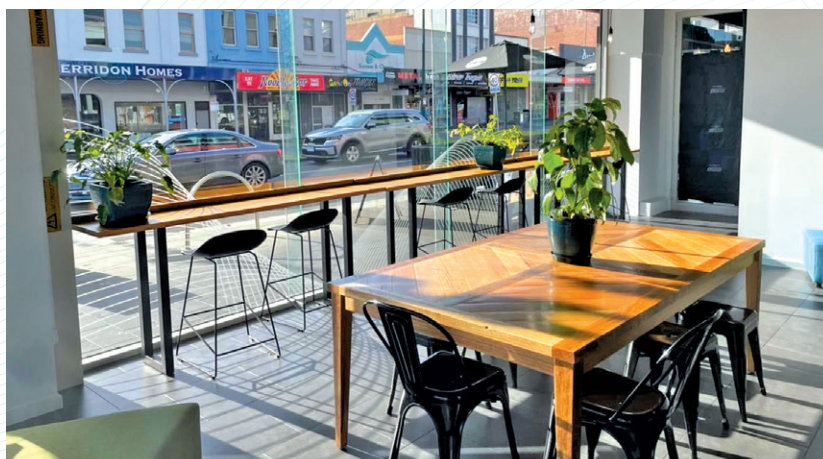
In line with this intent, this year we successfully acquired the MGR Information Technology and Hi-Tech businesses. With these acquisitions we signalled our further commitment to transforming our business. Partnering with a strong brand has boosted our capabilities to contribute to a stronger outcome for customers and communities. Through the acquisition we believe we will be in a stronger position and be a more effective partner with our customers as we aspire to be their preferred technology partner.

During the year we have also invested in our customer and community engagement. It has been a priority for us to increase our Customer and Community Engagement presence this year to support our growth. To support this, we opened our new Customer Experience Centre in a prominent, highly visual location in the centre of Bendigo.

This commitment was not just about Bendigo Telco, it is also about customers being able to share their knowledge and explore the adoption of our services.

The Customer Experience Centre gives Bendigo Telco a face-to-face service presence, along with a co-working space, for customers and members of the community to utilise and have access to technology that will enhance their work and lifestyle.

Throughout this coming year we will continue to explore further opportunities to compliment Bendigo Telco's services as we continue to grow and prove ourselves as being committed partners of our customers.



Community Support

Bendigo Telco is very proud that working with the community is at the heart of what we do each and every day. Our purpose for over 20 years has always been to support the communities in which we live. This year was no exception!

This year we have been working more closely with the Community Enterprises in our region, and we have seen a resurgence in their local activity as their communities start to recover from the effects of the pandemic.

Bendigo Telco has now reinvested over \$800,000 directly into local communities since 2005. We have supported community groups through grants, sponsorships and partnering with community focussed groups. This year our Community Payments and Sponsorships have totalled more than \$85,000 in cash support.

In other forms of support this year we have partnered with several important initiatives. As a GROW signatory partner Bendigo Telco is represented as a member of the Bendigo GROW Advisory Group. Growing Regional Opportunities for Work (GROW) is a Collective Impact initiative with business, government, community organisations and individuals working together to address disadvantage in areas of high unemployment. It is based on significant international evidence that the best way to reduce areas of persistent disadvantage in a community is to reduce unemployment rates (joblessness) in those areas. The guiding premise is that aligned efforts of partners to reduce joblessness will enable communities to build a stronger local economy.

Bendigo Telco is proud to be involved in this important initiative with other key partners such as Be.Bendigo. Our involvement in the Headspace mentoring program has also aligned with the GROW program.

Bendigo Telco has a strong relationship with our local business council - Be.Bendigo - and this has continued with the departure of CEO Dennis Bice this year and now welcoming Rob Herbert in the role. Bendigo Telco sees the importance of a strong business advocacy group and the programs it makes available for business and the wider community.

Again, we have supported the Rob Hunt Leadership program which gives people the opportunity to share and work with others and learn from the likes of our Chairman Rob Hunt and other key business leaders in the Region. This program is keenly sought after and makes a real difference in our region.

Our support for business advocacy goes beyond Bendigo with commitment as a partner in the Geelong Chamber of Commerce, Geelong Manufacturing Council, G21, Commerce Ballarat and Committee for Ballarat. Bendigo Telco has been involved in many of their initiatives at a local level this year, which also provides alignment and focus for our team members in those areas.

As well as businesses, we are always seeking ways to support groups working with individuals and families in our regions. We are a proud supporter this year of GenU in Geelong, who is doing great work in building inclusive communities. In the sporting arena, we are working with the Launceston Basketball Association, Tornados Basketball Team and Bendigo Tennis Centre Academy on initiatives encouraging greater participation in healthy activities.

In recognising the opportunities afforded by our diverse communities, this year we have conducted *Autism in the Workplace* training for all staff, to raise awareness of the strengths and benefits of including neurodiverse employees in workplaces.

Participating in the IBL program with La Trobe University and being involved in the Greater Bendigo and Heathcote Region Carers Employment Support Program has demonstrated to our customers and employees the benefits of being embedded in our communities and our willingness to contribute in a myriad of ways.

Bendigo Telco participated in *Connecting our Community Day* at Lansell Plaza, facilitated by the City of Greater Bendigo to highlight digital technology, as well as banking, insurance and finance in a showcase to the local community. Our team enjoyed meeting people and helping them with solve some everyday technical issues.

Many communities reach out to Bendigo Telco looking for support and assistance, seeking a community-based solution to their struggle with connectivity. We have worked directly with Benalla and Bright communities this year, assisting with the aid of our industry connections to other partners and stakeholders. We are often referred to as a 'market organiser', helping to unpack the problem that a community needs solved. This provides great purpose to our work and is in fact why we began Bendigo Telco more than 20 years ago. We are looking forward to assisting more communities in this way in the coming years.



Products and Services



Data

Managed Private Networks Completely scalable, private network designed and managed by our expert team.

Internet Connections Connect your business sites to the internet with speeds of up to 1000Mbps.

Managed Firewall Secure your network with enterprise-grade firewall solutions, powered by Fortinet.



Voice

SIP Trunks Migrate your legacy ISDN/PSTN voice services to our IP-based voice solution.

Inbound Numbers 13/1300/1800 numbers with excellent rates and online management portal to customise your call flows.

Phone Systems MS Teams Calling or Hosted PBX solutions, capable of integrating with the latest IP-voice technology.



Cloud

Virtualise your on-premise server environment using Bendigo Telco's scalable, **private cloud** solution, hosted in our regional data centres.

Dedicated Compute Access raw cloud computing power, tailored to your organisation's exact requirements.

OneCloud Private connectivity to the world's leading public cloud providers, like Azure, AWS and GCP.



IT Managed Services

End to end **IT support** and maintenance of your business' IT environment. From small to enterprise businesses.

Managed networks utilising Cisco's Meraki platform. SD-WAN capable in a scalable and secure package.

Microsoft 365 implementations, support and maintenance to get the most of your investment.



Business Solutions

Application architecture and automation to streamline your business operations no matter how big or small.

Understand the health of your IT environment by investing in a **Technology Environment Health Report**.

Bespoke application development, implementation and support services for your niche business.



Enterprise Consulting

Business transformation and digital transformation **program management** services.

Enable your businesses smooth and secure operation with Bendigo Telco's **Enterprise Architecture** consultants.

Let Bendigo Telco take the pressure off running your programs of work with our all inclusive **project management** team.

nbn™ EE Campaign



During the first 6 months of 2022, we ran a successful cooperative marketing campaign promoting business nbn™ Enterprise Ethernet products.

The campaign aimed to increase awareness of the Bendigo Telco brand and our nbn partnership. We used press, radio, cinema, digital advertising, social advertising and engagement to generate leads for the Enterprise Ethernet product and populate our direct marketing database. The 6 month campaign launched the Bendigo Enterprise Ethernet branded product in the Bendigo market, and captured leads from below the line and above the line campaign activity via call to action messaging. The leads database generated from this activity was used by our Sales team in direct marketing activity, including EDMs, emails, phone calls and business visits.

An important part of the campaign was utilising our strong relationships with Community Enterprises, particularly Empowering Eaglehawk, the Strathfieldsaye and Districts Community Enterprise, Kangaroo Flat Community Enterprise and the Bendigo Northern District Community Enterprise. We leveraged our call to action offer of \$0 fibre install with a cash giveback of up to \$1500 to the community enterprise.



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) of the full financial report 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 of the full financial report 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 of the full financial report 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 of the full financial statements 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 on page 4.

ENVIRONMENTAL ISSUES

The group is not subject to any significant environmental regulation.

SECURITIES REGISTER

The securities register is managed by AFS & Associates on behalf of Bendigo Telco Limited and Controlled Entities. You can contact the registry by:

Mail:	Bendigo Telco	Telephone:	(03) 5443 0344
	Share Register	Email:	shares@bendigotelco.com.au
	C/- AFS & Associates		
	PO Box 454		
	Bendigo Victoria 3552		

The information contained in this report is correct and current at 30 June 2022.

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 K Dole
Mr D Erskine	Mr G Gillett
Mr J Selkirk	Ms N Rooke
Mr R Payne	

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
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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	<u>16,378</u>
	<u><u>17,373</u></u>

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2022 has been received and can be found following the directors 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	<p>Kevin was appointed as Managing Director in July 2021. Prior to this appointment he provided consultancy for 12 months in a full time capacity and has been on the Board of Directors since September 2016.</p> <p>His career spans over 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.</p> <p>Kevin is focused on continuing to ensure long term shareholder value and delivering value for all stakeholders through sustainable partnerships.</p>
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	<p>Rod has been a lawyer in commercial practice for 35 years and has been a partner at Harwood Andrews since 2000.</p> <p>Rod was a director of Geelong Community Telco Pty Ltd and Vicwest Community Telco prior to the amalgamation of Vicwest with Bendigo Telco Ltd.</p> <p>In his legal practice Rod has undertaken a broad range of commercial work and in his role in Karingal and Karingal St Laurence has been involved in major developments and mergers.</p>
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	<p>Jock has held executive roles across several industries including financial services, manufacturing, building and property development. Jock started his career in chartered accounting, then moved into banking & 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.</p> <p>Jock is also actively involved in other community programs.</p>
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 Special	Direct - 24,108 shares
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 Special	Nil
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 Full 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
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(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

Bendigo Telco Limited and Controlled Entities
 ABN 88 089 782 203
 Concise Financial Report for the Year Ended 30 June 2022

Details of remuneration for year ended 30 June 2022

		Short term benefits		Post employment benefits	Share-based payment	Termination Benefits	Total	Proportion of remuneration performance based %
		Salaries & Fees	Non-Cash Benefits	Superannuation	Shares			
		\$	\$	\$	\$	\$	\$	
Non-Executive Directors								
Robert Hunt	2022	13,636	-	1,364	-	-	15,000	-
	2021	13,699	-	1,301	-	-	15,000	-
Graham Bastian	2022	-	-	-	-	-	-	-
	2021	5,000	-	-	-	-	5,000	-
Donald Erskine	2022	3,295	-	11,705	-	-	15,000	-
	2021	-	-	15,000	-	-	15,000	-
Michelle O'Sullivan	2022	-	-	-	-	-	-	-
	2021	4,566	-	434	-	-	5,000	-
Jonathon Selkirk	2022	13,636	-	1,364	-	-	15,000	-
	2021	13,699	-	1,301	-	-	15,000	-
Rodney Payne	2022	15,000	-	-	-	-	15,000	-
	2021	15,000	-	-	-	-	15,000	-
Gregory Gillett	2022	13,636	-	1,364	-	-	15,000	-
	2021	13,699	-	1,301	-	-	15,000	-
Nicole Rooke	2022	13,636	-	1,364	-	-	15,000	-
	2021	13,699	-	1,301	-	-	15,000	-
Executive Director								
Kevin Dole	2022	256,327	-	25,898	-	-	282,225	11
	2021	243,928	-	13,977	-	-	257,905	-
Other KMP								
Steven Wright	2022	209,451	-	19,492	-	-	228,943	10
	2021	226,859	-	20,125	-	-	246,984	10
John Barlow	2022	-	-	-	-	-	-	-
	2021	101,257	10,000	10,618	-	65,566	187,441	4
Kale Beesley	2022	-	-	-	-	-	-	-
	2021	111,845	11,250	10,725	-	-	133,820	4
Margaret O'Rourke	2022	155,936	-	12,359	-	-	168,295	-
	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

Chairman



Donald Erskine

Director



61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
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.

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

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

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

Joshua Griffin
Lead Auditor



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

	Notes	2022 \$	2021 \$
Revenue	2(a)	26,589,243	29,718,095
Cost of products sold		(12,557,638)	(14,161,505)
Other income	2(b)	134,740	58,800
Finance income	2(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		(2,337,545)	(2,437,878)
Advertising and promotion costs		(159,507)	(159,176)
Systems costs		(1,483,495)	(1,620,772)
Borrowing costs		<u>(178,360)</u>	<u>(242,689)</u>
Profit before income tax		398,135	1,558,255
Income tax expense		<u>(146,320)</u>	<u>(521,501)</u>
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		<u>251,815</u>	<u>1,036,754</u>
Total comprehensive income attributable to members of Bendigo Telco Limited		<u>251,815</u>	<u>1,036,754</u>
Earnings per share			
Basic earnings per share (cents)		3.25	13.36
Diluted earnings per share (cents)		3.25	13.36

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2022**

	2022	2021
	\$	\$
Current Assets		
Cash and cash equivalents	862,127	3,098,818
Trade and other receivables	1,590,208	1,319,733
Prepayments	1,157,223	1,001,272
Inventories	150,708	77,440
Current tax assets	309,712	-
Total Current Assets	4,069,978	5,497,263
Non Current Assets		
Prepayments	46,404	158,632
Property, plant and equipment	1,260,114	1,256,919
Right-of-use assets	2,189,309	4,889,285
Intangible assets	6,331,437	4,663,588
Deferred tax asset	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	1,738,804	1,188,850
Borrowings	398,206	396,859
Lease Liabilities	980,963	1,368,448
Employee Entitlements	1,090,411	966,993
Provisions	303,733	-
Current tax liabilities	-	59,204
Total Current Liabilities	4,512,117	3,980,354
Non Current Liabilities		
Borrowings	1,565,982	1,963,042
Lease Liabilities	839,046	3,030,773
Employee Entitlements	80,938	93,548
Provisions	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	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	3	-	(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	3	-	(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**

	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	(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	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	862,127	3,098,818

The accompanying notes form part of these financial statements

NOTES TO THE CONCISE FINANCIAL REPORT

1. BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The concise financial report is an extract for the full financial report for the year ended 30 June 2022. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: *Concise Financial Reports*, and the *Corporations Act 2001*.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of the Group. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investment activities of the Group as the full financial report. A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The presentation currency used in this concise financial report is Australian dollars.

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:

- 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 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.

2. 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

3. DIVIDENDS PAID AND PROPOSED

	2022	2021
	\$	\$
Distributions paid:		
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.

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
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Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(51,719)	(193,945)
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4. 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) of the 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>	2022 \$
ASSETS	
Property, plant and equipment	187,831
Inventories	50,391
Total assets	<u>238,222</u>
LIABILITIES	
Employee entitlements	173,290
Total liabilities	<u>173,290</u>
Net assets acquired	64,932
Less consideration paid	1,418,649
Less legal costs	1,705
Intangible assets acquired	<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 statements), 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 statements for further information regarding the Group's contingent assets and liabilities.

5. 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
	<u>7,726,915</u>	<u>12,672,170</u>	<u>5,043,743</u>	<u>25,442,828</u>
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
	<u>49,855</u>	<u>15,134</u>	<u>1,081,426</u>	<u>1,146,415</u>
Other Income				
Gain on remeasurement of right-of-use asset	44,913	44,913	44,914	134,740
	<u>44,913</u>	<u>44,913</u>	<u>44,914</u>	<u>134,740</u>
Finance Income				
Interest received	103	103	103	309
	<u>103</u>	<u>103</u>	<u>103</u>	<u>309</u>
Total revenue from contracts with customers	<u>7,821,786</u>	<u>12,732,320</u>	<u>6,170,186</u>	<u>26,724,292</u>
Interest expense				(127,741)
Depreciation and amortisation				(2,337,545)
Other expenses				(23,860,871)
Profit before income tax expense				<u>398,135</u>

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
	<u>9,757,520</u>	<u>13,834,690</u>	<u>5,457,943</u>	<u>29,050,153</u>
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
	<u>72,255</u>	<u>41,916</u>	<u>553,771</u>	<u>667,942</u>
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
	<u>19,600</u>	<u>19,600</u>	<u>19,600</u>	<u>58,800</u>
Finance Income				
Interest received	347	347	346	1,040
	<u>347</u>	<u>347</u>	<u>346</u>	<u>1,040</u>
Total revenue from contracts with customers	<u>9,849,722</u>	<u>13,896,553</u>	<u>6,031,660</u>	<u>29,777,935</u>
Interest expense				(191,670)
Depreciation and amortisation				(2,437,878)
Other expenses				(25,590,132)
Profit before income tax expense				<u>1,558,255</u>

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.

6. 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 of the full financial statements 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.

7. 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.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bendigo Telco Limited (the Group), the directors of the Group declare that the concise financial report of Bendigo Telco Limited and Controlled Entities for the financial year ended 30 June 2022:

- a. Complies with Accounting Standard AASB 1039: *Concise Financial Reports* ; and
- b. Is an extract from the full financial report for the year ended 30 June 2022 and has been derived from and is consistent with the full financial report of Bendigo Telco Limited.

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

On behalf of the directors



Robert Hunt

Chairman



Donald Erskine

Director

Signed on 31 August 2022



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

Report on the concise financial report

Our opinion

We have audited the concise financial report of Bendigo Telco Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and related notes, derived from the audited financial report of the Group for the year ended 30 June 2022.

In our opinion, the accompanying concise financial report of the Group, complies with AASB 1039: *Concise Financial Reports*.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 of the concise 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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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* 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* (the Code) that are relevant to our audit of the concise 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 opinion.

Concise financial report

The concise financial report does not contain all the disclosures required by Australian Accounting Standards in the preparation of the audited financial report. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The concise financial report and the financial report do not reflect the effects of events that occurred subsequent to the date of our report on the financial report.

The financial report and our report thereon

We expressed an unmodified audit opinion on the financial report in our report dated 31 August 2022. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

Directors' responsibility for the concise financial report

The directors are responsible for the preparation of the concise financial report in accordance with *AASB 1039: Concise Financial Reports* and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the concise financial report.

Auditor's responsibility for the audit of the concise financial report

Our responsibility is to express an opinion on whether the concise financial report, complies in all material respects, with *AASB 1039 Concise Financial Reports* based on our procedures, which were conducted in accordance with Auditing Standard *ASA 810: Engagements to Report on Summary Financial Statements*.





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Report on the Remuneration Report

The following paragraphs are copies from our Report on the Remuneration Report of the Group for the year ended 30 June 2022:

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*.

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

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

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

Joshua Griffin
Lead Auditor



SHAREHOLDER INFORMATION

The shareholder information set out below was current as at 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%



**Bendigo
Telco**

**Connecting
our community**



Bendigo Telco Limited
ABN 88 089 782 203

Registered Office
Innovation Court, Kennington
VIC 3550

Bendigo Telco
Customer Experience Centre
Shop 34 Fountain Court,
Bendigo VIC 3550

Office Locations

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39A Peel Street, Ballarat VIC 3350
15 Yarra Street, Geelong VIC 3218
Level 9, 39 Murray Street, Hobart TAS 7000
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Shareholder Enquiries

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