

# PROSPECTUS

## Proposed Drysdale Community Bank® Branch of Bendigo Bank



### IMPORTANT NOTICE

This Prospectus is dated 24 October 2008. A copy of this Prospectus has been lodged with the Australian Securities and Investments Commission (ASIC). ASIC takes no responsibility for the content of this Prospectus.

This Prospectus is an important document. Before deciding to invest in the shares offered under this Prospectus, you should read the Prospectus in its entirety (especially the risk factors) and carefully consider your own personal circumstances (including financial and tax issues). You should also obtain the advice of your solicitor, accountant or other financial adviser.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus and any information or representation not contained in the Prospectus may not be relied upon as having been authorised in relation to the Offer. No assurance is given that any forecast or prospective information made in this Prospectus will be achieved.



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## Letter from Bellarine Peninsula Community Branch Limited

Dear Investor

We welcome you and thank you for your interest in the Portarlington Community Bank® Branch of Bendigo Bank and the proposed Drysdale Community Bank® Branch of Bendigo Bank.

We are pleased to offer you the opportunity to invest in a project which we believe will deliver significant social and economic benefits to our district, as well as the prospect of positive returns to its shareholders.

In line with these community and financial aims, the amount of profits that can be distributed to shareholders is limited and likewise, there are limitations and restrictions on shareholdings, which are outlined in detail in this Prospectus.

Nine years ago, the Company established and has continued to prudently manage the Portarlington Community Bank® branch of Bendigo Bank, one of the top performing Community Bank branches in Australia.

The Company has established and is already managing a sub-branch of Bendigo Bank, located in Drysdale. This Prospectus outlines your opportunity to assist in raising funds for the conversion of the Drysdale sub-branch into a Community Bank® Branch of Bendigo Bank. Following the successful raising of the capital pursuant to this Prospectus both Community Bank® branches will be part of the one Company and the Bendigo Bank Community Bank® project, the terms of which are also outlined in this Prospectus.

Please read this Prospectus closely and seek professional advice, so that you might base your investment decision on a clear understanding of the nature and prospects of the business.

The Company is already listed on the Bendigo Stock Exchange, which facilitates a secondary market for the trade of Shares (subject to the rules regarding share ownership described in this Prospectus).

Our decision to proceed with this capital raising for a new branch in Drysdale was based on our experience with the sub-branch in Drysdale. The performance of the Drysdale sub branch formed the basis of a business plan which, if achieved, shows the enterprise has solid prospects of continuing to generate positive returns for investors.

We are further heartened by the experience of many of the other Community Bank® branches of Bendigo Bank which have been enthusiastically embraced by their communities.

The successful history of the Portarlington Community Bank® branch and the enthusiasm shown by the local Drysdale people is further proof that once operational, a significant number of groups, clubs, schools and local organizations will benefit by this unique community enterprise.

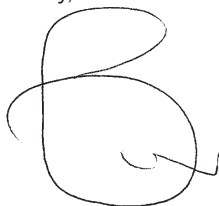
The Portarlington Community Bank® Branch of Bendigo Bank and the Drysdale Community Bank® branch of Bendigo Bank afford our communities the chance not only to secure branch banking services with a focus on excellent customer service, but also an opportunity to improve our long-term prospects by retaining greater control over the district's capital resources.

I've been fortunate to have been involved with the Company from 2002 and have had the pleasure of seeing first hand how we have positively impacted on the Portarlington community through our various sponsorships, donations & grants programs. I have also seen our shareholders gain a solid return on their investment in line with the forecast in the original prospectus.

This has been achieved by hard work and commitment by the Company's Board and branch staff and a positive attitude knowing the Shareholders and community are the beneficiaries of our endeavours.

I encourage you to read through this Prospectus carefully and if you are satisfied that we (you included) can make a difference in the Drysdale community through your investment in our Company and the Drysdale Community Bank® Branch of Bendigo Bank, I commend the investment to you and encourage you to complete the application form at the rear of this prospectus.

Yours sincerely,



Russell Enders  
Chairman, Bellarine Peninsula Community Branch Limited

## Letter from Bendigo and Adelaide Bank Limited

Dear Investor

**“Drysdale Community Bank® Branch – Bendigo Bank”**. The prospect of seeing that sign fills me with pride and I hope it does the same for you.

By owning shares in Bellarine Peninsula Community Branch Limited, you will help secure banking services for your community and also share in the prospect of income which can be used to generate further development in your district.

Why has Bendigo Bank developed this concept? Because we are a community based bank ourselves and by helping to create successful communities we will share in your success.

Bendigo Bank will work with you to maximise the potential of your new branch at Drysdale, just as it has worked with Bellarine Peninsula Community Branch Limited in relation to the existing Community Bank® Branch at Portarlington. However, as for any business, the success of your community company is ultimately based on the support it receives from its customers – which in this case is the Portarlington and Drysdale communities.

Members of your community have already indicated their intention to support the branch with their banking business. Now is your chance to support it through investing in Bellarine Peninsula Community Branch Limited. This Prospectus provides you with information you need to make an informed choice.

Your commitment will help make a difference to your community.

I look forward to the opening, and ongoing success of the Drysdale Community Bank® Branch of Bendigo Bank.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. Jenkins', written in a cursive style.

Russell Jenkins  
Chief General Manager Retail & Distribution  
Bendigo and Adelaide Bank Limited

# 1. Purpose and Details of the Offer

## 1.1 Purpose of the Offer

The purpose of the offer is to raise funds for the capital expenditure and working capital requirements in respect of a Community Bank® Branch of Bendigo Bank to be established in Drysdale. Details of the establishment costs for the Drysdale Community Bank® Branch and estimated initial annual operating costs of the Company's two branches are set out in Section 4.5 of this Prospectus.

In 1999 the Company entered into a franchise agreement with Bendigo Bank for the Company to manage, and provide services to the Portarlington Community Bank® Branch as a "franchise" of Bendigo Bank. The Company raised the funds required for the establishment and initial ongoing operations of the Portarlington Community Bank® Branch via an offer of shares (at an issue price of \$1.00 per share) to the Portarlington community. The Company's Prospectus for that offer of shares was dated 7 September 1999. If this offer under this Prospectus is successful, the Company will manage, and provide services to, the Portarlington Community Bank® Branch and a newly formed Drysdale Community Bank® Branch. Each branch will operate as a "franchise" of Bendigo Bank. The franchise arrangements relating to the Company's two Community Bank® Branches are contained in one franchise agreement between the Company and Bendigo Bank (the New Franchise Agreement).

The franchise arrangements for the two branches and the business of the Company are described in detail in this Prospectus, especially Sections 3 and 6.

**Please Note: This is not an offer to subscribe for shares in Bendigo and Adelaide Bank Limited - it is an offer to subscribe for shares in Bellarine Peninsula Community Branch Limited (the Company), which is listed on the Bendigo Stock Exchange (BSX). It is not intended that shares in the Company will be listed on the Australian Stock Exchange**

## 1.2 Description of the Offer

The Company is offering for subscription 300,000 ordinary shares in the Company (Shares) at an

issue price of \$1.00 per Share, payable in full on application.

Applications for Shares should be for a minimum of 500 Shares, or a greater number of Shares in multiples of 100, up to a maximum of 25,000 Shares. However, the Directors reserve the right to accept applications for fewer than 500 Shares or (subject to the maximum permitted shareholding - see Sections 1.3 and 7.3 below) greater than 25,000 Shares. The Directors reserve the right to accept oversubscriptions of up to 200,000 Shares.

Proceeds from oversubscriptions will be used to provide additional working capital for the Company.

The amount of dividends and other distributions to shareholders that the Company may make in any 12 month period is limited by the terms of the Franchise Agreement with Bendigo Bank. You should refer to Section 5.2 of this Prospectus for a description of this limit.

Applicants should be aware of the voting and ownership restrictions that apply to the Company, including the Directors' right not to accept applications in breach of these restrictions (see Section 1.4 below).

## 1.3 Capital Structure

Assuming the offer is fully subscribed (and assuming no oversubscriptions are accepted) the capital structure of the Company following completion of the Issue will be as follows:

### Ordinary Shares

Shares currently on issue	1,200,000
Shares issued pursuant to this Prospectus	300,000
<b>TOTAL</b>	<b>\$1,500,000</b>

Note: Capital structure includes bonus share issue to existing shareholders at the ratio of two for one allotted on 1 October 2008.

If the maximum permitted amount of oversubscriptions is accepted, the capital structure of the Company following completion of the Issue will be as follows:

### Ordinary Shares

Shares currently on issue	1,200,000
Shares issued pursuant to this Prospectus	500,000
<b>TOTAL</b>	<b>1,700,000</b>

Note: Capital structure includes bonus share issue to existing shareholders at the ratio of two for one allotted on 1 October 2008.

## 1.4 Voting and Ownership Restrictions

It should be noted that, pursuant to the constitution of the Company, each shareholder is entitled to only one vote, regardless of the number of Shares held. The constitution also contains certain restrictions on shareholdings. For example, a shareholder will not be able to control or own 10% or more of the Company, and a person who does not have, in the opinion of the Directors, a close connection with the Portarlington or Drysdale communities, may be divested of their shares.

The Directors reserve the right to not accept any application if it appears the Applicant would be in breach of these restrictions.

The voting rights attaching to Shares and the ownership restrictions are discussed further in Sections 7.2(a) and 7.3 below. You should note that where a person is or would be in breach of these restrictions, the Directors may not only have the power to refuse to register a transfer but the voting and dividend rights attaching to the relevant Shares are suspended and the Directors have the power to require a divestment of the relevant Shares (see Section 7.3 below).

## 1.5 Minimum Subscription

The Company must receive applications (and payment) for at least 300,000 Shares in order for the offer to proceed. Shares will not be issued unless this condition is satisfied. If this minimum subscription is not reached by the date (the Four Month Date) which is four months from the date of this Prospectus, no Shares will be allotted and all application monies received will be returned to the Applicants (without interest) as soon as practicable after the Four Month Date. Please refer to section 1.6 and “New Franchise Arrangements” in Section 3.2 below for further information on the minimum subscription requirement. This offer is not underwritten.

Please also note that no Shares will be allotted or issued if the Shares do not receive permission for official quotation within three months, unless ASIC grants an exemption (see Section 1.7 below).

## 1.6 Allocation

Application monies will be held on trust by the Company in a separate bank account which has been established by the Company for the purposes of the offer. This money will be held on trust by the Company until the Shares are issued or the money is returned, as required by the Corporations Act, to the Applicants.

The Company may allocate the full number of Shares applied for by an Applicant or may allocate any lesser number or decline any application. Where no allocation is made or where the number of Shares allocated is less than the number applied for, the surplus application money will be returned to the Applicant without interest as soon as practicable.

## 1.7 Quotation of Shares on the Bendigo Stock Exchange

The Company is listed, and its Shares are quoted, on the Bendigo Stock exchange (BSX). Application will be made within seven days of the date of this Prospectus for quotation of the Shares offered under this Prospectus on the BSX. Please see Section 5 of this Prospectus for a discussion of the risk factors relevant to the Company’s listing on the BSX and quotation of the Shares.

## 1.8 How to Invest

An application for Shares can only be made on the Application Form in this Prospectus (or on a copy made from that form, but only if the copy was made by the Applicant). The Application Form (or the copy) must be completed in accordance with the instructions set out in “Application Details and Instructions” commencing towards the end of this Prospectus. The terms and conditions in the Application Form form part of this Prospectus.

## 1.9 Important Dates

An indicative timetable for the offer is set out below.

Event	Date
Offer opens	10 November 2008
Offer closes	20 December 2008
Shares pursuant to this Prospectus expected to be allotted:	10 January 2009
Shares expected to be quoted on BSX:	17 January 2009
Certificates expected to be dispatched:	1 February 2009

**These dates are indicative only and are subject to change. The Company has the right, in its absolute discretion, to close the Offer early or to extend the closing date, without notice. If the closing date for the Offer is extended, the subsequent dates may also be extended accordingly.**

## 1.10 Expiry Date of this Prospectus

No Shares will be issued on the basis of this Prospectus after the Expiry Date. The Expiry Date is the date 13 months after the date of this Prospectus.

## 1.11 Accepting Applications

The Company will not accept an application for, or issue any, Shares offered under this Prospectus until the exposure period has ended. The Exposure Period is the period of seven days after lodgement of this Prospectus with ASIC or if ASIC, in accordance with the Corporations Act, extends that period, such longer period. At present, ASIC is not permitted to extend the Exposure Period to more than (in total) fourteen days after the lodgement of this Prospectus.

Accordingly, the Company will not process any applications received until after the Exposure Period and no preference will be conferred on applications received in the Exposure Period.

The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. It is possible that this examination may result in the identification of deficiencies. Any application received in these circumstances may need to be dealt with in accordance with section 724 of the Corporations Act (this section may require, in certain circumstances, the return of application money and/or the distribution of a supplementary or replacement prospectus together with the right of an Applicant to withdraw their application).

## 2. Directors

Details of the Directors of the Company are as follows:

**Name** Russell Robert Enders  
**Date of Birth** 9 December 1948  
**Occupation** Manager



**Background Information**

Russell was elected a director on 25 June 2001 and elected Chairman of the Board of Directors of Bellarine Peninsula Community Branch Limited on 26 November 2007. He is the Chairman of the Minor Gaming Association, and has a broad range of experience in business and financial matters. Russell has had his own businesses, has extensive banking experience, and has held several managerial positions and chairmanships.

Russell has been a member of Apex, and was on the executive of Ocean Grove Football & Netball Club for six years.

**Resides** 20 Northcote Road  
Ocean Grove VIC 3226

**Name** Justine Paige Finlay  
**Date of Birth** 21 September 1970  
**Occupation** Solicitor



**Background Information**

Justine was appointed as a Director on the Board of Bellarine Peninsula Community Branch Limited on 25 June 2001. She is a partner in a Geelong based legal practice and specializes in all areas of commercial law, wills, deceased estates and conveyancing. In the past, Justine has been the President of Business and Professional Women Geelong and a Board Member of Disability Rights and Advocacy Service and is currently a Board member of the Geelong Community Telco.

**Resides** 27 Roditis Drive  
Ocean Grove VIC 3226

**Name** Stephen John Wight  
**Date of Birth** 2 March 1964  
**Occupation** Accountant



**Background Information**

Stephen is a Chartered Accountant with a Geelong based Accountancy firm and is a Registered Company Auditor with an involvement in public and not for profit organisations.

**Resides** 87 Noble Street  
Newtown VIC 3220



**Name** Karen Ann Woodhart  
**Date of Birth** 16 November 1967  
**Occupation** Business Proprietor



**Background Information**

Karen and her family have lived in Portarlington for the past 14 years after moving from Melbourne to purchase the local bakery which now employs 10 local residents. Her husband Peter has spent the last 14 years baking for the people of Portarlington and surrounds and supporting Karen in her community banking role.

A hairdresser by trade, Karen's involvement in the community began with the original Steering Committee of Bellarine Peninsula Community Bank® Branch back in 1997. She then became a Board member and was subsequently elected as the Company Secretary.

The Community Bank® concept lit a community involvement fire in her belly and since then she has established and is the inaugural chair of the Portarlington Neighbourhood Watch. As a result of this, she was asked to be on the executive of the Region 2 Division 2 Geelong Neighbourhood Watch. Karen is now firmly entrenched in local community organizations being Secretary of the local Pony Club and Secretary to a local charity organization all whilst raising her two girls who both attend school in Drysdale.

**Resides** 555 Tower Road  
Portarlington VIC 3223

**Name** Robert John Hynes  
**Date of Birth** 18 March 1946  
**Occupation** Sales



**Background Information**

Bob has been a Director of the company for 5 years. Bob is currently a member of the Portarlington Drysdale Lions Club and is also the Secretary of the St Leonards Progress Association. He is a Member of the St Leonards Vision Committee, and on the Advisory Committee of the St Leonards Mens' Shed. Bob resided in Bendigo for over fifty years, where he worked in the Building Industry as a qualified Carpenter, and was a Councillor with Rural City of Marong for six years, including one year as Mayor. Since 1984 Bob has worked in a range of positions including Paper Recycling Manager for six years which included supervision of 28 intellectually disabled employees.

**Resides** 23 Leonard Street  
St Leonards VIC 3223

**Name** Geoffrey David Webster  
**Date of Birth** 10 June 1945  
**Occupation** Salesman



**Background Information**

Geoff worked at Werribee Mazda for 30 years and is still involved in sales on the weekends. Geoff and his wife Pearl moved to Clifton Springs in 1976, where Pearl later worked at the Clifton Springs Community Centre/Reception Centre/Restaurant for 10 years.

Geoff has travelled extensively, working in South Africa, (where he met Pearl), for one year as an insurance inspector, prior to moving to London and working for a Lloyds Broker for 12 months, before establishing a travel agency specializing in international cut price jet flights (similar to Jetstar). Back in Australia 1972 Geoff married Pearl and moved to Geelong from Sydney in 1973.

He worked for a finance company which gave him his additional knowledge of 'the workings' of money. Geoff is very community minded and is the president elect (2nd term) of the Lions Club of Portarlington/Drysdale 2009/10.

He enjoys playing chess, tennis, board games with his family and loves rugby. He and Pearl have two adult daughters, Officers in the Royal Australian Air Force – both serving their country on active service in Iraq and other current 'tours of duty'.

Geoff is confident he will be an asset to the Bellarine Peninsula Community Branch Ltd and its Board of Directors.

**Resides** 39 Huntington Street  
Drysdale VIC 3222

**Name** Paul Cynwyd Jones  
**Date of Birth** 24 November 1953  
**Occupation** Trade Teacher



**Background Information**

Paul has lived in Drysdale most of his life. He and his wife Janet have raised three daughters, Kirstie, Rachael and Tara. Paul and Janet have one grandchild. The family enjoy the lifestyle and community spirit that the Bellarine Peninsula has to offer.

Paul had worked as a Domestic Builder for 30 years in the local area before turning to teaching the carpentry trade at the Gordon TAFE in Geelong. Paul has been involved in community work for many years. He represented his community on the Bellarine Youth Services Committee, 'Potato Shed' Complex, Clifton Springs Skate Park and other community projects over the past years. He

has served on committees such as the Geelong Branch H.I.A., Springdale Neighbourhood Centre, 'Dell' Foreshore, Portarlington/Drysdale Lions Club (president in 2000) and Drysdale/Clifton Springs Community Association Inc. and the steering committee of the Drysdale branch of the Bellarine Peninsula Community Bank

Paul has a strong passion to promote, work and care for our local community.

**Resides** 1895 Portarlington Road  
Drysdale VIC 3222

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**Name** Sandra Jean Baldwin  
**Date of Birth** 17 August 1952  
**Occupation** Manager Hair & Beauty  
Supply Outlet



#### **Background Information**

Sandra has been a resident of Clifton Springs since 1983 after her husband Alan was transferred to Geelong with BP Australia. He was then transferred to Head Office in Melbourne, however they liked the village and community feel of the area so much they elected to stay as they believed it to be a great place to raise their two girls.

Sandra has been involved Music, Ballet, Sailing & Netball locally over a number of years and was a member of the Star of the Sea School Board.

As a qualified Hairdresser, Sandra owned and operated a salon in Hobart prior to moving to Victoria. Seeing the growth potential in the area Sandra and family built a new salon in Clifton Springs which she operated until 1990, at which point she employed 6 hairdressers. Sandra completed an advanced hairdressing Diploma at Vidal Sassoon's in London and was a member of the Trade Industry Board at the Gordon Institute of TAFE.

Sandra then leased the salon until 1994 at which point it was converted to a Patchwork & Embroidery shop running and teaching classes. The building and business was sold in 1998.

Now working part time, Sandra looks forward to giving back to the local community, in particular encouraging our youth to pursue interests and activities in the local area and improving services for our elderly.

**Resides** 8 Carmel Avenue  
Clifton Springs VIC 3222

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## **3. Bendigo Bank Franchise**

### **3.1 Bendigo Bank**

Bendigo Bank had its origins on the Bendigo goldfield in 1858 when the settlement comprised thousands of makeshift tents and humpies clustered along the gold bearing gullies. Disturbed by the temporary and unsightly nature of these dwellings, a group of prominent citizens banded together to foster a sense of civic pride by providing finance for miners wishing to own their own homes. Thus was born the Bendigo Land and Building Society, which immediately began financing humble miners' cottages, some of which remain in the city today.

Within 30 years, Bendigo had established itself as one of the most gracious Victorian era cities in the world, its grand public buildings a monument to the vast riches produced by the deep reef miners.

As Bendigo prospered, so did its building society, which rapidly established a reputation for prudent financial management and ethical dealing. While other societies came and went, the Bendigo Land and Building Society grew steadily, declaring a profit in each year of its operation, even through the crises of the 1890s and 1930s Depressions.

The Bendigo Land and Building Society converted to a bank on 1 July 1995, under the name "Bendigo Bank Limited", at which time it was Australia's oldest and Victoria's largest building society.

The past 30 years have seen Bendigo Bank grow quickly and in the process merge with a number of other firms and building societies: the Bendigo and Eaglehawk Star (1978), Sandhurst (1983), Sunraysia (1985), Capital (1992) and Compass (1992), trustee company Sandhurst trustees (1991), mortgage securitisation firm National Mortgage Market Corporation (1995), Monte Paschi Australia Limited (1997), Victorian Securities Corporation Limited (1997), Queensland based First Australian Building Society (2000) and cashflow finance company Oxford Funding (2005). Sandhurst Trustees, National Mortgage Market Corporation, Monte Paschi (now Cass Comm Limited), Victorian Securities Corporation Limited and Oxford Funding are wholly-owned subsidiaries of Bendigo Bank, as is the financial planning arm Bendigo Financial Planning. Bendigo Bank also operates a joint venture, with Elders Limited, called Elders Rural Bank. This joint

venture is aimed at bringing banking services to farmers throughout Australia.

In November 2007, Bendigo Bank Limited merged with Adelaide Bank Limited. Under the terms of the merger, Adelaide Bank Limited became a wholly-owned subsidiary of Bendigo Bank Limited, and shareholders in Adelaide Bank Limited became shareholders in Bendigo Bank Limited. The shareholders approved a name change from “Bendigo Bank Limited” to “Bendigo and Adelaide Bank Limited” effective 31 March 2008. However, Adelaide Bank Branches remain branded as Adelaide Bank. The branding of other branches, including Community Bank® branches, is “Bendigo Bank”.

Bendigo and Adelaide Bank has assets under management of more than \$52 billion and market capitalisation of around \$3 billion. It has more than 1.3 million retail customers and declared an after-tax profit of \$170.5 million for the 12 months ending June 2008. It is listed on the Australian Stock Exchange. Bendigo Bank maintains corporate headquarters in Bendigo and in Adelaide. Through Bendigo Bank and its subsidiary companies, the Bendigo and Adelaide Group provides a wide range of products including home loans, commercial mortgages, unsecured loans, investment products, insurance and superannuation.

### **3.2 Community Bank® Project**

Bendigo Bank developed its Community Bank® project in response to the continuing closure of bank branches across Australia, and the subsequent effects on disenfranchised communities.

A Community Bank® is a means by which communities with the will and enthusiasm can enhance their future prospects by securing a conduit to the finance system.

The aims of the Community Bank® project are threefold:

- to secure branch banking services for participating communities;
- to help these communities better manage locally generated capital, and so provide them with a better return on their capital; and
- to enable participating communities to share in revenues generated from their Community Bank® enterprise.

Community Bank® draws on the greatest strength communities possess – their parochialism.

Through the potential to share in branch revenues, communities have the opportunity to generate profits which can be returned to support and develop the

community via dividends to participating shareholders and through projects identified and agreed to by the community.

The Community Bank® project does this by providing communities with the opportunity to manage a community owned branch of Bendigo Bank. It supposes that ownership of this management right provides local residents and businesses with a powerful incentive to conduct their financial affairs through their own local bank branch, thereby maximising revenue potential for the local enterprise.

Each branch operates as a franchise of Bendigo Bank, using the name “Bendigo Bank”, logo and system of operations of Bendigo Bank. The franchisees are appointed as ‘authorised representatives’ of Bendigo Bank for the purposes of the Corporations Act and manage the Community Bank® Branches on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank® Branches are effectively conducted between the customers and Bendigo Bank.

To date, Bendigo Bank has granted around 220 franchises to Community Bank® Branches, located in places such as Avoca, Bayswater, Bellarine Peninsula, Carrum Downs, Coleambally, East Gosford, East Malvern, Elwood, Goomalling, Henty, Kulin, Lang Lang, Laverton, Maldon, Minyip and Rupanyup (combined franchise), Nathalia, Neerim South, Parkdale, Tambellup and Cranbrook (combined franchise), Toodyay, Toora, Upwey, Virginia, San Remo and Wentworth. Bendigo Bank has also granted a number of commercial franchises.

#### **Regulation of Franchising**

The relationship between Bendigo Bank and the Company as franchisor and franchisee is governed by the Franchising Code of Conduct (Franchising Code). The Franchising Code is a mandatory industry code of conduct for the purposes of Section 51ACA of the Trade Practices Act 1974 (Cth) (TPA). Section 51AD of the TPA makes a contravention of the Franchising Code a contravention of Part IVB of the TPA.

The Franchising Code requires a franchisor to provide a prospective franchisee with a disclosure document, to enable the prospective franchisee to make a reasonably informed decision about entering into the franchise. The Franchising Code prescribes the information that must be included in the disclosure document. A Disclosure Document was provided to the Company in connection with the existing franchise arrangements for the Portarlington Community Bank® Branch, and a further Disclosure

Document has been provided by Bendigo Bank to the Company in connection with the New Franchise Agreement relating to the Portarlington Community Bank® Branch and to the proposed Drysdale Community Bank® Branch.

The Franchising Code requires that, prior to entering into a franchise agreement with the Company (see below), Bendigo Bank must have obtained from the Company a statement that the Company has received, read and had a reasonable opportunity to understand the Disclosure Document and the Franchising Code and statements as to whether the Company has obtained independent legal, accounting and business advice. The relevant statements have been provided to Bendigo Bank by the Company.

### **Existing Arrangements**

In 1999 the Company entered into the Original Franchise Agreement with Bendigo Bank pursuant to which the Company acquired rights to manage the Portarlington Community Bank® Branch of Bendigo Bank for a period of five years. The rights to manage the Portarlington Community Bank® Branch were renewed in 2004 for a further five years.

In 2007 the Company entered into an agreement with Bendigo Bank that provides for the Company to operate a sub branch of Bendigo Bank in Drysdale, as part of its Portarlington Community Bank® Branch operation.

The funds required for the Company to acquire the rights to manage the Portarlington Community Bank® branch and provide initial working capital were raised by way of an offer of shares in the Company, under a prospectus. The subscription price was \$1.00 per share and the sum of \$399,993 was raised under that offer. The Company currently has approximately 206 shareholders.

The Portarlington Community Bank® Branch of Bendigo Bank has been operating since 30 October 1999 and the Drysdale sub-branch has been operating since 1 April 2007. Information regarding the financial performance of the Company is set out in Section 4. The Company has now decided to enter into arrangements with Bendigo Bank under which the Company will acquire rights to manage and operate an additional Community Bank® Branch of Bendigo Bank, to be established in Drysdale (this is discussed further below).

To facilitate these new arrangements, the Company has entered into the New Franchise Agreement with Bendigo Bank pursuant to which, subject to the satisfaction of a number of conditions, the

Company will have the right to continue to manage and provide services to the Portarlington Community Bank® Branch and also to manage and provide services to a new Community Bank® Branch to be established in Drysdale. The New Franchise Agreement also provides for the termination, subject to satisfaction of the conditions, of the Original Franchise Agreement and the Sub-Branch Agreement on the "Commencement Date". The Commencement Date is the expected branch opening date for the new Drysdale site (as specified in the New Franchise Agreement), unless a different date is agreed. As at the date of this Prospectus, the only condition that has not been satisfied is the condition relating to the raising of the minimum subscription amount (see below).

The effect of these arrangements will be that the existing management rights in relation to the Portarlington Community Bank® Branch and the Drysdale sub-branch will terminate on the Commencement Date of the New Franchise Agreement. For customers of the Portarlington Community Bank® Branch and the Drysdale sub-branch, this change in arrangements should not have any material effect.

If the conditions in the New Franchise Agreement are not satisfied (or waived), the New Franchise Agreement will not terminate the Original Franchise Agreement and the Sub-Branch Agreement.

The Original Franchise Agreement provided for an initial term of five years (which expired on 30 October 2004) for the Portarlington Franchise Rights, plus two options to renew each for a five year period (subject to satisfaction of certain conditions at each renewal). The first option to renew has been exercised and the Portarlington Franchise Rights will now expire on 30 October 2009.

The key features of the franchise arrangements are described below, and in Section 6 of this Prospectus.

### **New Franchise Arrangements**

In addition to the arrangements described above in relation to the Portarlington Community Bank® Branch, under the New Franchise Agreement, the Company will acquire the right to manage and provide services to a Community Bank® Branch of Bendigo Bank to be located in Drysdale.

As indicated above, the Company has entered into the New Franchise Agreement with Bendigo Bank that will govern the management of the Community Bank® Branch at Portarlington and the new Community Bank® Branch at Drysdale. For ease of reference in this Prospectus, the rights granted to the Company

under the New Franchise Agreement to manage and operate the Portarlington Community Bank® Branch are referred to as the Portarlington Franchise Rights and the rights granted to the Company to manage and operate the Drysdale Community Bank® Branch are referred to as the Drysdale Franchise Rights.

A condition to the New Franchise Agreement being granted is that the Company raises the subscription amount of \$300,000 pursuant to the Issue. If this remaining condition in the New Franchise Agreement is not satisfied, the Company will not have the right to manage and operate the Drysdale Community Bank® Branch. The Company's right to manage and operate the Portarlington Community Bank® Branch and the Drysdale sub-branch will be governed by the terms of the Original Franchise Agreement and the Sub-Branch Agreement.

The key features of the franchise arrangements are described below, and in Section 6 of this Prospectus.

### 3.3 Duration of Franchise

Under the New Franchise Agreement Bendigo Bank has granted the Company both the Portarlington Franchise Rights and the Drysdale Franchise Rights for an initial term of five years from the Commencement Date. Pursuant to the New Franchise Agreement, the Company may seek to extend the term of the Portarlington Franchise Rights and Drysdale Franchise Rights (or both of them), for (in total) two additional five year terms each (subject to satisfying the applicable conditions).

It is possible that the Company will not be able to, or may not wish to, renew the term of the Franchise Rights in relation to one Community Bank® Branch (i.e. Portarlington or Drysdale), but will do so in relation to the other(s). For example, at the end of the initial terms, the Company may satisfy the conditions required in relation to one site, but not the other. In such circumstances, it is possible that the Company will continue to manage and operate only one Community Bank® Branch. It is, of course, also possible that at the end of an applicable term, the Company may not be able to, or may not wish to, renew the Franchise Rights in relation to any branch, in which case, the Company would not be able to continue and operate any branch.

A request to extend the term of any of the Portarlington Franchise Rights or the Drysdale Franchise Rights must be made between three and six months prior to the end of the then existing term relevant to that Franchise Right. Bendigo Bank must agree to extend the term of the particular Franchise Rights (ie the Portarlington Franchise Rights or the

Drysdale Franchise Rights or both) provided that the Company:

- is not in breach of the New Franchise Agreement;
- secures continued rights to possession and use of each location from which the relevant franchise is being conducted for the renewal period, and refurbishes each such location to the then current standards of Bendigo Bank franchises;
- provides the relevant statement required under the Franchising Code; and
- pays the Renewal Fees for the particular Franchise Rights being renewed under the New Franchise Agreement and pays Bendigo Bank's costs of renewing the term of the Portarlington Franchise Rights or the Drysdale Franchise Rights.

These conditions must be satisfied at the end of an initial term and at the end of the first and second renewal periods.

Bendigo Bank has the ability to assign or novate its rights and obligations (or any part of them) under the New Franchise Agreement at any time. However, Bendigo Bank must not assign its obligations (without the consent of the Company) unless the proposed assignee is either a related body corporate of Bendigo Bank, a person whose business includes the provision of financial services (and it is reasonable to expect that the person will be able to comply with its obligations under the New Franchise Agreement) or a person who has entered into arrangements with Bendigo Bank and/or any of the foregoing, so as to enable that person to comply with its obligations under the New Franchise Agreement. In any event, any assignee would have to continue to perform Bendigo Bank's obligations under the New Franchise Agreement.

The Company may only dispose (in any way) of, or otherwise effect or permit a change of control or ownership of, the franchises (or any one of them), the Company or the Company's interest in the franchise operations, the New Franchise Agreement (including, for example, the Portarlington Franchise Rights or the Drysdale Franchise Rights) or the location of any branch with the prior written consent of Bendigo Bank and with the payment of a Transfer Fee to Bendigo Bank.

Bendigo Bank also has a pre-emptive right over the sale of the Company's interest in the New Franchise Agreement, the Portarlington Franchise Rights, the Drysdale Franchise Rights or the branch locations.

The consequences of the termination of the New Franchise Agreement, the Portarlington Franchise Rights or the Drysdale Franchise Rights are discussed in Section 5.2 below.

## 3.4 Activities of Company

### Branches

The Portarlington Community Bank® Branch at 44 Newcombe Street, Portarlington, Victoria commenced operation in 30 October 1999. The Company has managed that branch since that time under the Original Franchise Agreement. The rental costs for the Portarlington site have been included for the purposes of the forecasts. The Portarlington Community Bank® Branch is open from 9.30am to 4.00pm on Monday to Thursday, 9.30am to 5.00pm on Friday and from 9.00am to 12 noon on Saturdays, excluding public holidays.

In addition, the Company has operated a sub-branch of Bendigo Bank at 11 Clifton Springs Road, Drysdale since 1 April 2007. This sub-branch will be converted into the Drysdale Community Bank® Branch. The rental costs for the Drysdale site have been included for the purposes of the forecasts. It is proposed that the Drysdale Community Bank® Branch will open from 9.00am to 5.00pm on Monday to Friday, and from 9.00am to 12 noon on Saturday, excluding public holidays.

It is possible, with Bendigo Bank's consent, to operate the existing and proposed Community Bank® branches from sites in addition to, or in substitution of, the current existing or proposed sites. However, the Directors have no intention to do so at this stage.

### Managers and Employees

The Company currently employs a Branch Manager, a sub branch Manager and a number of Customer Service officers to staff the Portarlington Community Bank® Branch and the Drysdale sub-branch. It is envisaged that a number of new Customer Service officers will be employed by the Company to staff the proposed Drysdale Community Bank® Branch. All employees must be first approved by Bendigo Bank. It is also possible that staff will be seconded from the Bendigo and Adelaide Group.

### Financial Products and Services

Through the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch, the Company will provide a range of financial products and services determined by Bendigo Bank from time to time. The products and services will include (but are not necessarily limited to) the following:

- deposit business, for example, "Ultimate" accounts, term deposits, "money extra", "classic" accounts, investment accounts and specialised rural accounts;
- personal bank products and services, for example, credit and debit cards, insurance and financial planning;
- loans and lending products, for example, home loans, investment loans, home equity loans, leasing, commercial loans, farm loans and personal loans;
- investment products, such as superannuation, Sandhurst Select products and common fund and tax-based savings products; and
- cash and cheque facilities, delivered through electronic means and ATM services.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the Company facilitating the provision of those products.

All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The products and services available to be offered through the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch will not necessarily be the same as those offered by other Bendigo and Adelaide Group branches or franchises. However, the Company will endeavour to ensure that the products and services offered will be appropriate for the requirements of its customers.

### Other Products and Services

In addition, the Company can offer or promote other products and services under agreements with members of the Bendigo and Adelaide Group if Bendigo Bank has given its prior consent. In particular, the Directors envisage that the Company may enter into a referral agreement with a member of the Bendigo and Adelaide Group under which the Company will, in return for a commission, offer and promote to our community non banking products and services offered by that group member. These products and services may, for example, include telecommunications services.

## 3.5 Benefits of Franchise Arrangements

### Name, Logo and Systems

As part of the franchise arrangements, Bendigo Bank grants the Company the right to use its name, logo and system of operations and other relevant intellectual property rights including the trademark

“Community Bank®” for the purpose of managing the Portarlington and Drysdale Community Bank® Branches of Bendigo Bank. To the extent that it is able, Bendigo Bank will also give the Company reasonable access to all information and technology created or obtained by Bendigo Bank in connection with other franchises.

The Company will have the benefit of all general advertising and promotions undertaken by Bendigo Bank, in addition to the local promotional activities undertaken by the Company itself (in accordance with the controls set out in the New Franchise Agreement).

#### **Assistance and Advice**

Bendigo Bank will provide significant assistance in relation to the Portarlington and Drysdale Community Bank® Branch franchise operations including:

- advice and assistance in relation to the design, layout and fitout of each branch office;
- training for the Branch Managers and other employees in banking, management systems and interface protocol; and
- assistance in the launch of the Drysdale Community Bank® Branch (assistance has already been given by Bendigo Bank in relation to the launch of the Portarlington Community Bank® Branch).

Bendigo Bank will continue to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of each franchise operation, including advice in relation to

- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

#### **Non-exclusive Franchise**

The Franchise Rights granted under the New Franchise Agreement are non-exclusive franchise. That is, any member of the Bendigo and Adelaide Group is able to carry on any business (including the granting of franchises) anywhere. Further, Bendigo Bank (for example, through branches), any related body corporate of Bendigo Bank and any Bendigo Bank franchise are entitled to be located anywhere and to market to, or deal with, persons located anywhere.

Similarly, although the location of the branches at which the franchise operations are carried on

must be approved by Bendigo Bank, the Company is entitled to market to, or deal with, persons located anywhere.

### **3.6 Restrictions on Operations**

#### **Sole Purpose Company**

The New Franchise Agreement provides that, subject to the ability to provide certain other products and services (see below), the Company must not carry on any business other than managing and operating the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch of Bendigo Bank, and it must not own or use any assets, or incur any liabilities, other than those required by the franchise operations.

The Company may offer or promote other products and services pursuant to an arrangement with a member of the Bendigo and Adelaide Group if Bendigo Bank has given its approval.

#### **Competition Restrictions**

The Company is also subject to covenants that restrict its activities both during the term of the franchise, and for a further three years after the franchise has terminated.

Pursuant to these covenants (contained in the New Franchise Agreement), the Company must not:

- have any interest in an entity carrying on business that is substantially the same as that conducted by Bendigo Bank through its franchises, or is in competition in relation to that business or in relation to any other business carried on by the Bendigo and Adelaide Group;
- seek to attract any customers or employees from Bendigo Bank or any of its franchisees; or
- otherwise interfere with the business being conducted by Bendigo Bank.

Similar restrictions apply to the Directors of the Company.

#### **Bendigo Bank Involvement**

Bendigo Bank will retain a tight control over the day to day operations of the Company, including the provision by the Company to Bendigo Bank of regular and detailed reports. Bendigo Bank also has the right to inspect or audit the franchise records.

In particular, as noted above, the products and services to be supplied through the Company will be determined by Bendigo Bank. As described in Section 3.4 above, all credit transactions must be approved by Bendigo Bank.

Further, the Company must only use Bendigo Bank's intellectual property (including its trademarks)

licensed to the Company under the New Franchise Agreement in accordance with the guidelines provided by Bendigo Bank.

The Company has also been appointed as an 'authorised representative' of Bendigo Bank pursuant to a separate authorised representative appointment (see Section 7.4 below).

### 3.7 The Company's Board of Directors

The management and control of the business and affairs of the Company is the responsibility of the Board of Directors. There are various rules in the constitution to ensure that shareholders regularly have the opportunity to vote on the Directors. In particular, under the constitution, one third of the Directors (other than an 'exempt' managing Director – if any) will be required to retire at each annual general meeting (other than the Company's first annual general meeting), and a Director who has held office for in excess of a continuous period of three years or three annual general meetings (whichever is longer) since last elected must retire. However, Directors who so retire are eligible for re-election. In addition, persons who are appointed as Directors by the Board must retire at the next annual general meeting, but are eligible for re-election, and an employee who is a Director must retire as a Director if they cease to be an employee, but is also eligible for re-election.

Under the constitution, each Director is required to undergo a probity check (primarily a national criminal record check) as a condition of their appointment as a Director. This rule requires that a Director will need to undergo such a check prior to their appointment as a Director or, if a Director was appointed before this rule became effective, within six months of their appointment. Directors can be required to undergo a further check every 12 months.

### 3.8 Share Price

Shares in the Company have been listed on the BSX since February 2005. While past performance cannot be taken as an indication of future performance, as at 11 September 2008 the following shares have been traded on the BSX.

Qty	Price	Date
2000	\$1.00	24/11/2005
2000	\$1.00	23/9/2005
600	\$0.90	26/4/2005

Updated share price information can be obtained from the BSX.



## 4. Financial information

### 4.1 Forecasts

#### Overview of the process of preparing the forecasts

The Company has prepared forecasts of the interest earnings from the lending products and the interest cost of the deposits, together with forecasts of other revenue streams. Based on the assumption that the existing Portarlington Community Bank® Branch and the Drysdale sub-branch continue to achieve the level and type of business growth historically achieved.

The assumptions made in relation to this financial modelling conducted by the Company are those set out below and in Section 4.3.

The annual operating costs (refer to Section 4.4) were estimated by the Company on the basis of the annual operating costs incurred by the Portarlington Community Bank® Branch and the Drysdale sub-branch.

The estimated annual operating costs of the Company were included to arrive at the estimated operating profit or loss before any allowance for depreciation, tax or dividends.

The Company's accountant was then provided with these figures and, as part of the accountant's role in relation to the preparation and review of the forecasts, the accountant calculated the depreciation and taxation expenses.

The process of preparation of the forecasts is discussed in detail below.

#### (a) Portarlington and Drysdale Forecast (see Table 1).

This is a forecast for the Company as a whole, assuming that the Drysdale Sub branch converts to a full Community Bank® Branch on 1 January 2009 and assumes that the existing Portarlington Community Bank® Branch and Drysdale Sub branch continue to achieve the level and type of business growth historically achieved.

#### (b) 80% of Company Forecast (see table 2 below)

This is a forecast for the Company as a whole assuming that the Company will manage the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch and assuming that the Drysdale Sub branch converts to a full Community Bank® branch on 1 January 2009. It also assumes that in the year ended 30 June

2009, the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch achieve 80% of the volume of business assumed for the "Company Forecast" (refer to Section 4.1(a) above).

#### (c) 120% of Company Forecast (see table 3 below)

This is a forecast for the Company as a whole assuming that the Company will manage the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch and assuming that the Drysdale Sub branch converts to a full Community Bank® branch on 1 January 2009. It also assumes that in the year ended 30 June 2009, the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch achieve 120% of the volume of business assumed for the "Company Forecast" (refer to Section 4.1(a) above).

#### Assumptions

Whilst the Directors have given due care and attention to adopting the forecasts in this Prospectus, they can give no guarantee that these results will be achieved, since there are many factors beyond their influence and control. Some of these risks are discussed in Section 5 below.

The impact of the GST is discussed in Section 4.5.

## Company Forecast

**Table 1** If the Company achieves the assumed level of business, it will generate a profit before tax of \$25,227 in the Year ending 30 June 2009. This table assumes that the Company will continue to manage the Portarlington Community Bank® Branch and the Drysdale Sub-branch; and the Drysdale Branch converts to a full Community Bank® Branch on 1 January 2009.

	Actual Audited Year ended 30 June 2007 \$	Actual Audited Year ended 30 June 2008 \$	Forecast (Unaudited) Year ended 30 June 2009 \$
Revenue from ordinary activities	697,632	945,357	1,135,626
Salaries and employee benefit expense	(306,493)	(444,207)	(520,917)
Donations and Sponsorships	(84,198)	(82,408)	(110,000)
Occupancy & associated costs	(48,203)	(70,107)	(82,607)
System costs	(29,965)	(51,054)	(105,571)
Depreciation and amortisation expense	(6,445)	(5,752)	(23,754)
General administration expenses	(151,963)	(185,394)	(267,550)
<b>Profit before income tax expense</b>	<b>70,365</b>	<b>106,435</b>	<b>25,227</b>
Income tax expense	(27,317)	(32,517)	(9,908)
<b>Profit for the period</b>	<b>43,048</b>	<b>73,918</b>	<b>15,319</b>
<b>Profit attributable to members of the entity</b>	<b>43,048</b>	<b>73,918</b>	<b>15,319</b>
<b>Earnings per Share</b>			
Earnings per share for the period (cents):	-	-	1.34* 1.23**
- dividends paid or provided for (cents per share)	9.00	9.00	-

\*assumes 300,000 shares issued, and after a 2:1 bonus issue

\*\*assumes 500,000 shares issued, and after a 2:1 bonus issue

Notes:

1. See assumptions in Section 4.3 below.
2. See assumptions in Section 4.4 below.
3. Non current assets attributable to the Portarlington and Drysdale Community Bank® Branches will be depreciated over their useful economic life as follows:-

	Rate	Method	Actual Audited Year ended 30 June 2007 \$	Actual Audited Year ended 30 June 2008 \$	Forecast (Unaudited) Year ended 30 June 2009 \$
<b>Depreciation of non current assets</b>					
Leasehold Improvement amortisation	7%	Straight Line	-	763	14,800
Owned Plant & Equipment	18.75-25%	Straight Line	4,450	2,989	5,954
<b>Amortisation of non current assets</b>					
Franchise Fees	Term of the franchise	Straight Line (over 5 years)	1,995	2,000	3,000
<b>Total</b>			<b>6,445</b>	<b>5,752</b>	<b>23,754</b>

#### 4. Income Tax Expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	<b>Actual Audited Year ended 30 June 2007 \$</b>	<b>Actual Audited Year ended 30 June 2008 \$</b>	<b>Forecast (Unaudited) Year ended 30 June 2009 \$</b>
<b>Operating Profit before tax</b>	70,365	106,435	25,227
Income tax expense calculated at 30% of operating profit	21,110	31,931	7,568
Add tax effect of:			
- permanent differences	1,235	942	2,340
Under (over) provision for tax in prior years	4,972	(356)	-
<b>Income tax expense on operating profit</b>	<b>27,317</b>	<b>32,517</b>	<b>9,908</b>

*The income tax expense may vary depending upon allowable tax deductions applicable to the Company under current income tax legislation.*

## 80 % of Company Forecast

Table 2 shows that the Company could, if it achieves the assumed level of business for this forecast (see Section 4.1(b) above), generate a cumulative pre-tax profit on 30 June 2009 of \$20,405 over the forecast period. As with Table 1, this Table assumes that the Company will continue to manage the Portarlington Community Bank® Branch and the Drysdale Sub branch converts to a full Community Bank® Branch from 1 January 2009.

**Table 2: 80% of Company Forecast**

	Actual Audited Year ended 30 June 2007 \$	Actual Audited Year ended 30 June 2008 \$	Forecast (Unaudited) Year ended 30 June 2009 \$
Revenue from ordinary activities	697,632	945,357	1,130,804
Salaries and employee benefit expense	(306,493)	(444,207)	(520,917)
Donations and Sponsorships	(84,198)	(82,408)	(110,000)
Occupancy & associated costs	(48,203)	(70,107)	(82,607)
System costs	(29,965)	(51,054)	(105,571)
Depreciation and amortisation expense	(6,445)	(5,752)	(23,754)
General administration expenses	(151,963)	(185,394)	(267,550)
<b>Profit before income tax expense</b>	<b>70,365</b>	<b>106,435</b>	<b>20,405</b>
Income tax expense/credit	(27,317)	(32,517)	(8,462)
<b>Profit for the period</b>	<b>43,048</b>	<b>73,918</b>	<b>11,943</b>
<b>Profit attributable to members of the entity</b>	<b>43,048</b>	<b>73,918</b>	<b>11,943</b>
<b>Earnings per Share</b>			
Earnings per share for the period (cents):	-	-	1.04*
	-	-	0.96**
- dividends paid or provided for (cents per share)	9.00	9.00	-

\* assumes 300,000 shares issued, and after a 2:1 bonus issue

\*\* assumes 500,000 shares issued, and after a 2:1 bonus issue

Notes:

1. See assumptions in Section 4.3 below.
2. See assumptions in Section 4.4 below.
3. Non current assets attributable to the Portarlington and Drysdale Community Bank® Branches will be depreciated over their useful economic life as follows:-

	Rate	Method	Actual Audited Year ended 30 June 2007 \$	Actual Audited Year ended 30 June 2008 \$	Forecast (Unaudited) Year ended 30 June 2009 \$
<b>Depreciation of non current assets</b>					
Leasehold Improvement amortisation	7%	Straight Line	-	763	14,800
Owned Plant & Equipment	18.75% - 25%	Straight Line	4,450	2,989	5,954
<b>Amortisation of non current assets</b>					
Franchise Fees	Term of the franchise	Straight Line (over 5 years)	1,995	2,000	3,000
<b>Total</b>			<b>6,445</b>	<b>5,752</b>	<b>23,754</b>

#### 4. Income tax expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:-

	<b>Actual Audited Year ended 30 June 2007 \$</b>	<b>Actual Audited Year ended 30 June 2008 \$</b>	<b>Forecast (Unaudited) Year ended June 2009 \$</b>
<b>Operating Profit before tax</b>	70,365	106,435	20,405
Income tax expense calculated at 30% of operating profit	21,110	31,931	6,122
Add tax effect of:			
- permanent differences	1,235	942	2,340
- Under (over) provision for tax in prior years	4,972	(356)	-
<b>Income tax expense on operating profit</b>	<b>27,317</b>	<b>32,517</b>	<b>8,462</b>

*The income tax expense may vary depending upon allowable tax deductions applicable to the Company under current income tax legislation*

For this table all other assumptions in sections 4.3 and 4.4 remain the same.

## 120% of Company Forecast

**Table 3** shows that the Company could, if it achieves the assumed level of business for this forecast (see Section 4.1(c) above), generate a profit before tax of \$50,126 for the year ended 30 June 2009. As with Tables 1 and 2, this Table assumes that the Company will continue to manage the Portarlington Community Bank® Branch and the Drysdale Sub-branch converts to a full Community Bank® Branch from 1 January 2009.

**Table 3: 120% of Company Forecast**

	Actual Audited Year ended 30 June 2007 \$	Actual Audited Year ended 30 June 2008 \$	Forecast (Unaudited) Year ended 30 June 2009 \$
Revenue from ordinary activities	697,632	945,357	1,160,525
Salaries and employee benefit expense	(306,493)	(444,207)	(520,917)
Donations and Sponsorships	(84,198)	(82,408)	(110,000)
Occupancy & associated costs	(48,203)	(70,107)	(82,607)
System costs	(29,965)	(51,054)	(105,571)
Depreciation and amortisation expense	(6,445)	(5,752)	(23,754)
General administration expenses	(151,963)	(185,394)	(267,550)
<b>Profit before income tax expense</b>	<b>70,365</b>	<b>106,435</b>	<b>50,126</b>
Income tax expense	(27,317)	(32,517)	(17,378)
<b>Profit for the period</b>	<b>43,048</b>	<b>73,918</b>	<b>32,748</b>
<b>Profit attributable to members of the entity</b>	<b>43,048</b>	<b>73,918</b>	<b>32,748</b>
<b>Earnings per Share</b>			
Earnings per share for the period (cents):	-	-	2.86*
	-	-	2.64**
- dividends paid or provided for (cents per share)	9.00	9.00	-

\* assumes – 300,000 shares issued, and after a 2:1 bonus issue

\*\* assumes – 500,000 shares issued, and after a 2:1 bonus issue

Notes:

1. See assumptions in Section 4.3 below.
2. See assumptions in Section 4.4 below.
3. Non current assets attributable to the Portarlington and Drysdale Community Bank® Branches will be depreciated over their useful economic life as follows:-

	Rate	Method	Actual Audited Year ended 30 June 2007 \$	Actual Audited Year ended 30 June 2008 \$	Forecast (Unaudited) Year ended 30 June 2009 \$
<b>Depreciation of non current assets</b>					
Leasehold Improvement amortisation	7%	Straight Line	-	763	14,800
Owned Plant & Equipment	18.75% - 25%	Straight Line	4,450	2,989	5,954
<b>Amortisation of non current assets</b>					
Franchise Fees	Term of the franchise	Straight Line (over 5 years)	1,995	2,000	3,000
<b>Total</b>			<b>6,445</b>	<b>5,752</b>	<b>23,754</b>

4. Income tax expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:-

	<b>Actual Audited Year ended 30 June 2007 \$</b>	<b>Actual Audited Year ended 30 June 2008 \$</b>	<b>Forecast (Unaudited) Year ended 30 June 2009 \$</b>
<b>Operating Profit before tax</b>	70,365	106,435	50,126
Income tax expense calculated at 30% of operating profit	21,110	31,931	15,038
Add tax effect of:			
- permanent differences	1,235	942	2,340
- Under (over) provision for tax in prior years	4,972	(365)	-
<b>Income tax expense on operating profit</b>	<b>27,317</b>	<b>32,517</b>	<b>17,378</b>

*The income tax expense may vary depending upon allowable tax deductions applicable to the Company under current income tax legislation.*

For this table all other assumptions in sections 4.3 and 4.4 remain the same.

## 4.2 Sensitivity

The forecast will be affected by the following factors:

- the extent to which the business generated by the Portarlington and Drysdale Community Bank<sup>®</sup> Branches varies from the business generated by these branches in the past;
- interest rate variations (though see Section 4.3 below); and
- operating costs containment.

## 4.3 Revenue

### Revenue Calculation

The estimated revenue for each year is the amount that would be earned by the Company under the New Franchise Agreement on the basis of the assumed level of business for that year (see below).

The New Franchise Agreement provides for three types of revenue that may be earned by the Company.

First, the Company is entitled to 50% of the monthly gross margin earned by Bendigo Bank on products and services provided through the Company that are regarded as “day to day” banking business (ie ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the Company effectively incurs, and must bear, 50% of that loss.

The second source of revenue for the Company is commission paid by Bendigo Bank on the other products and services provided through the Company (ie ‘commission business’).

The initial list of products and services to be provided by the Company is set out in Section 3.4. The New Franchise Agreement provides that a commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred to Elders Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days), and that all other products and services are taken into account in determining the gross margin. The amount of commission payable can be varied in accordance with the New Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo Bank). However, for the purposes of the forecasts, it has been assumed that the rates of commission payable to the Company will not vary during the forecast period.

The third source of revenue is a proportion of the fees and charges (that is, what are commonly referred to as ‘bank fees and charges’) charged to

customers to which the Company may be entitled. This proportion (if any) is determined by Bendigo Bank, may vary between products and services and may be amended by Bendigo Bank from time to time. For the purposes of these forecasts, it has been assumed that the proportions will not vary during the forecast period.

As it is too uncertain to determine whether any revenue (and, if so, how much) will be generated by the Company in promoting or offering “non banking” products or services during the forecast period (see Section 3.4), no such revenue has been included in any forecast.

### Description of Business

The following types of business are currently generated by the Portarlington Community Bank<sup>®</sup> Branch and the Drysdale sub-branch:

- Deposits  
“Deposits raised” comprises personal and business savings accounts, cheque accounts and term deposits. Of these products, savings and cheque accounts and term deposits of less than 90 days are included in the calculation of the monthly gross margin. Term deposits of more than 90 days earn a commission.
- Loans  
“Loans generated” comprises personal and business overdrafts, personal loans, home loans, business leasing and hire purchase and other business loan facilities. Of these products and services, overdrafts, personal loans and flexible home loans are margin business and fixed home loans, leasing, hire purchase and other business loan facilities are commission business.
- Other  
“Other business” consists of superannuation products, which are commission based products.

### Interest Rates

Interest rates (set out below) within broad product groups have been adopted across all revenue forecasts in the range shown below.

Product	Rate Range
Personal Transaction Account	4.00% - 4.20%
Business Cheque Account	1.00% - 3.40%
Term Deposits ≤ 90 days	5.70% - 7.40%
Home Loans	8.40% - 8.60%
Home Equity Loans	9.15% - 9.30%
Credit Cards	10.30% - 10.50%
Overdrafts (Business)	9.70% - 10.10%
Personal Loans	11.20% - 11.70%

The rates in the above table represent the average of the interest earned on products within each



product group by the Portarlington and Drysdale Community Bank® branches. They are included in the Prospectus solely for the purpose of providing information concerning the rates of interest used in preparing the forecasts and do not purport to represent a market interest rate that customers of any Community Bank® branch should expect to be offered. The interest rates were determined as at 30 June 2008 and reflect the rates current at the time the forecasts were prepared. Although some of these rates would now be likely to have changed given movements in market interest rates in the intervening period, the margins that the Company could expect to receive on these products and services have not changed in any material respect. As indicated below, it is changes in the interest rate margin that would be expected to affect the profitability of the Company.

In determining the profitability of a Community Bank® Branch (as with any other bank branch), one factor is the interest rate margin. The interest rate margin can be described as the difference between the interest rate earned on lending products as compared to the interest rate paid out on deposits and investments. If interest rates change over the period of the forecasts in this Prospectus, the profitability of the branch may not be affected, if the interest rate margin remains unchanged.

However, as the interest rate margin changes, so does the profitability of the branch. It is estimated that an increase/decrease of 0.1% in the interest rate margin would have increased/decreased the Company's gross revenue as at 30 June 2008 by \$14,959.

#### **ATM Fees**

The forecasts in this Prospectus contain an estimate of the amount of fees generated from non Bendigo Bank customers using the Company's existing ATMs at Portarlington and Drysdale.

#### **4.4 Establishment and Operating Costs**

The following costs will be incurred by the Company:

- the initial investment required to convert the Drysdale sub-branch into a Community Bank® Branch; and
- the annual operating costs of the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch.

#### **Establishment Costs**

The costs to convert the Drysdale sub-branch to a Community Bank® Branch include:

- the Franchise Fees and training costs payable under the New Franchise Agreement in relation to the Drysdale Community Bank® Branch;
- site modifications and IT establishment in relation to the Drysdale Community Bank® Branch;
- legal costs (including the costs of undertaking this Issue);
- costs of quotation of the Shares issued pursuant to this Prospectus on the BSX;
- the costs of the opening launch of the Drysdale Community Bank® Branch; and
- working capital.

#### **Annual Operating Costs**

The operating costs of the Company have been incorporated in the forecasts in Section 4.1.

These costs include:

- annual BSX listing and quotation fees;
- share registry fees;
- labour (Branch manager and Customer Service officers) and related costs (eg uniforms);
- occupancy and outgoings;
- marketing;
- bad debts and other credit expenses;
- IT equipment, running costs and support costs;
- insurance;
- phone and fax;
- postage and stationery;
- cash logistics;
- security monitoring and maintenance;
- travel and accommodation;
- repairs and maintenance;
- automatic teller machines (ATMs);
- accountancy and secretarial; and
- annual audit fees.

#### **4.5 Goods and Services Tax**

The goods and services tax (GST) legislation took effect from 1 July 2000. The impact of the GST on providers of financial services is quite different from its impact on other businesses. Most businesses are able to claim back all GST paid on business inputs. This is not the case for providers of 'financial supplies'. Providers of 'financial supplies' are input taxed. This means that they can not charge GST on these 'financial supplies' and can not claim back all the GST paid on their inputs.

The regulations distinguish between a financial supply "provider" who makes a financial supply and a "facilitator" who facilitates a financial supply made

by another entity. Generally, supplies by a “financial supply facilitator” are not financial supplies and would therefore be subject to GST.

The Company is a “financial supply facilitator” and it is able to reclaim the GST suffered on its business inputs but also required to account for GST on its revenues.

For the purposes of the forecasts in this Prospectus, it has been assumed that the services which the Company provides to Bendigo Bank are subject to GST, and the tax paid on purchases of inputs to the business will be able to be reclaimed in full. The revenues stated in the forecasts are net of GST and the costs are net of input tax credits.

## 4.6 Pro-Forma Balance Sheet

Set out below is an unaudited Pro-forma balance sheet for the Company showing the actual position prior to the date of Issue and alternative unaudited Pro-forma balance sheets showing the effect of the Issue.

	Actual Audited as at 30 June 2008 \$	Unaudited Pro-Forma as at 30 June 2008 <sup>1&amp;3</sup> \$	Unaudited Pro-Forma as at 30 June 2008 <sup>2&amp;3</sup> \$
<b>Current Assets</b>			
Cash assets	292,440	592,440	792,440
Receivables	79,753	79,753	79,753
Prepayments	6,000	6,000	6,000
<b>Total Current Assets</b>	<b>378,193</b>	<b>678,193</b>	<b>878,193</b>
<b>Non-Current Assets</b>			
Other Financial Assets	40,000	40,000	40,000
Deferred tax asset	12,279	12,279	12,279
Property, plant and equipment	19,328	19,328	19,328
Intangible assets	109,156	109,156	109,156
<b>Total Non-Current Assets</b>	<b>180,763</b>	<b>180,763</b>	<b>180,763</b>
<b>Total Assets</b>	<b>558,956</b>	<b>858,956</b>	<b>1,058,956</b>
<b>Current Liabilities</b>			
Trade and other payables	17,659	43,909	43,909
Current tax liabilities	11,690	11,690	11,690
Provisions	41,639	41,639	41,639
<b>Total Current Liabilities</b>	<b>70,988</b>	<b>97,238</b>	<b>97,238</b>
<b>Non-Current Liabilities</b>			
Provisions	5,000	5,000	5,000
<b>Total Non-Current Liabilities</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Total Liabilities</b>	<b>75,988</b>	<b>102,238</b>	<b>102,238</b>
<b>Net Assets</b>	<b>482,968</b>	<b>756,718</b>	<b>956,718</b>
<b>Equity</b>			
Share capital	400,000	700,000	900,000
Less cost of equity raising	-	(26,250)	(26,250)
Retained earnings	82,968	82,968	82,968
<b>Total Equity</b>	<b>482,968</b>	<b>756,718</b>	<b>956,718</b>

### Notes

- 1 Assumes the offer is fully subscribed and no oversubscriptions are accepted, and all Shares have been allotted.
- 2 Assumes the offer is fully subscribed and the maximum amount of oversubscriptions is accepted, and all Shares have been allotted.
- 3 This balance sheet shows the position before any amount has been paid to Bendigo Bank under the New Franchise Agreement.

## 4.7 International Financial Reporting Standards

The Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

All financial information disclosed in this Prospectus has been prepared in accordance with IFRS.

## 5. Risk Factors

### 5.1 Introduction

Potential investors should consider the risks of investing in the Company carefully before making an investment decision. Your investment is not guaranteed by Bendigo Bank.

Particular investment risks arise due to the specific purpose for which the Company has been established and the specific nature of the business to be conducted by the Company, that is, to manage two Community Bank® Branches of Bendigo Bank pursuant to the New Franchise Agreement with Bendigo Bank.

An investment in the Company is also affected by the business risks to which the Company will be subject, which may affect the success of the Company and, accordingly, its ability to pay dividends and its ongoing operation.

The following Sections highlight some of the key risks associated with an investment in the Company. There may also be other risks.

### 5.2 Investment Risk

#### Dividends

The Directors have established a policy whereby profits will, as a general rule, be applied at the discretion of the Directors in one or more of the following ways:

- in payment of dividends to shareholders (subject to the limit described below);
- towards community or charitable projects as determined by the Directors from time to time; or
- as working capital.

The timing and payment of dividends is dependent on many factors which affect future profits and the financial position of the Company. Dividends will be determined by the Directors according to actual results, financial position, capital requirements, operating costs and economic conditions at the time. There will also be an assessment by the Directors of the needs of any worthwhile community or charitable projects. Further, in recognition of the aims of the Company to deliver social and economic benefits to the community (in addition to, if possible, a return to shareholders), the Company has agreed that in any 12 month period, the aggregate of the profits or

funds of the Company distributed to shareholders (whether by way of dividends, bonus shares or otherwise) must not, except in the case of a winding up, exceed the Distribution Limit. The Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital over that 12 month period (as determined by Bendigo Bank in consultation with the Company). The relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period (as determined by Bendigo Bank) plus 5%.

For the purposes of calculating the Distribution Limit, “profit” shall be determined by reference to all applicable accounting standards pursuant to the Corporations Act and will be calculated before:

- any tax, including GST;
- eligible contributions to Bendigo Bank’s Community Enterprise™ Foundation (or any of its sub-funds or successor(s)); and
- community contributions or donations made by the Company that would have been eligible contributions to Bendigo Bank’s Community Enterprise™ Foundation (or any of its sub-funds or successor(s)).

Of course, the actual amounts distributed to shareholders may be less than the Distribution Limit.

The Company has paid dividends previously and intends to continue to pay dividends as per the forecasts set out in Section 4 of this Prospectus.

### **Trading in Shares**

The Company provides members of the community with the opportunity to contribute to establishing and maintaining the Portarlington Community Bank® Branch of Bendigo Bank and the Drysdale Community Bank® Branch of Bendigo Bank. The community nature of the Company is reflected in the provisions of its constitution relating to voting rights and limits on shareholding interests (see Sections 7.1 to 7.3 below).

Because of the community based nature of the Company, it is not envisaged that there will be significant trade in shares in the Company. Accordingly, there may be limited opportunities for members to recoup their investment in the Company by disposing of their Shares.

In particular, while the Company is listed and its Shares are quoted on the BSX (and the Directors intend to apply for quotation on BSX of the Shares issued pursuant to this Prospectus), as listing and quotation impose additional obligations and costs on the Company, it is possible that in the future, the Directors will form the view that listing and quotation is no longer in the best interests of the Company.

Even if the Company remains listed on BSX, it is not anticipated that an active market for trading of the Shares will develop. For example, the restrictions on shareholding interests may limit those persons who are able to purchase Shares in the Company. If the market for the Shares is not liquid, it is possible that the market price of the Shares may not reflect the true underlying value of the Company.

Further, the market price of the Shares will fluctuate due to various factors, including general movements in the Australian equity market (which, in turn, is influenced by the international equity markets), investor perceptions, local and worldwide economic conditions, movements in interest rates and specific factors affecting the performance and financial position of the Company and its business.

In addition, in the case of some companies listed on a stock market, it is possible that their share price may include a “control premium” to reflect the fact that a person may wish to acquire sufficient shares in the Company to gain control of the Company and, to do so, the acquirer would need to pay a premium above the underlying share price. It is unlikely that such a premium will be present in the case of the Shares (or will be paid by an acquirer), given the restrictions on share ownership in the constitution and the fact that a change of control of the Company may trigger a termination of the New Franchise Agreement.

In summary therefore, it is possible that the market price of the Shares may be lower than the issue price under the Offer or otherwise may not reflect the true underlying value of the Company or its performance. While this risk applies to all investments in any securities on any stock market, it applies particularly so here given the community nature of the Company (for example, the restriction on dividend payments), the limitations on share ownership, the restrictions on the business activities of the Company and the likelihood of an illiquid market.

### **Termination of Franchise**

The New Franchise Agreement provides for a maximum possible term of 15 years each for the Portarlington Franchise Rights and the Drysdale

Franchise Rights (see Section 3.3 above), after which the continued operation of each Community Bank® Branch will be subject to further negotiations with Bendigo Bank. Bendigo Bank also has broad rights to terminate the New Franchise Agreement (see Section 6 below), the Portarlington Franchise Rights and/or the Drysdale Franchise Rights, in particular, if the relevant franchise operation is not profitable.

If the New Franchise Agreement itself is terminated, the Portarlington Franchise Rights and Drysdale Franchise Rights would also terminate. However, if the Franchise Rights of one Community Bank® Branch alone are terminated, the Franchise Rights of the other Community Bank® Branch would not, by that fact alone, necessarily terminate (and vice versa). In other words, it is possible that the Company may end up managing and operating only one of the Community Bank® Branches.

The Company is not entitled to any payment upon termination of the New Franchise Agreement or of the Portarlington Franchise Rights or Drysdale Franchise Rights, though it would be entitled to the net proceeds of the sale of either or both of the franchise operations if, at its discretion, Bendigo Bank proceeded with such a sale after termination (see Section 6 below).

There are no restrictions on where Bendigo Bank (or any of its related bodies corporate or other Bendigo Bank franchisees) may carry on business or be located (either before, during or after the term of the New Franchise Agreement – see Section 3.5 above).

On the expiration or earlier termination of the New Franchise Agreement, the Company is prohibited from carrying on a substantially similar business for three years.

There are also restrictions on the ability of the Company to dispose of its rights in the franchises, the New Franchise Agreement (including the Portarlington Franchise Rights or the Drysdale Franchise Rights, or both, as the case may be), the franchise operations or the branch locations (see Section 3.3 above).

### **5.3 Business Risks**

#### **Sole Purpose Company**

The Company will essentially be a sole purpose company.

Subject to the ability to offer and promote other products and services under agreements with Bendigo and Adelaide Group members that have been approved by Bendigo Bank, the Company's

only business will be managing the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch.

#### **Revenue & Level of Banking Business**

Although all transactions conducted through the Community Bank® Branches will actually be conducted with Bendigo Bank, the effect of the gross margin sharing arrangement (as described in Section 4.4) is that the Company bears the risk of generating sufficient income from the banking business to derive a profit.

There is no guarantee that the results set out in Section 4 will be achieved. In addition, part of the revenue earned by the Company is based on commission and fee income on certain products and services, and the commission and fees payable to the Company can be varied (in some cases, at the discretion of Bendigo Bank).

The ability of the Company to generate new business is subject to factors beyond the control of the Company.

The level of banking business conducted through the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch will be affected by general economic conditions, in particular, the effect of interest rate movements on the interest rates offered by Bendigo Bank.

As part of the Community Bank® concept, the Portarlington Community Bank® Branch was established and the Drysdale Community Bank® Branch is being established, in part, given the current level of banking facilities available in the Portarlington and Drysdale communities. It should be recognised that the Company will face competition from other financial service providers (including, possibly, other branches and franchises of Bendigo Bank) whether located in Portarlington or Drysdale or in nearby communities or that are able to deliver such services remotely (for example, through the internet or over the phone). It is also possible that, in the future, other financial service outlets could seek to open in Portarlington or Drysdale, particularly if the Community Bank® Branches are successful.

#### **Branch Operations**

Like any small business, the Branch Manager and employees will have a key role in the success of each of the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch. The Branch Manager and employees of each branch will be responsible for promoting the branch, and providing a level of service and support that will engender ongoing relationships with customers. The ability of

the Branch Managers to communicate effectively with representatives of Bendigo Bank, and represent the interests of the Community Bank® Branches, will also be critical to the smooth operation of the branches.

Although all deposits made through the Portarlington Community Bank® Branch and Drysdale Community Bank® Branch will be transferred to Bendigo Bank, the Company will bear the risk of implementing procedures for handling and transferring such deposits.

### **Two Branches**

The Company will manage and operate two Community Bank® Branches of Bendigo Bank. Thus, shareholders of the Company will share the risks, and rewards, of both branches. For example, it is possible that losses from one branch could offset the profits from the other branch. Similarly, should the Company incur any liabilities in respect of one branch, all assets of the Company (including assets relating to the other branch) would be available to meet those liabilities.

## **5.4 Relationship with Bendigo Bank**

### **Success of Bendigo Bank**

The Portarlington Community Bank® Branch operates and the Drysdale Community Bank® Branch will operate under the Bendigo Bank name and (subject to any products and services approved by Bendigo Bank that may be provided under agreements with Bendigo and Adelaide Group members) will only provide Bendigo Bank products and services.

Accordingly, the success of the Company is, to a significant degree, dependent on the standing and success of Bendigo Bank.

The products and services provided through the Company, and the income that Bendigo Bank (and, accordingly, the Company) is able to earn on those products and services, will be subject to the competitive pressures facing Bendigo Bank generally and the impact of economic conditions and other factors on the business of Bendigo Bank.

### **Approvals**

As described in Section 3.6 above, many of the Company's business decisions (including the products and services made available, the annual budgets and the credit business generated through the branches) are subject to the approval of Bendigo Bank.

It is clear that the Company and Bendigo Bank have a common interest in the success of the Company. However, as noted above, communication

between the Company and Bendigo Bank will be critical to ensuring that Bendigo Bank understands the particular requirements of the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch, and decisions in respect of the branch operations are made accordingly.

### **Bendigo Bank Claims**

Pursuant to a broad indemnity in the New Franchise Agreement, the Company is responsible for certain claims made against Bendigo Bank in connection with the operation of the franchise operations (see Section 6).

## **5.5 Other Factors**

### **Regulatory Environment**

Although the Company will not carry on banking business, by managing two Community Bank® Branches of Bendigo Bank it will effectively be subject to the regulatory environment in which Bendigo Bank operates. In particular, decisions of APRA that affect Bendigo Bank may also have an impact on the business conducted by the Company.

In addition, as part of the franchise arrangements, the Company must be appointed as an 'authorised representative' of Bendigo Bank for the purposes of carrying out the franchise operations (see Section 7.4 below).

### **Economic Conditions**

As noted above, the Company's business will be affected by changes in economic conditions both directly and indirectly through the effect such changes may have on Bendigo Bank. Relevant factors include market growth, inflation, movements in interest rates and exchange rates and the level of loan defaults.

### **Government Policies and Legislation**

The Company's business may be affected by changes to government policies, including those relating to prudential supervision, taxation and regulation of financial services industries. Again, such changes may affect the Company directly or indirectly as a result of their impact on Bendigo Bank.

## 6. Franchise Agreement

The New Franchise Agreement establishes the relationship between the Company and Bendigo Bank, and sets out the parameters within which the Company must operate. The New Franchise Agreement defines the business that will be conducted by the Company and, accordingly, is critical to an assessment of the Company.

The provisions of the New Franchise Agreement have been described in detail in Sections 3 and 5 of this Prospectus.

The following is a brief summary of the key provisions of the New Franchise Agreement.

### Grant of Rights

Bendigo Bank grants the Company the right to use Bendigo Bank's system of operations and certain intellectual property rights to manage and operate the Portarlington Community Bank<sup>®</sup> Branch and Drysdale Community Bank<sup>®</sup> Branch of Bendigo Bank.

It is a condition to the New Franchise Agreement that the Company raises \$300,000 pursuant to the Issue.

### Term

The initial term of both the Portarlington Franchise Rights and the Drysdale Franchise rights is five years. Provided certain conditions are met at the end of each term, Bendigo Bank must agree to extend the term of the Portarlington Franchise Rights or the Drysdale Franchise Rights (or both) for two further five year terms (see Section 3.3).

### Branch Operations

There are strict controls on the Company in relation to the operations of each Community Bank<sup>®</sup> Branch. In particular, the Company must only offer the products and services specified by Bendigo Bank, it must comply with Bendigo Bank's promotions, it (and its staff) must comply with the operating manuals supplied by Bendigo Bank, it must seek the prior approval of Bendigo Bank to its promotional activities and material, public communications, signs and stationery, and there are tight controls over the use of Bendigo Bank's intellectual property.

### Payments/Receipts

In relation to the Drysdale Community Bank<sup>®</sup> Branch, the Company is required to pay Bendigo Bank the Franchise Fees, training costs and Start Up costs. For each additional five year period in

respect of each branch (ie the Portarlington Franchise Rights, the Drysdale Franchise Rights or both), the Company must pay Renewal Fees, the reasonable costs of training provided by Bendigo Bank to the Company's employees and the expenses of Bendigo Bank associated with renewing the relevant franchise (including legal fees).

In addition, the Company is responsible for all ongoing costs in relation to each branch and each branch location (including, for example, all staff costs, rent, outgoings and insurance).

The revenue the Company is entitled to receive is described in Section 4.4 above.

You should refer also to Section 5.2 of this Prospectus for a description of the limit, contained in the New Franchise Agreement, on distributions by the Company to its shareholders.

### Indemnity

The Company provides a broad indemnity in favour of Bendigo Bank. In particular, the Company indemnifies Bendigo Bank against all losses Bendigo Bank may suffer and all third party claims that may be brought against Bendigo Bank in connection with the conduct of the franchise or the franchise operations (ie the management and operation of the Portarlington Community Bank<sup>®</sup> Branch and the Drysdale Community Bank<sup>®</sup> Branch), a breach of the New Franchise Agreement (including the manuals) by a person other than Bendigo Bank, the offering of any products and services (whether banking or non banking) by the Company, the carrying on of any business by the Company (whether or not permitted by Bendigo Bank), the activities of the Company or its employees at or near each of the Community Bank<sup>®</sup> Branch premises and any unauthorised act, default, dishonesty, negligent act or omission or fraudulent conduct of the Company or any of its officers, employees or agents.

Bendigo Bank indemnifies the Company against all third party claims that may be brought against the Company to the extent that such claims result from a misleading or deceptive statement in, or a misleading or deceptive omission from, the products or services specified by Bendigo Bank to be offered to customers, certain actions by employees of Bendigo Bank or any related promotional materials or manuals supplied by Bendigo Bank. Other potential liability on Bendigo Bank is, to the extent permitted, excluded.

### Termination

Bendigo Bank may terminate the New Franchise Agreement (or, at Bendigo Bank's discretion, the

Portarlington Franchise Rights or the Drysdale Franchise Rights) in various circumstances, including if:

- the Company breaches the New Franchise Agreement;
- the Company engages in fraudulent or dangerous conduct, becomes insolvent or fails to pay its debts on time;
- the Company is convicted of a “serious offence” (as defined under the Franchising Code) or, without limiting the foregoing, the Company, any of its directors or employees is, or has been, convicted of an offence where, in the reasonable opinion of Bendigo Bank, that conviction materially and adversely affects Bendigo Bank and/or the name, goodwill or good reputation of a franchise, Bendigo Bank’s system of operations or other Bendigo Bank franchises, unless, in the case of a Director or member of staff, that person ceases to be involved or concerned in the management or operation of the Company and the franchises within the time period (being not less than 7 days) specified by Bendigo Bank;
- the Company carries on a franchise in a manner that, or takes (or fails to take) any action that, harms or adversely affects, or may harm or adversely affect materially, the good name, goodwill or good reputation of Bendigo Bank, Bendigo Bank’s business, the franchise, Bendigo Bank’s system of operations or other Bendigo Bank franchises, including if the Company (or its staff) engage in misleading or deceptive conduct or conduct that is unlawful or may cause Bendigo Bank to breach any law or regulation or if the reputation of a Director or of a member of staff could adversely affect the good reputation or goodwill of Bendigo Bank, unless, in this latter case, that Director or member of staff (as the case may be) ceases to be involved or concerned in the management or operation of the Company and the franchise within the time period (being not less than 7 days) specified by Bendigo Bank;
- the Company takes (or omits) to take an action that, under the Franchising Code, permits Bendigo Bank to immediately terminate the New Franchise Agreement (eg the Company abandons a branch, carries it on in a way that endangers public health or safety or agrees to terminate the New Franchise Agreement);
- there is, without Bendigo Bank’s prior written consent, a change in the underlying ownership or control of the Company, the franchise or the Company’s interest in the New Franchise

Agreement or either of the branch locations (this can be deemed to occur for certain changes to the Directors of the Company or if the Company’s control/ownership limit is breached - see Section 7.3 below); or

- there is an amendment to, renewal of, or alteration of the effect of, a rule or clause of the Company’s constituent documents, without the approval of Bendigo Bank.

Bendigo Bank may also terminate the rights to manage a branch (ie the Portarlington Community Bank® Branch or the Drysdale Community Bank® Branch) if:

- the Branch Manager of the Community Bank® Branch becomes unable to perform his or her duties for an extended period, without suitable replacement;
- the branch is not profitable; or
- the Company operates the branch from a location not previously approved by Bendigo Bank.

The Company may terminate the New Franchise Agreement if Bendigo Bank materially breaches the New Franchise Agreement.

The procedures for termination (either by Bendigo Bank or by the Company) are set out in the New Franchise Agreement.

In certain circumstances, where there has been a breach of the New Franchise Agreement by the Company, the right to manage and operate the Portarlington Community Bank® Branch and/or the Drysdale Community Bank® Branch is suspended until the breach is rectified or the New Franchise Agreement is terminated.

Upon termination of the New Franchise Agreement, the Portarlington Franchise Rights or the Drysdale Franchise Rights, there is no obligation on Bendigo Bank to sell the franchise operations or those Franchise Rights that have been terminated. However, if such a sale did proceed, the Company would be entitled to the proceeds received (less the costs of the sale and certain debts owed by the Company, if any).



## 7. Additional Information

### 7.1 Constitution

The rights attaching to Shares (Section 7.2) and the prohibition on shareholding interest (Section 7.3) set out in the Company's constitution are summarised below.

### 7.2 Rights Attaching to Shares

The Shares will be issued as fully paid ordinary shares issued at \$1.00 each.

Set out below is a summary of the principal rights attaching to the Shares.

#### (a) Voting Rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of Shares held, is to reflect the nature of the Company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Portarlington Community Bank<sup>®</sup> Branch and Drysdale Community Bank<sup>®</sup> Branch have the same ability to influence the operation of the Company.

#### (b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The New Franchise Agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. You should refer to Section 5.2 of this Prospectus for a description of this limit. There is also a restriction

on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (for example, by breaching the 10% share ownership limit) (see Section 7.3 below).

#### (c) Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares. For example, the Directors may refuse to register a transfer of shares where the registration would result in a shareholder holding a prohibited shareholding interest. As the Company is listed on the BSX, the Directors can only exercise this discretion in certain limited circumstances (for example, the Directors may refuse to register a transfer of shares where permitted or required by law or the BSX Listing rules or as permitted by BSX waiver (see Sections 7.3 and 7.8 below)).

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's constitution and the Corporations Act and the rules applicable to transfers on BSX.

In addition, it is likely that brokers may require a statutory declaration from the transferee confirming that the transfer will not breach any of the shareholding ownership restrictions that apply (see Section 7.3 below).

#### (d) Winding Up

If the Company is wound up, then subject to any special or preferential rights attaching to any class of shares, shareholders will be entitled to participate in any surplus assets of the Company in proportion to the capital paid up on their shares when the winding up begins.

If the assets available for distribution amongst shareholders are insufficient to repay the whole of the paid up capital, then those assets will be distributed in proportion to the capital paid up on shares when the winding up begins.

Notwithstanding the above, if the Company is wound up, the liquidator has the discretion to divide among all or any of the shareholders in specie or in kind any part of the Company's assets. The division may be carried out as the liquidator thinks fit, subject to the right of any shareholder prejudiced by the division to dissent. Any dissenting shareholder has ancillary rights as if the determination made by the liquidator were a special resolution passed under the corporations act relating to the transfer of the Company's assets by a liquidator in a voluntary winding up (see, in particular, chapter 5 of the Corporations Act, especially Section 507).

## 7.3 Prohibited Shareholding Interest

The Company's constitution prohibits a person from having a "prohibited shareholding interest". The ways in which a prohibited shareholding interest may arise are set out in the constitution and are summarised below.

### **10% shareholding limit**

A person who controls or owns 10% or more of the shares in the Company has a prohibited shareholding interest.

Similarly to the voting rights, the purpose of this shareholding limit is to reflect the community based nature of the Company, by ensuring that the Board can prevent ownership of the Company being concentrated in the hands of a small number of community members.

In summary, a person will be deemed to own the shares in the Company in which the person has a relevant interest and the shares in which the person's associates have a relevant interest. (The terms 'relevant interest' and 'associate' have the same meaning as in the Corporations Act, subject to some modifications as set out in the Company's constitution). Also, a person is deemed to control the votes that the person, and the person's associates, can cast or control the casting of on a resolution to elect a director of the Company.

The effect of these definitions is that, for example, if the aggregate of the shares owned (legally or beneficially) by a person plus the shares owned (legally or beneficially) by members of the person's immediate family, equal or exceed 10% of the shares in the Company, the person has a prohibited shareholding interest. Similarly, if the votes a person can control the casting of on a resolution to elect a director, plus the votes that members of the person's immediate family can control the casting of on such a resolution, equal or exceed 10% of the votes that could be cast by all shareholders on such a resolution, that person has a prohibited shareholding interest. A person's "immediate family" includes a person's spouse, defacto spouse, parent, son, daughter, brother or sister or a spouse or defacto spouse of any of the preceding persons.

### **Close connection to community**

In keeping with the community spirit and intent of the Company, a person will also be deemed to have a prohibited shareholding interest if they have voting power in the Company and, in the opinion of the Directors, they do not have a close connection to the Portarlington or Drysdale communities. For example, individuals who are residents of the Portarlington

or Drysdale communities and their close family members, would ordinarily be considered to have such a close connection. Similarly, a company whose registered office is in the Portarlington or Drysdale communities and that is owned and controlled by such individuals would ordinarily be considered to have such a close connection. However, these are illustrative examples only. Ultimately the Directors will need to assess in each case whether there is a close community connection.

### **Consequences of holding a prohibited shareholding interest**

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to those shares in the Company in which the person and the person's associates have a relevant interest are suspended. However, where a person has a prohibited shareholding interest purely on the basis that they own or control 10% or more of the shares or votes in the Company, the suspension only applies to those shares in which the person and the person's associates have a relevant interest in excess of 10% of the Company.

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

The Board's power to suspend voting and dividend rights and to require shares to be disposed of where the prohibited shareholding interest is a breach of the 10% limit or a breach of the requirement that a shareholder have a close connection with the community served by the Company may be exercised while the Company is listed on BSX. Furthermore, as noted above in Section 7.2, the Board may refuse to register a transfer of shares where permitted by BSX waiver. BSX has given the necessary waivers and confirmations to accommodate the 10% limit and

close connection, which are discussed further below in Section 7.8.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

## 7.4 Authorised Representative Appointment

As noted previously, as part of the franchise arrangements, the Company has been appointed as an 'authorised representative' of Bendigo Bank so that the Company can provide financial services on behalf of Bendigo Bank.

Under the appointment, Bendigo Bank authorises the Company to provide financial services advice in relation to, and deal in, various classes of financial products on behalf of Bendigo Bank. It is a condition of Bendigo Bank granting the authorisation that, amongst other things, the Company does everything necessary to ensure that Bendigo Bank complies with the law. If Bendigo Bank believes on reasonable grounds that the Company or its staff may have or are about to contravene the law or cause Bendigo Bank to contravene the law, Bendigo Bank has the power to modify or revoke the authorisation (in which case Bendigo Bank may also have the ability to terminate the New Franchise Agreement).

## 7.5 Taxation Implications

The following is intended only as a general summary and does not purport to be a complete statement of all tax consequences that may be relevant to the issue of ordinary shares in the Company. The taxation implications of investing in the Company may vary depending on the individual circumstances of investors. The information provided is a brief explanation of the potential taxation implications for Australian resident investors.

All investors should consult their adviser about the taxation implications of investing in the Company relevant to their own particular circumstances.

An acquisition of ordinary shares by a resident of Australia will be an acquisition for capital gains tax (CGT) purposes.

A resident of Australia may be assessed in respect of a net capital gain for CGT purposes on disposal of their ordinary shares.

Generally, a net capital gain is determined by reference to the excess (if any) of the consideration received for the ordinary shares over the cost base of the ordinary shares. The amount of the excess

will constitute the amount of capital gain unless the investor is entitled to a CGT discount, which is only available to individuals, superannuation funds and, in certain situations, trust investors. The CGT discount is calculated as follows. In the case of an investor who holds their shares for at least 12 months after the date of acquisition of the shares, the capital gain will be reduced by 50% (where the investor is an individual) or 33⅓ (where the investor is a superannuation fund) in the hands of the investor. In the case of trust investors, the calculation of the CGT discount is complex, and specific advice should be obtained.

Any capital loss (namely the excess of the cost base of the ordinary shares over the consideration received for those shares) with respect to the shares can generally be offset against capital gains realised by the investor in the same year or in later years. However, if there are net capital gains to which the investor is entitled to a CGT discount, any capital losses must be offset against the net capital gains realised by the investor before the CGT discount is applied to the net capital gains.

Certain investors, for example those who carry on business of share trading, may be liable to tax in respect of any profit on the disposal of ordinary shares as ordinary income.

Investors who are resident individual shareholders (or a resident superannuation fund) and who receive dividends from the Company must include in their assessable income the amount of the dividend together with any franking credits attached to the dividend. Income tax is calculated on this total amount and investors will generally be entitled to claim a rebate equal to any franking credits attaching to the dividend. Any excess rebate over and above the total tax payable can be refunded to investors.

### **A resident corporate shareholder that is:**

- a public company for tax purposes – is entitled to a rebate of tax only to the extent of the franked portion (if any) of any dividends received; and
- a private company for tax purposes - is entitled to a rebate only to the extent of the franked portion (if any) of any dividends received.

Companies are generally entitled to credit their franking account for the franked amount of any dividend.

## 7.6 Directors' Interests

Other than as set out below, no Director has, or has held at any time during the last two years, any interest in property acquired or proposed to be acquired by the Company in connection with the offer of the Shares, or in the offer of the Shares.

### Shares

The Directors of the Company and their interests in the share capital of the Company as at the date of this Prospectus are set out below.

Name of Director	Number of Shares	Nature of Interest
Russell Robert Enders	0	Legal and Beneficial
Justine Paige Finlay	0	Legal and Beneficial
Stephen John Wight	0	Legal and Beneficial
Karen Ann Woodhart	3000	Legal and Beneficial
Robert John Hynes	0	Legal and Beneficial
Geoffrey David Webster	0	Legal and Beneficial
Paul Cynwyd Jones	0	Legal and Beneficial
Sandra Jean Baldwin	0	Legal and Beneficial

No Director holds shares in any related body corporate of the Company.

### Indemnity

Under the Company's constitution, the Company:

- indemnifies its current and former officers against liability to third parties incurred arising out of the conduct of the business of the Company or in the discharge of their duties as officers; and
- is permitted to pay premiums for insurance policies insuring its Directors and officers against liability to third parties incurred arising out of the conduct of the business of the Company or in the discharge of their duties as officers.

### Other Interests

Nil.

### Other Benefits

Stephen John Wight is a Director of Davidsons Pty Ltd which provides Accounting Services to the Company at commercial rates and that Company was paid \$21,350 for the year ended 30 June 2008.

Justine Paige Finlay is a Director of Wightons Lawyers Pty Ltd which provides Legal Services to the Company at commercial rates and that Company was paid \$Nil for the year ended 30 June 2008.

## 7.7 Disclosure of Interests

Other than as set out below, no person (referred to as a relevant person) named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or

distribution of the Prospectus and no stockbroker or underwriter to the Issue of Shares has, or has held at any time during the last two years, any interest in property acquired or proposed to be acquired by the Company in connection with the offer of the Shares, or in the offer of the Shares.

The amounts paid, or agreed to be paid, and the nature and value of any benefits given or agreed to be given, to a relevant person or such a stockbroker or underwriter, for services provided in connection with the offer of the Shares are as follows:

**Rennick & Gaynor Solicitors** have provided legal services to the Company in connection with the offer and for those services will be paid a fee of \$8,250.

**AFS & Associates Pty Ltd** has provided accountancy services to the Company in connection with the offer and for those services will be paid a fee of \$4,000.

## 7.8 BSX Waivers and confirmations

The Company obtained a number of waivers and confirmations from the BSX at the time of admission to the official list of BSX. A number of those waivers and confirmations related to the Company's constitution, which was subsequently amended on 15 November 2006 to include "close connection" provisions. BSX has given advice as to how these waivers and confirmations apply to the amendments to the Company's constitution made on 15 November 2006 as follows:

### **(a) Company's Constitution**

On 24 February 2005 the Company obtained confirmation that, for the purposes of BSX Listing Rule 1.2(b), the Company's constitution is consistent with the BSX Listing Rules (as modified by the waivers and confirmations granted by BSX at the time of admission).

At the time of this confirmation, the Company's constitution provided only that breach of the 10% limit was a prohibited shareholding interest. BSX has advised that this confirmation extends to the "close connection" provisions introduced on 15 November 2006.

### **(b) Suspension of Dividend and Voting rights**

On 24 February 2005 the Company obtained confirmation that the provisions in the Company's constitution that suspend the rights of a shareholder to receive dividends or vote if they have a prohibited shareholding interest (see Section 7.3 above) are "appropriate and equitable" for the purposes of the BSX Listing Rule 4.4(f).

At the time of this confirmation, the Company's constitution provided only that breach of the 10% limit was a prohibited shareholding interest. BSX has advised that this confirmation extends to the "close connection" provisions introduced on 15 November 2006.

### **(c) Divestment of shares**

On 24 February 2005 the Company obtained confirmation that the provisions in the Company's constitution that permit a divestment of shares if a shareholder has a prohibited shareholding interest (see Section 7.3 above) are "appropriate and equitable" for the purposes of the BSX Listing Rule 4.6(d).

BSX has advised that this confirmation extends to the "close connection" provisions introduced on 15 November 2006.

### **(d) Registration of share transfers**

On 24 February 2005 the Company obtained a waiver from BSX Listing Rule 6.3 in order to permit the Directors of the Company to prevent a share transfer in accordance with the rules under the Company's constitution (see Sections 7.2 and 7.3 above), on condition that the Company provides BSX with a statement of its policy in relation to the exercise of rule 28 of its constitution, there is no substantial change in the Company's business and if the Directors exercise their discretion to refuse to register a transfer under rule 28, written notice of the refusal together with reasons for the refusal must be provided to the lodging party within five business

days of the date that the transfer is lodged with the Company.

At the time BSX granted this waiver, rule 28 of the Company's constitution provided that the Board in its discretion may refuse to register any transfer of shares and may decline to give its reasons and grounds for doing so. Rule 28 was amended on 15 November 2006 to make it subject to rule 28A, and rule 28A was introduced. Rule 28A provides that while shares in the Company are quoted on an exchange, the Board may only refuse to register a transfer of shares in limited circumstances. These circumstances are essentially circumstances permitted by the BSX Listing Rules, and therefore the waiver from Listing Rule 6.3 no longer has any effective operation as rule 28 is now consistent with the BSX Listing Rules.

## **7.9 Bendigo and Adelaide Group and the BSX**

Bendigo Bank is a major shareholder in, and key supporter of, NSX Limited, the parent Company of the market operator (ie Bendigo Stock Exchange Ltd (BSX)) of the Bendigo Stock Exchange.

## **7.10 Consents and Disclaimer**

None of the parties referred to below have made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any statements in, any omissions from, this Prospectus, other than the reference to its name and a statement included in this Prospectus with the consent of that party, as specified below.

**(a) Rennick & Gaynor Solicitors** have given and have not, before lodgement of this Prospectus, withdrawn their written consent to be named as solicitors to the Company in the form and context in which they are named.

**(b) AFS & Associates Pty Ltd** has given and has not, before lodgement of this Prospectus, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named and to the inclusion, in Section 4 of this Prospectus, of the details of its involvement in the preparation of the forecasts.

**(c) Bendigo Bank** has given and has not, before lodgement of this Prospectus, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

## 7.11 Privacy Collection Statement

If you apply for Shares, you will provide personal information to the Company and the Company's share registrar. The Company share registrar collects, holds and uses your personal information in order to:

- assess your application;
- service your needs as an investor; and
- provide facilities and services which you may request.

Some of the information which will be collected is required pursuant to tax and company legislation. If you do not provide the information requested, your share application may not be able to be processed efficiently, or at all.

The Company and the Company's share registrar may disclose your personal information for purposes related to your investment to Bendigo Bank, to the BSX and to related bodies corporate, agents and service providers of the Company and of Bendigo Bank or as otherwise authorised under the Privacy Act.

If you become a shareholder, your information may be used for purposes related to your investment and may also be used or disclosed from time to time to inform you about products or services that the Company or Bendigo Bank thinks may be of interest to you. You agree that the contact details you provide to the Company (including any personal or home phone number) can be used by the Company and any member of the Bendigo and Adelaide Group indefinitely for these purposes. If you do not want your personal information to be used for these purposes, you should contact the Company and Bendigo Bank, on the contact details below.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Company or Bendigo Bank. You can request access to your personal information held by the Company by contacting the Company's Company Secretary at the Company's registered office (see page 39). You can request access to your personal information held by Bendigo Bank by contacting Bendigo Bank as follows:

### **Bendigo and Adelaide Bank Limited**

Registered Head office: Bendigo Centre, Bendigo, Victoria, 3550

Postal Address: PO Box 480,

Bendigo, Victoria, 3552

Telephone: 1300 366 666 (local call)

You can obtain copies of the privacy policy of the Company by contacting their Company Secretary and copies of the privacy policy of Bendigo Bank are available at [www.bendigobank.com.au](http://www.bendigobank.com.au)

## 8. Definitions

**Applicant** – a person or entity that applies for Shares pursuant to this Prospectus.

**APRA** – Australian Prudential and Regulatory Authority.

**ASIC** – Australian Securities and Investments Commission.

**Bendigo Bank** – Bendigo and Adelaide Bank Limited (ABN 11 068 049 178).

**Bendigo and Adelaide Group** – Bendigo and Adelaide Bank and its related bodies corporate.

**Company** – Bellarine Peninsula Community Branch Limited (ACN 089 107 657).

**Corporations Act** – Corporations Act 2001 (Cth).

**Director** – a Director of the Company.

**Disclosure Document** – the Disclosure Document provided to the Company by Bendigo Bank under the Franchising Code.

**Drysdale Community Bank® Branch** – the proposed Community Bank® Branch of Bendigo Bank to be located at 11 Clifton Springs Road, Drysdale, Victoria.

**Drysdale Franchise Rights** – the rights to manage and operate the Drysdale Community Bank® Branch.

**Franchise Rights** – either of the Portarlington Franchise Rights or the Drysdale Franchise Rights.

**Franchising Code** – Franchising Code of Conduct.

**Issue** – Issue of Shares pursuant to this Prospectus.

**New Franchise Agreement** – the franchise agreement entered into by Bendigo Bank, the Company and the Directors under which the Company has the right to manage and operate the Portarlington Community Bank® Branch and the Drysdale Community Bank® Branch.

**Offer** – offer of Shares pursuant to this Prospectus

**Original Franchise Agreement** – the franchise agreement entered into by Bendigo Bank, the Company and the current Directors of the Company on 30 October 2004 pursuant to which the Company acquired rights to manage the Portarlington Community Bank® Branch of Bendigo Bank.

**Portarlington Community Bank® Branch** – the Community Bank® Branch of Bendigo Bank located at 44 Newcombe Street, Portarlington, Victoria.

**Portarlington Franchise Rights** – the rights to manage and operate the Portarlington Community Bank® Branch.

**Prospectus** – this prospectus.

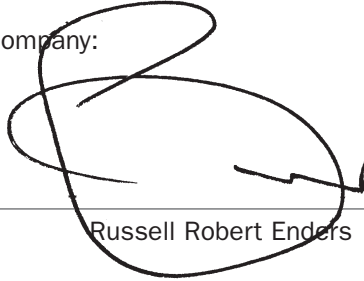
**Shares** – ordinary shares in the Company issued at \$1.00.

**Sub-Branch Agreement** - the agreement entered into by Bendigo Bank and the Company on 1 April 2007 pursuant to which the Company acquired rights to manage the Drysdale sub-branch of Bendigo Bank

## 9. Signatures

Each Director of the Company has consented to the lodgement of this Prospectus with ASIC.

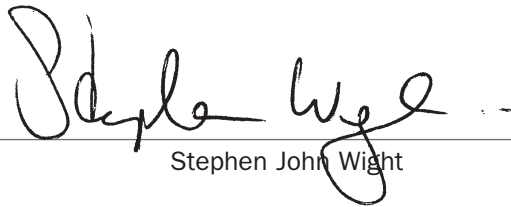
Signed for and on behalf of the Company:



Russell Robert Enders



Justine Paige Finlay



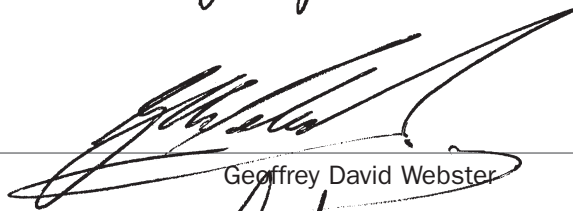
Stephen John Wight



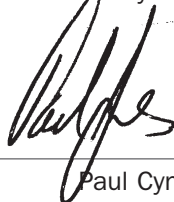
Karen Ann Woodhart



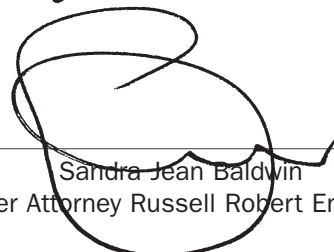
Robert John Hynes



Geoffrey David Webster



Paul Cynwyd Jones



Sandra Jean Baldwin  
(by her Attorney Russell Robert Enders)



## 10. Directory

### **Directors**

Russell Robert Enders  
Justine Paige Finlay  
Stephen John Wight  
Karen Ann Woodhart  
Robert John Hynes  
Geoffrey David Webster  
Paul Cynwyd Jones  
Sandra Jean Baldwin

### **Company Secretary**

Karen Ann Woodhart

### **Registered Office**

44 Newcombe Street  
Portarlington VIC 3223

### **Solicitors**

Rennick & Gaynor Solicitors  
431 Riversdale Road  
HAWTHORN EAST VIC 3123

### **Accountants**

AFS & Associates Pty Ltd  
61-65 Bull Street  
BENDIGO VIC 3550

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## Application Details and Instructions

Please complete all relevant sections of the Application Form (or copy of that form) using **BLOCK LETTERS**.

A Enter the **NUMBER OF SHARES** you wish to apply for.

Applications must be for the minimum of 500 and thereafter in multiples of 100. The maximum number of Shares that may be applied for is 25,000.

B Enter the **TOTAL AMOUNT** of application money payable. To calculate the amount multiply the number of shares applied for by one dollar.

C Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s). Refer to the Name Standards below for guidance on valid registration.

D Enter the **POSTAL ADDRESS** for all communications from the Company. Only one address can be recorded.

E Enter telephone numbers and a contact person the Company Secretary can speak to if there are any queries regarding this application.

F Payment must be made by cheque payable to **BELLARINE PENINSULA COMMUNITY BRANCH LIMITED SHARE OFFER** and crossed Not Negotiable. Cheques not properly drawn will be rejected. Cheques will usually be banked on the day of receipt. If cheques are dishonoured the application may be rejected.

G Before completing the application Form the Applicant(s) should read the Prospectus to which the application relates. The Applicant(s) offer(s) to subscribe for Shares in the Company, and agree(s) to be bound by the constitution of the Company and the terms and conditions set out in this Prospectus. The Applicant(s) agree(s) to take any number of Shares equal to or less than the number of Shares indicated in Box a that may be allotted to the Applicant(s) pursuant to the Prospectus. The Applicant(s) declare(s) that all details and statements made in the application Form are complete and accurate and consent(s) to the use and disclosure of their personal information in the manner described in the Prospectus. The application Form does not need to be signed.

H Enter the Tax File Number(s) (TFNs), Australian Business Number(s) (ABNs) (where you make the investment in the course of carrying on an enterprise) or tax exemption categories (such as aged pension, invalid pension or non-profit organisation) of the Applicant(s). For joint applications, only the TFNs or ABNs of two Applicants are required. Provision of your TFN, ABN or tax exemption category is not compulsory and will not affect your application. If your TFN, ABN or tax exemption category is not provided, the Company is required to deduct tax from your dividend entitlement at the maximum personal tax rate plus the Medicare levy, which currently totals 46.5%.

### Payment

Payment must be made in **Australian Currency** and cheques must be drawn on an **Australian Bank**. Cheques or bank drafts must be payable to **BELLARINE PENINSULA COMMUNITY BRANCH LIMITED SHARE OFFER** and crossed **Not Negotiable**. **Cheques not properly drawn will be rejected**. Cheques will usually be banked on the day of receipt. If cheques are dishonoured the application may be rejected.

### Where to send application form

Forward your completed application together with the application money to:

**Bellarine Peninsula Community Branch Limited Share Offer**  
**44 Newcombe Street,**  
**Portarlington Vic 3223**

### Name Standards

- Only legal entities may be registered as the holder of securities.
- The full and correct name of each entity must be shown.
- Salutations such as Mr, Mrs and Ms should be included.
- Securities cannot be registered in the name of a trust and no trust can be implied.
- Securities cannot be registered in the name of a minor or deceased person.
- An account designation can be included. If shown, it must be contained within one line and with the "<>" symbols. The last word of the designation must be ACCOUNT or A/C.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company: Use the Company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: Individual(s) as trustee: Use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Trusts: Corporate Trustee: Use the trustee(s) name(s)	Sue Smith Pty Ltd <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: Use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): Use the name of a responsible adult with appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: Use the partners' personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith & Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Club/Unincorporated Bodies/ Business names: Use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Incorporated Associations	ABC Tennis Association Inc	ABC Tennis Association
Superannuation Funds: Use the name of the fund trustee	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

### Queries

If you have any queries concerning this Offer or any part of this Prospectus, please call:  
Karen Woodhart (M) 0412 536 243, Justine Finlay (BH) 5226 4120 or Bob Hynes (AH) 5257 3317

# BELLARINE PENINSULA COMMUNITY BRANCH LIMITED

## PUBLIC SHARE OFFER APPLICATION FORM

DO NOT STAPLE

PLEASE READ ALL INSTRUCTIONS ON THE BACK OF THIS FORM

A I/We apply for

shares in Bellarine Peninsula Community Branch Limited at \$1.00

or such lesser number of shares which may be allocated to me/us by the Directors.

B I/We lodge full application monies

\$  .  0  0

Multiply the number of Shares applied for by \$1.00 (ie 2000 Shares = \$2000.00)

C Full name (PLEASE PRINT)

Title, Given Name(s) & Surname or Company Name

ABN (if applicable)

Joint Applicant #2 or <designated account>

Joint Applicant #3 or <designated account>

D Postal Address (PLEASE PRINT)

Street Number Street

Suburb/Town

State

Post Code

E I/we am/are existing shareholder/s of Bellarine Peninsula Community Branch Limited

No  Yes  Holder number \_\_\_\_\_ (See your original certificate)



# BELLARINE PENINSULA COMMUNITY BRANCH LIMITED

## PUBLIC SHARE OFFER APPLICATION FORM

DO NOT STAPLE

PLEASE READ ALL INSTRUCTIONS ON THE BACK OF THIS FORM

A I/We apply for

shares in Bellarine Peninsula Community Branch Limited at \$1.00

or such lesser number of shares which may be allocated to me/us by the Directors.

B I/We lodge full application monies

\$  .  0  0

Multiply the number of Shares applied for by \$1.00 (ie 2000 Shares = \$2000.00)

C Full name (PLEASE PRINT)

Title, Given Name(s) & Surname or Company Name

ABN (if applicable)

Joint Applicant #2 or <designated account>

Joint Applicant #3 or <designated account>

D Postal Address (PLEASE PRINT)

Street Number Street

Suburb/Town

State

Post Code

E I/we am/are existing shareholder/s of Bellarine Peninsula Community Branch Limited

No  Yes  Holder number \_\_\_\_\_ (See your original certificate)

F Contact Name

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Email

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Telephone Number - Business Hours

Telephone Number - After Hours

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Mobile

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G Cheque Details

Drawer	Bank	Branch	BSB	Amount

H This Application Form does not need to be signed. By lodging, or causing to be lodged, this Application Form and a cheque for the full monies I/we hereby:

- 1 offer to subscribe for shares in the Company;
- 2 agree to be bound by the Constitution of the Company, and by the terms and conditions set out in the Prospectus;
- 3 agree to take any number of shares equal to or less than the number of shares indicated in Box A that may be allotted to me/us pursuant to this Prospectus;
- 4 declare that all details and statements made by me/us in this application Form are complete and accurate; and
- 5 agree that the personal information included in this Application Form may be collected by the Company and used and disclosed by the Company and any member of the Bendigo and Adelaide Group as set out in Section 7.9 of the Prospectus.

I Tax File Number (TFN), Australian Business Number (ABN) or tax exemption category (where applicable):

TFN of Applicant #1

OR ABN of Applicant #1

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TFN of Applicant #2

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TFN of Applicant #3

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OR Tax exemption category

Applicant #1:

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Applicant #2:

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Applicant #3:

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