

PROSPECTUS

Proposed Grantville & District Community Bank® Branch of Bendigo Bank



IMPORTANT NOTICE

This Prospectus is dated 19 July 2010. A copy of this Prospectus has been lodged with the Australian Securities and Investments Commission (ASIC). Neither ASIC nor the BSX take any 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.

Contents

Letter from the Chairman of San Remo District Financial Services Limited	2
Letter from the Chief General Manager Customer & Community - Bendigo and Adelaide Bank Limited	3
1. Purpose and Details of the Offer	4
1.1 Purpose of the Offer	4
1.2 Description of the Offer	4
1.3 Capital Structure	4
1.4 Voting and Ownership Restrictions	5
1.5 Minimum Subscription	5
1.6 Allocation	5
1.7 Quotation of shares on BSX	5
1.8 How to Invest	5
1.9 Important Dates	5
1.10 Expiry Date of this Prospectus	5
1.11 Accepting Applications	6
1.12 Forward Looking Statements	6
1.13 Investors should seek Financial Advice	6
1.14 Questions	6
2. Directors	7
3. Bendigo Bank Franchise	9
3.1 Bendigo Bank	9
3.2 Community Bank® Project	9
3.3 Duration of Franchise	12
3.4 Activities of Company	12
3.5 Benefits of Franchise Arrangements	14
3.6 Restrictions on Operations	14
3.7 Community Interest in the new Grantville & District Community Bank® Branch	15
3.8 The Company's Board of Directors	15
3.9 Share Price	15

4. Financial Information	16
4.1 Feasibility Study	16
4.2 Forecasts	16
4.3 Sensitivity	22
4.4 Revenue	22
4.5 Establishment and Operating Costs	24
4.6 Goods and Services Tax	24
4.7 Pro forma Balance Sheet	26
4.8 International Financial Reporting Standards	26
5. Risk Factors	27
5.1 Introduction	27
5.2 Investment Risk	27
5.3 Business Risks	28
5.4 Relationship with Bendigo Bank	30
5.5 Other Factors	30
6. Franchise Agreement	31
7. Additional Information	33
7.1 Constitution	33
7.2 Rights Attaching to Shares	33
7.3 Prohibited Shareholding Interest	34
7.4 Authorised Representative Appointment	35
7.5 Taxation Implications	35
7.6 Directors' Interests	36
7.7 Disclosure of Interests	36
7.8 Consents and Disclaimer	37
7.9 Privacy Collection Statement	37
8. Definitions	38
9. Signatures	39
10. Directory	40
Annexure A Feasibility Study Pro Forma Survey	41
Application Details and Instructions	49
Public Share Offer Application Form	51

Letter from San Remo District Financial Services Limited

(ACN 102 770 150)

Dear Investor

We welcome you and thank you for your interest in the San Remo District and Cowes Community Bank® Branches of Bendigo Bank and the proposed Grantville & District 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 region, as well as the prospect of positive returns to its shareholders.

In keeping with these dual aims, the amount of profits that can be distributed to shareholders is limited and likewise, there are limitations and restrictions on shareholdings. This is explained in detail in this Prospectus.

Seven years ago, the Company established and has continued to prudently manage the San Remo District Community Bank® Branch of Bendigo Bank. The Cowes Community Bank® Branch of Bendigo Bank was more recently opened in 2009.

This Prospectus outlines your opportunity to assist in raising funds for the establishment and operation by the Company of a new, third Community Bank® Branch to be located in Grantville.

Following the successful raising of the capital pursuant to this Prospectus all three 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.

I encourage you to 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 Board's decision to proceed with this capital raising for a new Community Bank® Branch in Grantville was based on a survey in which local people and businesses in the Grantville & District area indicated the banking business they would bring to a locally-owned branch. This indicative support formed the basis of a business plan which, if achieved, shows the enterprise has solid prospects of generating 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 San Remo District and Cowes Community Bank® Branches and the enthusiasm shown by the local Grantville & District 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 San Remo District and Cowes Community Bank® Branches of Bendigo Bank and the Grantville & District 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.

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.

If after reading the Prospectus carefully you are satisfied that we (you included) can make a difference in the Grantville & District Community through your investment in our company and the Grantville & District Community Bank® Branch of Bendigo Bank, I commend the investment to you.

Yours sincerely,



Terry Ashenden
Chairman, San Remo District Financial Services Limited

Letter from Bendigo and Adelaide Bank Limited

Dear Investor

“Grantville & District 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 San Remo District Financial Services 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 region.

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 Grantville, just as it has worked with San Remo District Financial Services Limited in relation to the existing Community Bank® Branches in San Remo and Cowes. 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 San Remo, Cowes and Grantville & Districts 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 San Remo District Financial Services 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 establishment and ongoing success of the Grantville & District Community Bank® Branch of Bendigo Bank.

Yours sincerely,

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

Russell Jenkins
Chief General Manager, Customer and Community
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 Grantville. After meeting the costs of the Offer, all funds raised (including any oversubscriptions) will be used for the purposes of meeting these requirements for working capital and paying for additional franchise fees for extended franchise terms for the Company's existing Community Bank® branches at San Remo and Cowes.

Details of the establishment costs and estimated initial annual operating costs of all three branches are set out in Section 4.5 of this Prospectus. The total costs of the Offer are estimated to be between \$30,000 and \$35,000 (inclusive of GST).

In 2003 the Company entered into the Original Franchise Agreement with Bendigo Bank for the Company to manage, and provide services to the San Remo Community Bank® Branch as a "franchise" of Bendigo Bank. The Company raised the funds required for the establishment and initial ongoing operations of the San Remo Community Bank® Branch via an offer of shares (at an issue price of \$1.00 per share) to the San Remo community. The Company's Prospectus for that offer of shares was dated 11 February 2003.

Then in 2008, the Company entered into the Existing Franchise Agreement with Bendigo Bank for the Company to manage and provide services to both the existing San Remo Community Bank® Branch and a new Community Bank® Branch at Cowes. The Company raised the funds required for the establishment and initial ongoing operations of the Cowes Community Bank® Branch via an offer of shares (at an issue price of \$1.00 per share) to the Cowes community. The Company's Prospectus for that offer of shares was dated 2 December 2008. If this offer under this Prospectus is successful, the Company will manage, and provide services to, the San Remo Community Bank® Branch, the Cowes Community Bank® Branch, and a newly formed Grantville & District Community Bank® Branch. Each branch will operate as a "franchise" of Bendigo Bank.

The franchise arrangements relating to the San Remo Community Bank® Branch, the Cowes Community Bank® Branch and the Grantville & District Community Bank® Branch are contained in one franchise agreement between the Company and Bendigo Bank (the New Franchise Agreement).

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

Please Note: This Prospectus is issued by the Company and it is not an offer to subscribe for shares in Bendigo and Adelaide Bank Limited - it is an offer to subscribe for shares in San Remo District Financial Services Limited (the Company).

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 20,000 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 20,000 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 pay or make in any 12 month period is limited by the terms of the New 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	\$1,151,509
Shares issued pursuant to this Prospectus	\$300,000
TOTAL	\$1,451,509

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 a restriction on shareholdings. For example, a shareholder will not be able to control or own 10% or more of the Company, and the Directors must refuse to register a transfer of Shares if, to their knowledge, it would be to a person who does not have, in the opinion of the Directors, a close connection with the San Remo, Cowes or Grantville & District communities. The Directors will 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 the restrictions, not only must the Directors 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 “New Franchise Arrangements” in Section 3.2 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 BSX

The Company is listed, and its Shares are quoted, on BSX. Application will be made within seven days of the date of this Prospectus for quotation of the Shares offered under this Prospectus on BSX. Please see Section 5 of this Prospectus for a discussion of the risk factors relevant to the Company’s listing on 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, or directly derived, from that Application Form, but only if the copy was made/derived 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:	5 August 2010
Offer closes:	30 September 2010
Shares pursuant to this Prospectus expected to be allotted:	14 October 2010
Quotation on BSX:	21 October 2010
Certificates expected to be dispatched:	4 November 2010

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).

1.12 Forward Looking Statements

The forward looking statements in this Prospectus are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors of the Company that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Prospectus. In particular, the forecast financial information contained in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 5 of this Prospectus.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company or the repayment of capital or the payment of a return on the Shares.

1.13 Investment Advice

Individual investors should seek their own financial advice.

The Offer contained in this Prospectus does not take into account the investment objectives, financial situation and particular needs of individual investors. In considering the prospects of the Company, it is important that individual investors consider the risk factors that could affect the financial performance of the Company. As a prospective investor, you should carefully consider these factors in light of your particular investment objectives, financial situation and investment needs (including financial and taxation issues) and seek professional advice from your stockbroker, accountant or other professional advisor before deciding whether to invest. Some of the risk factors that should be considered by prospective investors are detailed in Section 5.

1.14 Questions

If you have any questions in relation to the Offer please contact Michele Fulwell on (03) 5678 8577 or Terry Ashenden on (03) 5956 7177.

2. Directors

Details of the Directors of the Company are as follows:

Name Caroline Talbot
Date of Birth 27 December 1946
Occupation Retired

Background Information

Caroline has resided in Newhaven, Phillip Island, for 40 years. Now retired, Caroline has worked as an Office Manager for the Newhaven Primary School and held the position for 25 years. Caroline is a member of the Phillip Island Patchwork Group, and participates in other community groups. She is a Justice of the Peace.

Resides 15 School Avenue,
Newhaven VIC 3925

Name Patrick James Russell
Date of Birth 23 February 1955
Occupation Maintenance Supervisor

Background Information

Pat has lived in the Grantville area for 21 years and has been involved with the CFA for 18 years. Originally Pat was with Corinella Fire Brigade as an Officer and Secretary, and he is currently Captain of the Kernot-Grantville Fire Brigade. Pat is also involved with the Grantville and District Community Emergency Response Team as Treasurer on the committee of management and the Kernot Hall Committee. A member of the Grantville and District Community Bank Steering Committee since inception, Pat is currently Co-Chairman.

Resides 5 Almurta-Glen Forbes Road,
Almurta VIC 3979

Name Joan Tracey Matthews
Date of Birth 2 February 1962
Occupation Manager and Company Director

Background Information

Joan has resided in San Remo for 14 years and is a business operator. She is an active member of the community and is involved in many sporting groups.

Resides 167 Marine Parade,
San Remo VIC 3925

Name Norma Georgina Laing Stack-Robinson
Date of Birth 16 June 1944
Occupation Business Proprietor

Background Information

Norma is a business operator and has lived in Newhaven for the past 14 years. She presently operates an accommodation business. Norma has been involved in many community projects and brings her professional skills to the Board.

Resides 910 Phillip Island Road,
Newhaven VIC 3925

Name Terence Stirling Ashenden
Date of Birth 26 February 1944
Occupation Business Proprietor

Background Information

Terry has resided in the area for more than 18 years and currently owns and operates a Hardware & Hire business. Terry's community interests include San Remo/Newhaven Lions Club and San Remo District Association of Tourism & Traders. Terry has chaired San Remo District Financial Services Ltd since the Company was formed.

Resides 34 Boys Home Road,
Newhaven VIC 3925

Name Bruce Edward Procter
Date of Birth 21 November 1935
Occupation Retired Postal Manager

Background Information

Bruce has been a resident of the area for 25 years. He is the Past President of Phillip Island Lions, Phillip Island Historical Society, and Warley Hospital, Citizen of the Year 2004 and is presently a member of the Board of Bass Coast Regional Health. Bruce is the retired postal manager for Cowes Post Office, a position he held for 16 years.

Resides 11 Boys Home Road,
Newhaven VIC 3925

Name Craig Allan Semple
Date of Birth 28 July 1960
Occupation Minister of Religion

Background Information

Craig's background includes working directly with adults in the health industry. He trained as a general nurse at Prince Henrys Hospital Melbourne and was invited to stay on to complete a post graduate year. He has lived overseas during which time he was involved in administration working with an international community. Craig worked in the operating theatre of a large State hospital before moving to the Royal District Nursing Service. His area of experience lies in community nursing with a particular interest in Palliative Care. He gained his

Bachelor of Theology through the Melbourne College of Divinity and is currently the minister of Phillip Island Baptist Church.

Resides 3 McRae Avenue,
Cowes VIC 3922

Name Michele Lorraine Fulwell

Date of Birth 11 January 1964

Occupation Business Proprietor

Background Information

Michele, who has a background in nursing, moved to Glen Forbes 20 years ago. She has spent that time running the family company, a specialist electronics engineering firm. She has also been a director of a Canberra based company. Michele has worked in administration in schools and has served on school councils. Currently, Michele is a member of Kernot-Grantville Fire Brigade and Co-Chairman of the Grantville and District Community Bank® Steering Committee.

Resides 1840 Dalyston-Glen Forbes Road,
Glen Forbes VIC 3990

Name Miranda May Sage

Date of Birth 9 August 1944

Occupation Pharmacist

Background Information

Miranda Sage, a pharmacist, came to the district nearly twenty years ago. Since then she has worked as a hospital and community pharmacist and served three years as Councillor with the Bass Coast Shire, including one year as Mayor. Miranda was a member of the Steering Committee to develop the San Remo Community Bank® Branch of the Bendigo Bank and has been a Director with San Remo District Financial Services Ltd since its inception.

Resides 11 Ocean Grove,
San Remo VIC 3925

Name Janice Joy Rowlingson

Date of Birth 15 May 1962

Occupation Administrator and Company Director

Background Information

Janice has lived in the area for eight years, operating her own business for five of these. She is an active member of the community and her professional skills in accounting and banking, assists the Board in her role as Treasurer.

Resides 11 Phillip Island Road,
San Remo VIC 3925

Name Kathy Alison Jones

Date of Birth 1 October 1965

Occupation Youth Services Co-ordinator

Background Information

Kathy Jones has lived on Phillip island for 14 years. She has been a business owner and a secondary teacher at Newhaven college for 10 years. Presently she is working for Bass Coast Regional Health as the School Focused Youth Services Coordinator working with schools and organizations located in the Bass Coast and South Gippsland regions. Kathy coaches a local netball team and loves to watch her son and daughter play sport.

Resides 36 Maroubra Drive,
Cape Woolamai VIC 3925

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.

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

The past 30 years have seen the Bendigo Land and Building Society, now 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) and 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 merged with Adelaide Bank Limited. Under the terms of the merger, Adelaide Bank Limited became a wholly-owned subsidiary of Bendigo Bank and shareholders in Adelaide Bank Limited became shareholders in Bendigo Bank.

The shareholders approved a name change from "Bendigo Bank Limited" to "Bendigo and Adelaide Bank Limited", effective 31 March 2008. The bulk of the assets and undertakings of Adelaide Bank Limited was transferred to Bendigo Bank on 1 December 2008.

Bendigo Bank now operates (itself and through franchises) approximately 460 branches. As at December 2009, the Bendigo and Adelaide Bank Group had an asset base of \$50.9 billion. It has more than 1.4 million retail customers and declared an after tax profit before significant items of \$134.2 million for the half year period ending 31 December 2009. It is listed on the Australian Securities Exchange.

Through Bendigo Bank and its subsidiary companies, the Bendigo and Adelaide Bank 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® branch 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® branches draw 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, 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 franchises to operate around 255 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, East Ivanhoe and Wentworth. Bendigo Bank has also granted a small 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 San Remo and Cowes Community Bank® Branches, and a further disclosure document has been provided by Bendigo Bank to the Company in connection with the New Franchise Agreement relating to the San Remo and Cowes Community Bank® Branches and the proposed Grantville & District 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 2003 the Company entered into the Original Franchise Agreement with Bendigo Bank pursuant to which the Company acquired rights to manage the San Remo Community Bank® Branch of Bendigo Bank. The funds required for the Company to acquire these rights 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 \$650,000 was raised under that offer. In 2008 the Company entered into the Existing Franchise Agreement pursuant to which the Company maintained the rights to manage the San Remo Community Bank® Branch of Bendigo Bank and acquired the rights to manage the Cowes Community Bank® Branch of Bendigo Bank. The funds required for the Company to acquire these rights and provide initial working capital for the Cowes Community Bank® Branch 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 \$436,498 was raised under that offer.

The Company currently has approximately 542 shareholders. The San Remo Community Bank® Branch has been operating since 2003 and the Cowes Community Bank® Branch has been operating since 2009. 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 Grantville (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 San Remo and Cowes Community Bank® Branches, and also manage and provide services to a new Community Bank® branch to be established in Grantville. The New Franchise Agreement also provides for the termination, subject to satisfaction of the conditions, of the Existing Franchise Agreement on the "Commencement Date". The Commencement Date of the New Franchise Agreement is the date that agreement is executed by Bendigo. As at the date of this Prospectus, the only conditions for the grant of franchises to conduct the three Community Bank® branches that have not been satisfied are:

- the condition relating to the raising of the minimum subscription amount (see below) and
- payment of \$50,744.80 to Bendigo Bank in consideration for the effective extension of franchise terms for the San Remo and Cowes Community Bank® branches beyond the five years granted under the Existing Franchise Agreement.

The effect of these arrangements will be that the existing management rights in relation to the San Remo and Cowes Community Bank® Branches will terminate on the Commencement Date of the New Franchise Agreement. For customers of the San Remo and Cowes Community Bank® Branches, 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 Existing Franchise Agreement.

The Existing Franchise Agreement was for an initial period of five years from 27 June 2008 for the San Remo Community Bank® Branch and five years from 15 March 2009 for the Cowes Community Bank® Branch, plus two options to renew each for a five year period (subject to the satisfaction of certain conditions at each renewal). Under the New Franchise Agreement, in relation to the Grantville & District, San Remo and Cowes Community Bank® Branches, an initial term ending 30 September 2015 is granted, plus two options to renew each for a five year period (subject to the satisfaction of certain conditions at each renewal).

This has the effect of extending the term of the San Remo Community Bank® branch and Cowes Community Bank® branch franchises, as follows:

- San Remo
The franchise term under the Existing Franchise Agreement will end on 27 June 2013. Under the New Franchise Agreement, the franchise term will end on 30 September 2015, an extension of nearly 27 months.
- Cowes
The franchise term under the Existing Franchise Agreement will end on 15 March 2014. Under the New Franchise Agreement, the franchise term will end on 30 September 2015, an extension of 18 months.
Additional franchise fees are payable to Bendigo Bank in consideration of these extended franchise terms – see section 6, section headed "Payments/Receipts".

If the conditions in the New Franchise Agreement are not satisfied (or waived), the Existing Franchise Agreement will continue in effect.

New Franchise Arrangements

In addition to the arrangements described above in relation to the San Remo and Cowes Community Bank® Branches, 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 Grantville.

As indicated above, the Company has entered into the New Franchise Agreement with Bendigo Bank that will govern the management of the Grantville & District Community Bank® Branch. For ease of reference in this Prospectus, the rights granted to the Company under the New Franchise Agreement to manage and operate the San Remo and Cowes Community Bank® Branches are referred to as the San Remo Franchise Rights and the Cowes Franchise Rights respectively, and the rights granted to the Company under the New Franchise Agreement to manage and operate the Grantville & District Community Bank® Branch are referred to as the Grantville Franchise Rights.

Conditions to the New Franchise Agreement being granted are that the Company raises the subscription amount of \$300,000 pursuant to the Issue, and pay additional franchise fees to Bendigo Bank in relation to the San Remo and Cowes Community Bank® branches. If these remaining conditions in the New Franchise Agreement are not satisfied, the Company will not have the right to manage and operate the Grantville & District Community Bank® Branch.

The Company's right to manage and operate the San Remo and Cowes Community Bank® Branches will not change.

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 the San Remo Franchise Rights, the Cowes Franchise Rights and the Grantville Franchise Rights for initial terms end on 30 September 2015 (five years). Pursuant to the New Franchise Agreement, the Company may seek to extend the term of the San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville Franchise Rights or all three 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. San Remo, Cowes or Grantville), but will do so in relation to the others. For example, at the end of the initial terms, the Company may satisfy the conditions required in relation to two sites, but not the other. In such circumstances, it is possible that the Company will continue to manage and operate only two Community Bank® Branches. 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 the San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville 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 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 particular Franchise Rights being renewed.

These conditions must be satisfied at the end of an initial term and, in the case of the San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville Franchise Rights which are extended for the first five year period, at the end of that first renewal period.

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 San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville Franchise Rights) or the location of any of the branches 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 San Remo Franchise Rights, the Cowes Franchise Rights and the Grantville Franchise Rights or the branch locations.

The consequences of the termination of the New Franchise Agreement, the San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville Franchise Rights are discussed in Section 5.2 below.

3.4 Activities of Company

Branches

The San Remo Community Bank® Branch at 103A Marine Parade San Remo commenced operations in 2003 and the Cowes Community Bank® Branch at Shop 1, 209/213 Settlement Road, Cowes commenced operations in 2009. The Company

has managed the San Remo Community Bank® Branch since that time initially under the Original Franchise Agreement and then the Existing Franchise Agreement, and the Cowes Community Bank® Branch under the Existing Franchise Agreement. The rental costs for both the San Remo and Cowes sites have been included for the purposes of the forecasts. The San Remo and Cowes Community Bank® Branches are open from 9.00am to 5.00pm on Monday to Friday, and from 9.00am to 12 noon on Saturdays (excluding public holidays).

In addition, the Company intends to establish the Grantville & District Community Bank® Branch of Bendigo Bank at Shop 4, 1503 Bass Highway, Grantville Vic 3984. Estimated rental costs for the Grantville & District Community Bank® Branch site have been included for the purposes of the forecasts. It is proposed that the Grantville & District Community Bank® Branch will open from 10.00am to 4.00pm on Monday to Friday, and from 10.00am 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.

Branch Managers and Employees

The Company currently employs a Branch Manager and a number of Customer Service Officers to staff each of the San Remo and Cowes Community Bank® Branches. It is envisaged that a new Branch Manager and a number of new Customer Service Officers will be employed by the Company to manage and staff the proposed Grantville & District 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 Bank Group to the Company.

Financial Products and Services

Through the San Remo, Cowes and Grantville & District Community Bank® Branches, 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" accounts, "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. As deposits are with Bendigo Bank, they have the benefit of the Commonwealth Government's deposit guarantee facility. The guarantee applies for three years from November 2008. It applies automatically to deposits of \$1 million or less with an ADI (Authorised Deposit Taking Institution). Originally, an ADI was able to apply for the facility in respect of deposits that exceed \$1 million per customer. However, the guarantee will no longer apply to deposits of more than \$1 million effective from 31 March 2010.

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 San Remo, Cowes and Grantville & District Community Bank® Branches will not necessarily be the same as those offered by other Bendigo Bank 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 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 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 San Remo, Cowes and Grantville & District 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 Franchise Agreements).

Assistance and Advice

Bendigo Bank will provide significant assistance in relation to the San Remo, Cowes and Grantville & District 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 Grantville & District Community Bank® Branch (assistance has already been given by Bendigo Bank in relation to the launch of the San Remo and Cowes Community Bank® Branches).

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 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 San Remo, Cowes and Grantville & District Community Bank® Branches of Bendigo Bank, it must not purchase a location without the approval of Bendigo, 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 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 (as 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 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, which includes the

provision by the Company to Bendigo Bank of regular and detailed reports. Bendigo Bank also has the right to inspect or audit the Company's 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 Community Interest in the new Grantville & District Community Bank® Branch

A significant amount of work and public consultation has been undertaken in relation to the feasibility of establishing the Grantville & District Community Bank® Branch of Bendigo Bank.

A preliminary public meeting was held to discuss the Community Bank® concept and the steps required to establish the Grantville & District Community Bank® Branch. As a result, the Company engaged an independent consultant, Richmond Sinnott & Delahunty to conduct a feasibility study in relation to the proposal.

The results of the feasibility study were presented to the Directors of the Company and the Grantville & District Community Bank® Steering Committee at a meeting held on 4th May 2010 and it was unanimously voted to proceed towards the establishment of the Grantville & District Community Bank® Branch.

The results of the feasibility study are discussed in Section 4 of this Prospectus.

A similar process of consultation was undertaken in relation to the San Remo and Cowes Community Bank® Branches prior to their establishment.

3.8 The Company's Board of Directors

The management and control of the business and affairs of the Company is the responsibility of the Company's Board of Directors. There are various rules in the Constitution of the Company 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 of the Company, 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.

3.9 Share Price

Shares in the Company have been listed on the BSX since 18 January 2006. While past performance cannot be taken as an indication of future performance, as at 13 May 2010 the following shares have been traded on the BSX. Updated share price information can be obtained from the BSX.

Quantity	Price	Date
7,000	0.800	15/3/2010
5,100	0.850	4/3/2010
550	0.800	21/8/2009
1,100	0.800	4/6/2009
1,100	0.800	25/3/2009
1,100	0.800	26/11/2008
4,000	0.850	17/4/2007
1,000	0.800	9/3/2007
9,000	1.000	8/3/2007
1,000	1.000	7/3/2007

4. Financial information

4.1 Feasibility Study

A feasibility study was conducted in the Grantville & District community by Richmond Sinnott & Delahunty (the Grantville & District Feasibility Study) to assist the Company to decide whether to proceed with establishing the Grantville & District Community Bank[®] Branch.

The Grantville & District Feasibility Study involved:

- distributing surveys to 4500 households and businesses located in Grantville and surrounds;
- conducting interviews with a selection of local businesses and community members; and
- reviewing the available economic information regarding the area.

Surveys were distributed in respect of personal and business banking. A copy of the pro forma survey is set out in Annexure A to this Prospectus. The response rate to the surveys was as follows:

Feasibility Study Factors	Results
Surveys Distributed	4,500
Surveys Returned	432
% Of Surveys Returned	10.0%
Respondents' Total Banking Business	77,029,500
Respondents' Banking Business Available In First Year	34,836,000

Prior to the establishment of the San Remo Community Bank[®] Branch in 2003 and the Cowes Community Bank[®] Branch in 2009, a similar feasibility study was undertaken in the San Remo and Cowes communities respectively. As with the Grantville & District Feasibility Study, the San Remo and Cowes feasibility studies involved:

- distributing surveys to households and businesses located in San Remo and Cowes and surrounds;
- conducting interviews with a selection of local businesses and community members; and
- reviewing the available economic information regarding the area.

The surveys distributed in the San Remo and Cowes feasibility studies were not substantially different to the surveys set out in Annexure A to this Prospectus.

4.2 Forecasts

Overview of the Process of Preparing the Forecasts

The banking business indicated by respondents to the survey has been analysed and collated by the consultant who conducted the feasibility study.

Based on this information and the history of operations of the San Remo and Cowes Community Bank[®] Branches, the Company (together with assistance from Bendigo Bank based on its experience with its own branches and other franchises), 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.

The assumptions made in relation to this financial modelling conducted by the Company and Bendigo Bank are those set out below and in Sections 4.3 and 4.4.

The forecasts have been prepared, assuming that a different level of business is generated by the Company as a whole.

The annual operating costs (refer to Section 4.5) were estimated by the Company on the basis of the annual operating costs incurred by the San Remo and Cowes Community Bank[®] Branches, and on the basis of other comparable Bendigo Bank branches and franchises. (This comparable information was provided, without identifying particular franchises, by Bendigo Bank.)

Tables 3 and 4 also include an estimate of the cost of operating the Grantville & District Community Bank[®] Branch from 1st July 2010.

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) San Remo and Cowes Stand Alone Forecast (see Table 1 below)

This is a forecast for the Company as a whole, assuming that the Grantville & District Community Bank[®] Branch is not opened and assuming that the existing San Remo and Cowes Community Bank[®] Branches continues to achieve the level and type of business growth historically achieved.

(b) Grantville Business Volume Forecast (see Table 2 below)

The banking business indicated by respondents to the Grantville & District Feasibility Study has been analysed and collated by the consultant who conducted the feasibility study. The Directors understand that Bendigo Bank regularly collates data on, and analyses the performance of, the existing

Community Bank® Branches and, based on this, the feasibility study results are modified to produce the modified Forecast. Based on discussions with Bendigo Bank, the Directors believe that this process produces forecasts that are more reliable than simply relying on the feasibility study results, as the modified Forecast builds in the experience of other Community Bank® Branches.

This is a forecast assuming that the Grantville & District Community Bank® Branch achieves the level and type of business indicated by the survey results adjusted, in their first three years of operation, by the performance of other comparable Community Bank® Branches. See section 4.4 level of business for Grantville & District Community Bank® Branch.

Set out below is a more detailed explanation of how the forecast for the Grantville & District Community Bank® Branch is produced.

- Bendigo Bank identifies existing Community Bank® Branches that are comparable to the proposed Grantville & District Community Bank® Branch and then calculates the average volume of loans and average volume of deposits these branches have achieved in each of their first three years of operation. In determining whether an existing Community Bank® Branch is considered “comparable” to the proposed Grantville & District Community Bank® Branch, Bendigo Bank considers a range of factors, including whether it is located in a community with a similar population and similar demographic profile to the Grantville & District community and whether the volume of business carried on by the existing branch is similar to that expected to be carried on by the Grantville & District Community Bank® Branch.
- The average volume of loans and average volume of deposits for the comparable branches for each of their first three years of operation are then compared to the anticipated volume of loans and deposits identified in the feasibility study results for those branches to produce the factor by which the feasibility study results for the proposed Grantville & District Community Bank® Branch should be modified.
- The relevant factor is then applied to each of the product groups identified in the feasibility study to produce the results for each of Year 1, Year 2 and Year 3 in the “Modified Forecast”. This is discussed further in Section 4.4 below.

By way of an overview, the statistics generated for the performance of all the branches across the Community Bank® network demonstrate that while individual Community Bank® branch performances vary from branch to branch, and month to month, on average the actual performance of deposit products

of each branch exceeds the amounts of deposit business respondents indicated they would transfer to the branch. However, lending products for each branch are more difficult to convert and so may fall short of the amounts of lending business respondents indicated they would transfer to the branch, especially in the first 12 months of operation. These results also show that the superannuation business identified in the surveys has proved difficult to convert. Therefore, the forecasts do not take into account any income for superannuation.

(c) Company Forecast (see table 3 below)

This is a forecast for the Company as a whole, assuming that it will continue to manage the San Remo and Cowes Community Bank® Branches and opens the Grantville & District Community Bank® Branch on 1st July 2010. The forecast for the years ended 30 June 2010, 2011 and 2012 assumes the San Remo and Cowes Community Bank® Branches achieve the level and type of business growth in the year as they experienced in the year ended 30 June 2009.

(d) 80% of Company Forecast (see table 4 below)

This is a forecast for the Company as a whole assuming that the Company will manage the San Remo, Cowes and Grantville & District Community Bank® Branches and assuming that, in the year ended 30 June 2011, the Grantville & District Community Bank® Branch achieves 80% of the volume of business assumed for the “Company Forecast” going forward (refer to Section 4.1 (a) above).

Assumptions

While the Directors have given due care and attention to adopting the forecasts in this Prospectus, they can give no guarantee that the forecast results will be achieved, since there are many factors which may impact on the ability of the Company to achieve such forecasts, which are beyond its influence and control. Some of these factors are discussed in Section 5 below.

In particular, the forecasts are based on the survey responses provided by community members. Community members are under no obligation to act in accordance with their responses and there is no guarantee that these results will be achieved.

The assumptions made in relation to the survey responses and on which these forecasts are based are set out in Sections 4.4 and 4.5 below.

The impact of the Australian Goods and Services Tax is discussed in Section 4.6.

(i) San Remo and Cowes Stand Alone Forecast

The forecasts outlined in the table below have been prepared by taking the feasibility study results and adjusting those figures (as described above) based on the average trading performances of existing comparable Community Bank® branches in each of their first three years of operation. This is discussed further in Section 4.4 below.

Table 1 shows that if the Company managed only the San Remo and Cowes Community Bank® Branches, it could, if it achieves the assumed level of business for this forecast, generate a profit before tax of \$104,305 in the Year ending 30 June 2010, \$71,095 in the Year ending 30 June 2011 and \$95,848 in the Year ending 30 June 2012.

Table 1: San Remo and Cowes Stand Alone Forecast

	Year ended June 2009 Actual (Audited) \$	Year ended June 2010 Actual (Unaudited) \$	Year ended June 2011 Forecast (Unaudited) \$	Year ended June 2012 Forecast (Unaudited) \$
Revenues from ordinary activities ¹	762,541	1,055,984	1,095,445	1,161,172
Salaries and employee benefit expense ²	(312,828)	(519,425)	(550,700)	(572,728)
Charitable donations and sponsorship ²	(170,733)	(42,127)	(80,100)	(83,304)
Occupancy & associated costs ²	(93,831)	(95,900)	(101,250)	(106,900)
Depreciation and amortisation expense ³	(56,570)	(82,444)	(84,700)	(88,088)
General administration expenses ²	(125,096)	(211,783)	(207,600)	(214,304)
Profit before income tax expense	3,483	104,305	71,095	95,848
Income tax credit (expense) ⁴	(1,409)	(31,292)	(21,329)	(28,754)
Profit (Loss) after income tax	2,074	73,013	49,766	67,094
Earnings per share				
Earnings per share for the period: (cents)	0.23	6.34	4.32	5.83
- dividends paid or provided for (cents per share)	5.00	3.00	-	-

Notes:

1 See assumptions in Section 4.4 below.

2 See assumptions in Section 4.5 below.

3 Non current assets will be depreciated over their useful economic life as follows:-

	Life	Method	Year ended June 2009 Actual (Audited) \$	Year ended June 2010 Actual (Unaudited) \$	Year ended June 2011 Forecast (Unaudited) \$	Year ended June 2012 Forecast (Unaudited) \$
Depreciation of non current assets						
Leasehold Building Improvements	8 - 40 Years	Straight Line	9,843	17,056	18,000	18,720
Owned Plant & Equipment	3 - 10 Years	Straight Line	11,792	19,034	19,500	20,280
Amortisation of non current assets						
Intangibles	5 Years		34,935	46,354	47,200	49,088
Total			56,570	82,444	84,700	88,088

4 Income tax at the company tax rate of 30% has been applied to profit (loss) before tax. The income tax expense may vary depending upon the allowable deductions applicable to the Company under current income tax legislation.

(ii) Grantville & District Business Volume Forecast

Table 2 shows business identified in the Grantville & District Feasibility Study results adjusted (as described above) based on the average trading performances of existing comparable Community Bank® Branches.

Table 2: Grantville & District Business Volume Forecast

	Year ended 30 June 2011 \$	Year ended 30 June 2012 \$	Year ended 30 June 2013 \$
Deposits	13,508,511	17,542,409	21,579,492
Loans	9,410,683	12,809,926	16,423,201
Total Portfolio	22,919,194	30,352,335	38,002,693

(iii) Company Forecast

Table 3 shows that the Company could, if it achieves the assumed level of business for this forecast, generate a profit before tax of \$104,305 in the Year ended 30 June 2010 but a loss before tax of \$306,318 in the Year ended 30 June 2011 and a loss of \$23,340 in the Year ended 30 June 2012. This table assumes that the Company will manage all three San Remo, Cowes and Grantville & District Community Bank® Branches from 1 July 2010.

Table 3: Company Forecast

	Year ended June 2009 Actual (Audited) \$	Year ended June 2010 Actual (Unaudited) \$	Year ended June 2011 Forecast (Unaudited) \$	Year ended June 2012 Forecast (Unaudited) \$
Revenue from ordinary activities ¹	762,541	1,055,984	1,256,885	1,468,141
Employee benefit expense ²	(312,828)	(519,425)	(809,142)	(807,033)
Charitable donations and sponsorships ²	(170,733)	(42,127)	(80,100)	(83,304)
Occupancy & associated costs ²	(93,831)	(95,900)	(131,250)	(137,800)
Depreciation and amortisation expense ³	(56,570)	(82,444)	(99,604)	(102,992)
General administration expenses ²	(125,096)	(211,783)	(443,107)	(360,352)
Profit (Loss) before income tax expense	3,483	104,305	(306,318)	(23,340)
Income tax credit (expense) ⁴	(1,409)	(31,292)	70,295	6,402
Profit (Loss) for after income tax	2,074	73,013	(236,023)	(16,938)
Earnings per share (Loss per Share)				
Earnings per share for the period: (cents)	0.23	6.34	(16.26)	(1.17)*
	N/A	N/A	(14.29)	(1.03)#
- dividends paid or provided for (cents per share)	5.00	3.00	-	-

* Assumes minimum shares issued under this prospectus on 30 June 2010.

Assumes maximum shares issued under this prospectus on 30 June 2010.

Notes:

1 See assumptions in Section 4.4 below.

2 See assumptions in Section 4.5 below.

3 Non current assets attributable to the San Remo, Cowes and Grantville & District Community Bank® Branches will be depreciated over their useful economic life as follows:-

	Life	Method	Year ended June 2008 Actual (Audited) \$	Year ended June 2009 Actual (Unaudited) \$	Year ended June 2010 Forecast (Unaudited) \$	Year ended June 2011 Forecast (Unaudited) \$
Depreciation of non current assets						
Leasehold Building Improvements	8 - 40 Years	Straight Line	9,843	17,056	26,921	27,641
Owned Plant & Equipment	2 - 10 Years	Straight Line	11,792	19,034	23,483	24,263
Amortisation of non current assets						
Intangibles	5 Years		34,935	46,354	49,200	51,088
Total			56,570	82,444	99,604	102,992

4 Income tax expense at the company tax rate of 30% has been applied to profit (loss) before tax. The income tax expense may vary depending upon the allowable deductions applicable to the Company under current income tax legislation.

The following forecast illustrates how a change in the level of business generated by the Community Bank® Branch affects the forecast in table 3 above.

For this table all other assumptions described in sections 4.4 and 4.5 remain the same – (see section 4.6 for a discussion of the impact of the Goods and Services tax).

(iv) Company Forecast, Grantville & District achieves 80% of Grantville business volume forecast

Table 4 shows that the Company could, if it only achieves 80% of the level of business assumed for the Grantville & District Community Bank® Branch, generate a profit before tax of \$104,305 in the Year ended 30 June 2010 but a loss before tax of \$325,394 in the Year ended 30 June 2011 and a loss of \$68,486 for the Year ended 30 June 2012. This table also assumes that the Company will manage all three San Remo, Cowes and Grantville & District Community Bank® Branches from 1 July 2010.

Table 4: Company Forecast, Grantville achieves 80% of Grantville business volume forecast

	Year ended June 2009 Actual (Audited) \$	Year ended June 2010 Actual (Unaudited) \$	Year ended June 2011 Forecast (Unaudited) \$	Year ended June 2012 Forecast (Unaudited) \$
Revenue from ordinary activities ¹	762,541	1,055,984	1,237,809	1,422,995
Employee benefit expense ²	(312,828)	(519,425)	(809,142)	(807,033)
Occupancy & associated costs ²	(93,831)	(95,900)	(131,250)	(137,800)
Charitable donations and sponsorships ²	(170,733)	(42,127)	(80,100)	(83,304)
Depreciation and amortisation expense ³	(56,570)	(82,444)	(99,604)	(102,992)
General administration expenses ²	(125,096)	(211,783)	(443,107)	(360,352)
Profit (loss) before income tax	3,483	104,305	(325,394)	(68,486)
Income tax credit (expense) ⁴	(1,409)	(31,292)	76,018	19,946
Profit (loss) after income tax	2,074	73,013	(249,376)	(48,540)
Earnings per share				
Earnings per share for the period: (cents)	0.23 N/A	6.34 N/A	(17.18) (15.10)	(3.34)* (2.94)#
- dividends paid or provided for (cents per share)	5.00	3.00	-	-

* Assumes minimum shares issued under this prospectus on 30 June 2010.

Assumes maximum shares issued under this prospectus on 30 June 2010.

Notes:

1 See assumptions in Section 4.4 below.

2 See assumptions in Section 4.5 below.

3 Non current assets will be depreciated over their useful economic life as follows:-

	Life	Method	Year ended June 2009 Actual (Audited) \$	Year ended June 2010 Actual (Unaudited) \$	Year ended June 2011 Forecast (Unaudited) \$	Year ended June 2012 Forecast (Unaudited) \$
Depreciation of non current assets						
Leasehold Building Improvements	8 - 40 Years	Straight Line	9,843	17,056	26,921	27,641
Owned Plant & Equipment	2 - 10 Years	Straight Line	11,792	19,034	23,483	24,263
Amortisation of non current assets						
Intangibles	5 Years		34,935	46,354	49,200	51,088
Total			56,570	82,444	99,604	102,992

4 Income tax expense at the company tax rate of 30% has been applied to profit (loss) before tax. The income tax expense may vary depending upon the allowable deductions applicable to the Company under current income tax legislation.

4.3 Sensitivity

The forecasts will be affected by the following factors:

- the extent to which the business generated by the San Remo and Cowes Community Bank® Branches varies from the business generated by that branch in the past, including the impact of the Grantville & District Community Bank® Branch;
- the extent to which the business generated by the Grantville & District Community Bank® Branch varies from the Grantville & District Feasibility Study responses including:
 - the value of the accounts;
 - different business mixes;
 - the timing of writing the business; and
 - account retention;
- the assumption that the Grantville & District Community Bank® Branch commences trading in 1 July 2010;
- interest rate variations (though see Section 4.4 below); and
- operating costs containment.

4.4 Revenue

Revenue Calculation

The estimated revenue for each year is the amount that is estimated to be earned by the Company under the New Franchise Agreement on the basis of the levels of business forecast 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 by 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 (ie, 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 is currently generated by the San Remo and Cowes Community Bank® Branches and was also covered by the Grantville & District Feasibility Study:

- 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.

As discussed in Section 4.2 above, the forecasts do not take into account any income for superannuation.

Level of Business - San Remo and Cowes

In preparing the forecasts, the following assumptions were made in relation to the level and type of business to be generated by the San Remo and Cowes Community Bank® Branches.

In preparing the forecast in Table 1 for the years ended 30 June 2010 and 30 June 2011 and 30 June 2012, it has been assumed that the level of growth the San Remo and Cowes Community Bank® Branches have historically experienced will continue.

In the forecast in Tables 3 and 4, a reduction has been made for the year ending 30 June 2011 and 30 June 2012 for the estimated transfer of business that may arise as a result of the opening of the Grantville & District Community Bank® Branch. In Table 4, it has been assumed that in the first year of the forecast, the Grantville & District Community Bank® Branch will only achieve 80% of the volume of business assumed for the corresponding period in Table 3.

Level of Business – Grantville & District

As described in detail in Section 4.2, revenue for Years 1, 2 and 3 of the forecast for the Grantville & District Community Bank® Branch is based upon the following.

- The feasibility study results, as modified based on the average trading performances of existing comparable Community Bank® Branches in each of their first three years of operation.

The 80% of Company Forecast assumes that the Company only achieves 80% of this business.

Each forecast is also based on the static assumption that new banking business allocated to the Grantville & District Community Bank® Branch on opening is as described in Section 4.2 and is retained by the Company for the forecast period.

Survey Responses

The following additional assumptions were made in relation to the Grantville & District Feasibility Study responses:

- no allowance is made for financial seasonality - survey responses indicating current account balances were considered to be equal to the average annual account balances;
- where respondents indicated they would shift part of their business, this was assumed to mean half;

- averages are used for the ranges indicated on the survey forms (ie \$0-\$5,000 is taken to be \$2,500);
- specific amounts have been used where indicated in the response;
- the maturity profile of term deposits has been regarded as 1/4 less than 90 days and 3/4 greater than 90 days;
- home loans have been regarded as 3/4 variable and 1/4 fixed interest loans;
- in Year 1 in all forecasts based on the Grantville & District Feasibility Study results (tables 3 and 4), it has been assumed that deposits will be transferred to the Grantville & District Community Bank® Branch equally each month. However, as loans can be slower to convert, this is not assumed for loans – rather, the total loans for Year 1 are divided by 12 and it is assumed that, based on this per month amount, only 50% will be written in each of months 1-4, 100% will be written in each of months 5-8, but 150% will be written in each of months 9-12. In Year 2 and Year 3 in table 2 of the forecast, it is assumed that deposits and loans will be transferred to the Grantville & District Community Bank® Branch equally each month;
- no allowance has been made for revenue generated from products or services other than the deposit and loan business specified in the survey and revenue generated from “foreign” ATM fees (see below).

Interest Rates

Interest rates (as set out below) within broad product groups have been adopted across all revenue forecasts.

Product	Rate Range
Personal Transaction Account	1.294% - 1.51%
Business Cheque Account	0.64% - 1.61%
Term Deposits ≤ 90 days	4.68% - 5.09%
Home Loans	6.284% - 6.66%
Home Equity Loans	9.95% - 10.09%
Credit Cards	8.982% - 9.72%
Overdrafts (Business)	9.40% - 10.21%
Personal Loans	11.37% - 12.35%

The rates in the above table are the rates offered through the existing 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 Bendigo Bank Branch should expect to be offered. The interest rates were determined as at 31 March 2010 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 increase/decrease the Company's gross revenue by \$29,294 based on the existing lending profile as at 31 May 2010 and the forecast lending for the first year of operation of the Grantville & District branch.

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 ATM at San Remo and Cowes Community Bank[®] Branches and the proposed ATM at Grantville & District Community Bank[®] Branch.

4.5 Establishment and Operating Costs

The following costs will be incurred by the Company:

- the initial investment required to establish the Grantville & District Community Bank[®] Branch and commence operations; and
- the annual operating costs of the San Remo, Cowes and Grantville & District Community Bank[®] Branches.

Establishment Costs

The costs to establish the Grantville & District Community Bank[®] Branch and commence operations include:

- the Initial Fees and training costs payable under the New Franchise Agreement in relation to the Grantville & District Community Bank[®] Branch;
- site modifications and IT establishment in relation to the Grantville & District Community Bank[®] Branch;
- legal costs (including the costs of undertaking this Issue);
- the costs of the opening launch of the Grantville & District Community Bank[®] Branch;
- the Grantville & District Feasibility Study; and
- working capital.

Annual Operating Costs

The operating costs of the Company have been incorporated in the forecasts in Section 4.2.

These costs include:

- additional franchise fees in relation to the San Remo and Cowes Community Bank[®] branches;
- share registry fees;
- labour (Branch Managers 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;
- annual audit fees; and
- annual BSX listing and quotation fees.

4.6 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 GST it incurs on its business inputs but will also be 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.

4.7 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.

	Unaudited Budgeted as at 30 June 2010 \$	Unaudited Pro-Forma as at 14 October 2010 ^{1 & 3} \$	Unaudited Pro-Forma as at 14 October 2010 ^{2 & 3} \$
Current Assets			
Cash assets	590,769	527,961	727,961
Trade and other receivables	101,139	101,139	101,139
Other financial assets			
Total Current Assets	691,908	629,100	829,100
Non Current Assets			
Property, plant and equipment	307,416	517,416	517,416
Deferred income tax assets	3,091	3,091	3,091
Intangible assets	95,629	248,437	248,437
Total Non Current Assets	406,136	768,944	768,944
Total Assets	1,098,044	1,398,044	1,598,044
Current Liabilities			
Payables	25,869	57,869	57,869
Interest bearing liabilities	21,329	21,329	21,329
Provisions	30,511	30,511	30,511
Total Current Liabilities	77,709	109,709	109,709
Non-Current Liabilities			
Payables	21,620	21,620	21,620
Total Non-Current Liabilities	21,620	21,620	21,620
Total Liabilities	99,329	131,329	131,329
Net Assets	998,715	1,266,715	1,466,715
Equity			
Issued capital	1,086,498	1,386,498	1,586,498
Less: Equity raising costs	-	(32,000)	(32,000)
Retained earnings	(87,783)	(87,783)	(87,783)
Contributed Equity	998,715	1,266,715	1,466,715

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 These balance sheets show the position after amounts have been paid to Bendigo Bank under the New Franchise Agreement - refer section 6, section headed "Payments/Receipts".

4.8 International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. The first financial year to which IFRS applies to the Company was the Year ended 30 June 2006.

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 three 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, however there is no guarantee that dividends will continue to be paid.

Trading in Shares

The Company provides members of the community with the opportunity to contribute to establishing and maintaining the San Remo, Cowes and Grantville & District Community Bank® Branches 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 for the San Remo Franchise Rights, the Cowes Franchise Rights and the Grantville 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 San Remo

Franchise Rights, the Cowes Franchise Rights and/or the Grantville Franchise Rights, in particular, if the relevant franchise operation is not profitable.

If the New Franchise Agreement is terminated, the San Remo Franchise Rights, the Cowes Franchise Rights and the Grantville Franchise Rights would also terminate. However, if the Franchise Rights for one Community Bank® Branch alone are terminated, the Franchise Rights for the other Community Bank® Branches 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 (or two) of the Community Bank® Branches.

The Company is not entitled to any payment upon termination of the New Franchise Agreement or of the San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville Franchise Rights, though it would be entitled to the net proceeds of the sale of any 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 San Remo Franchise Rights, the Cowes Franchise Rights, the Grantville Franchise Rights, or any of them, as the case may be, the franchise operations or the branch locations (see Section 3.3 above). If the Company owns the premises from which a Community Bank® Branch operates, on termination of the New Franchise Agreement Bendigo Bank may require the Company to enter into an agreement to lease the premises to Bendigo Bank for the purposes of Bendigo Bank continuing to operate the business from that premises.

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 Group members that have been approved by Bendigo Bank, the Company's only business will be managing the San Remo, Cowes and Grantville & District Community Bank® Branches of Bendigo Bank.

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.

It is important to recognise that the forecasts presented in Section 4.2 are based (in part) on the Grantville & District Feasibility Study responses, and there is no obligation on respondents to transfer the business indicated in the survey. Accordingly, 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 San Remo, Cowes and Grantville & District Community Bank® Branches 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 San Remo and Cowes Community Bank® Branches were established and the Grantville & District Community Bank® Branch is being established, in part, given the current level of banking facilities available in the San Remo, Cowes and Grantville & District 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 the San Remo, Cowes or Grantville communities or in nearby communities or from other providers 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 the San Remo, Cowes or Grantville communities, particularly if the Community Bank® Branches are successful. The Company Forecast (see Table 3 in Section 4.2) discloses that the Company will experience a loss of \$306,318 in

the first year of operation of the Grantville & District Community Bank® Branch and a loss of \$23,340 in the second year of operation of the Grantville & District Community Bank® Branch, giving a total loss of \$329,658. If the Company continues to incur further losses, it is possible that this will have an adverse impact on the Company's ability to continue to operate.

The Directors believe that the possibility of three Community Bank® Branches in close proximity offers additional convenience and service opportunities to local people, and may increase the rate of conversion of new customers to either branch. It is however possible that this additional business may be offset if respondents to the Grantville & District Feasibility Study choose to base their banking at the San Remo and Cowes Community Bank® Branches instead of converting their business to Grantville & District Community Bank® Branch as indicated. The Directors are unable to quantify the value of such business that may be affected.

Branch Operations

Like any small business, the Branch Managers and employees will have a key role in the success of each of the San Remo, Cowes and Grantville & District Community Bank® Branches. The Branch Managers 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.

Security Risks (eg armed robbery)

Although all cash deposits made through the San Remo, Cowes and Grantville & District Community Bank® Branches will be transferred to Bendigo Bank, the Company will bear the risk of implementing procedures for handling and transferring such deposits. For example, the risk of robbery is inherent in the nature of the Company's business of managing Community Bank® Branches of Bendigo Bank.

Under the New Franchise Agreement, the Company is responsible for ensuring that at all times it has in place, to the satisfaction of Bendigo Bank, appropriate security and cash logistic controls. This may require the Company to make modifications to the fitout of its Community Bank® Branch premises or incur other security-related expenses that are not anticipated at the date of this Prospectus.

Three Branches

The Company will manage and operate three Community Bank® Branches of Bendigo Bank. Thus, shareholders of the Company will share the risks, and rewards, of all three 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 San Remo and Cowes Community Bank® Branches operates and the Grantville & District 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 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. If Bendigo Bank were to become insolvent or subject to external administration, this would be likely to have a significant adverse effect on the Company. However, Bendigo Bank, as a bank and an authorised deposit-taking institution, is subject to strict prudential supervision by APRA, and the risk of insolvency is not considered to be material.

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 by the Company, and 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 San Remo, Cowes and Grantville & District Community Bank®

Branches and that 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 three 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.

The current dislocation in global financial markets has significantly impacted global economic activity including the Australian economy, with domestic and global economies slowing or in recession and experiencing rising unemployment. This has led to a decrease in credit growth and a reduction in consumer and business confidence. A further downturn in the Australian economy could adversely impact Bendigo Bank's ongoing financial performance or financial condition and the Company's business as the operator of three Community Bank® Branches.

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 further brief summary of the key provisions of the New Franchise Agreement.

Grant of Rights

Under the New Franchise Agreement, 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 San Remo, Cowes and Grantville & District Community Bank[®] Branches of Bendigo Bank.

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

Term

Under the New Franchise Agreement, the initial term of the San Remo Franchise Rights, the Cowes Franchise Rights and the Grantville Franchise Rights end on 30 September 2015 (five years). Provided certain conditions are met at the end of each term, Bendigo Bank must agree to extend the term of the San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville Franchise Rights (or all three) 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[®] 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.

Security and Cash Logistics

The Company is required to ensure that at all times it has in place, to the satisfaction of Bendigo Bank, appropriate security and cash logistic controls (including appropriate security surveillance and monitoring and appropriate arrangements regarding the secure transportation of cash). All arrangements with providers

of security services and cash logistic services must receive prior written approval from Bendigo Bank.

Payments/Receipts

In relation to the Grantville & District Community Bank[®] Branch, under the New Franchise Agreement, the Company is required to pay Bendigo Bank:

- the Initial Fees, comprising a Franchise fee of \$10,000 and an Establishment process fee of \$70,000 (which are treated as capital expenditure for accounting purposes – refer to Note 3 to the forecasts in Section 4.2),
- Training Costs of \$10,000, and
- Start-Up Costs, being
 - IT establishment costs estimated at \$12,100; and
 - site modification costs estimated at \$210,000.

In relation to the San Remo Community Bank[®] Branch, under the New Franchise Agreement, the Company is required to pay Bendigo Bank \$26,632.80, in consideration of the effective extension of the right to conduct the San Remo Community Bank[®] Branch until 30 September 2015.

In relation to the Cowes Community Bank[®] Branch, under the New Franchise Agreement, the Company is required to pay Bendigo Bank \$24,112, in consideration of the effective extension of the right to conduct the Cowes Community Bank branch until 30 September 2015.

For each additional five year period in respect of each branch (ie the San Remo Franchise Rights, the Cowes Franchise Rights, the Grantville Franchise Rights or all three), 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 under the New Franchise Agreement. 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 San Remo, Cowes and Grantville & District Community Bank[®] Branches), 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® 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 San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville 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);
- the Company operates the business from a location that is not approved by Bendigo Bank;
- 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 any 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 San Remo, Cowes or Grantville & District 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 San Remo, Cowes and/or Grantville & District 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 San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville 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 San Remo, Cowes and Grantville & District Community Bank® Branches 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 (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, but while the Company is listed on BSX they can only exercise this discretion in certain limited circumstances (for example, where permitted or required by law or the BSX Listing Rules). The Directors must refuse to register a transfer of shares if, to their knowledge, the registration would result in a person having, or if it would be to a person who has, a prohibited shareholding interest (see Section 7.3 below) (unless refusal to register such a transfer is prohibited by the BSX Listing Rules).

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, if the Shares are quoted on the BSX, the rules applicable to transfers on BSX.

The Directors understand that, if the Shares are quoted on BSX, 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 surplus 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 of the Company's assets 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 Company's Constitution and are summarised below.

10% Interest

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

As with 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 other words, 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 they, and their 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

In addition, 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 San Remo, Cowes or Grantville & District communities. For example, individuals who are residents of our community, and their close

family members, would ordinarily be considered to have such a close connection. Similarly, a company whose registered office is in our community 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.

Base Number

Further, a person is also deemed to have a prohibited shareholding interest if after the transfer of shares to that person, the number of shareholders in the Company would be less than the Base Number of shareholders.

The Base number is 340. Currently, the Company has around 542 shareholders.

The purpose of this Base Number restriction, together with the requirement of a close community connection, is to seek to ensure that the Company has broad based local ownership. Note, however, that while the Company is listed, this Base Number restriction only comes into effect if and when BSX approval for this restriction is obtained. To date, BSX has indicated that it will not grant this approval.

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.

Power to divest shares or refuse to register

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.

Furthermore, as noted above in Section 7.2, the Board must refuse to register a transfer of shares if, to their knowledge, it would result in a person having, or if it would be to a person who has, a prohibited shareholding interest (unless refusal to register such a transfer is prohibited by the BSX Listing Rules).

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 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 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 Shares.

Generally, a net capital gain is determined by reference to the excess (if any) of the consideration received for the Shares over the cost base of the 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 33 $\frac{1}{3}$ % (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 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 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
Terrence Stirling Ashenden	42751	Legal and Beneficial
Joan Tracey Matthews	17801	Legal and Beneficial
Miranda May Sage	7500	Legal and Beneficial
Norma Georgina Laing Stack-Robinson	7000	Legal and Beneficial
Janice Joy Rowlingson	9900	Legal and Beneficial
Bruce Edward Proctor	1000	Legal and Beneficial
Craig Allan Semple	8000	Legal and Beneficial
Michele Lorraine Fulwell	500	Legal and Beneficial
Kathy Alison Jones	1100	Legal and Beneficial
Caroline Talbot	3200	Legal and Beneficial
Patrick James Russell	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 of the Company; 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

Joan Tracey Matthews is a Director of the Company and is also the landlord of the San Remo Community Bank® Branch premises in San Remo. During the year ended 30 June 2010, \$27,625 was paid in relation to the lease.

Terry Stirling Ashenden is a Director of the Company and owner of office premises which are leased to the Company. During the year ended 30 June 2010, \$1,980 was paid in relation to the lease.

Janice Joy Rowlingson is a Director of the Company and Company Treasurer. During the year ended 30 June 2010, \$4,075 was paid in relation to bookkeeping services.

Michele Lorraine Fulwell is a Director of the Company and Company Secretary. During the year

ended 30 June, 2010 was paid \$3,091 in relation to administrative services.

Other Benefits

Nil

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 \$7,500.

Richmond Sinnott & Delahunty have undertaken a feasibility study and for their services have been paid a fee of \$4,500 and have also provided accountancy services to the Company in connection with the Offer and for their services will be paid a fee of \$3,000.

7.8 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** has given and has not, before lodgement of this Prospectus, withdrawn its written consent to be named as solicitors to the Company in the form and context in which they are named.
- (b) **Richmond Sinnott & Delahunty** 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 they are named and to the inclusion, in Sections 4.1, 4.2, 4.3 and 4.4 of this Prospectus, of the factual information obtained in the Grantville & District Feasibility Study and 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 and to the inclusion, in Sections 4.2, 4.3, 4.4 and 4.5 of this Prospectus, of the details of Bendigo Bank's involvement in preparation of the forecasts.
- (d) **BSX** the operator of the Bendigo Stock Exchange, 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.

7.9 Privacy Collection Statement

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

- assess and process your application;
- service your needs as an investor;
- provide products, facilities and services which you may request;
- provide you with information about products, facilities and services; and

- carry out appropriate administration of your investment.

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.

To do these things, the Company and the Company's share registrar may disclose your personal information for purposes related to your investment to Bendigo Bank and to related bodies corporate, agents and service providers of the Company and of Bendigo Bank or as otherwise authorised under the Privacy Act 1988 (Cth). If you become a shareholder, your information may be used for purposes related to your investment (including as noted above) and may also be shared with the Bendigo and Adelaide Bank Group and its joint ventures so that you can be told about products, facilities or services offered or distributed by the Group or its joint ventures or other matters concerning the Bendigo and Adelaide Bank Group generally 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 Bank Group or any of the Group's joint ventures 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 40). 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 a copy of the privacy policy of the Company by contacting its Company Secretary. A copy of the privacy policy of Bendigo Bank is available at www.bendigobank.com.au

8. Definitions

Applicant – A person that applies for Shares pursuant to this Prospectus.

APRA – Australian Prudential and Regulatory Authority.

ASIC – Australian Securities and Investments Commission.

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

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

Bendigo Group – Bendigo Bank and its related bodies corporate.

BSX – Bendigo Stock Exchange (Operated by SIM Venture Securities Exchange Limited). Note: it is expected that BSX will change its name to SIM Venture Securities Exchange around or during the currency of this Prospectus.

BSX Listing Rules – Listing rules of the BSX.

Company – San Remo District Financial Services Limited. (A.C.N 102 770 150).

Corporations Act – Corporations Act 2001 (Cth).

Cowes Community Bank® Branch – the Cowes Community Bank® Branch of Bendigo Bank located at Shop 1/213 Settlement Road, Cowes, Victoria.

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

Director – a Director of the Company.

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

Existing Franchise Agreement – the franchise agreement entered into by Bendigo Bank, the Company and the Directors of the Company on 27 June 2008 pursuant to which the Company maintained the right to manage and operate the San Remo Community Bank® Branch, and acquired the

right to manage and operate the Cowes Community Bank® Branch. The Existing Franchise Agreement was terminated by the New Franchise Agreement.

Franchise Rights – any of the San Remo Franchise Rights, the Cowes Franchise Rights or the Grantville Franchise Rights.

Franchising Code – Franchising Code of Conduct.

Grantville & District Community Bank® Branch – the proposed Grantville & District Community Bank® Branch of Bendigo Bank to be located at Shop 4, 1503 Bass Highway, Grantville Victoria 3984.

Grantville Franchise Rights – the rights to manage and operate the Grantville & District Community Bank® Branch.

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 San Remo and Cowes Community Bank® Branches, and acquired the right to manage and operate the Grantville & District 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 Directors of the Company in April 2003 pursuant to which the Company acquired rights to manage the San Remo Community Bank® Branch of Bendigo Bank. The Original Franchise Agreement was terminated by the Existing Franchise Agreement.

Prospectus – this prospectus.

San Remo Community Bank® Branch – the San Remo District Community Bank® Branch of Bendigo Bank located at 103A Marine Parade, San Remo, Victoria.

San Remo Franchise Rights – the rights to manage and operate the San Remo Community Bank® Branch.

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

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:

Bruce Edward Procter

Craig Allan Semple by his attorney, Terence Stirling Ashenden

Terence Stirling Ashenden

Norma Georgina Laing Stack-Robinson

Joan Tracey Matthews

Caroline Talbot

Michele Lorraine Fulwell

Miranda May Sage by her attorney, Terence Stirling Ashenden

Janice Joy Rowlingson

Patrick James Russell

Kathy Alison Jones by her attorney, Terence Stirling Ashenden

10. Directory

Directors

Bruce Edward Procter

Craig Allan Semple

Terence Stirling Ashenden

Norma Georgina Laing Stack-Robinson

Joan Tracey Matthews

Caroline Talbot

Michele Lorraine Fulwell

Miranda May Sage

Janice Joy Rowlingson

Patrick James Russell

Kathy Alison Jones

Company Secretary

Michele Fulwell

Registered Office

103a Marine Parade

SAN REMO VIC 3925

Solicitors

Rennick and Gaynor Solicitors

431 Riversdale Rd

HAWTHORN EAST VIC 3123

Accountants

Richmond Sinnott & Delahunty

172 Mclvor Road

BENDIGO VIC 3550

**Annexure A
Feasibility Study
Pro Forma Survey**



Richmond Sinnott
& Delahunty
Chartered Accountants

Grantville & District Community Bank® Branch

Personal Banking Survey

Please return by: April 19, 2010

TICK ONE BOX ONLY TICK AS MANY BOXES AS APPLICABLE

A Bank of Our Own!

A PROPOSAL WORTHY OF YOUR SUPPORT

Dear Community Member,

You may be aware that a Steering Committee has been working to secure long term banking services for the Grantville & District area by opening a Community Bank® Branch of Bendigo Bank. The proposed branch will provide a full range of products and services. It is important that everyone in the community takes part and we urge you to complete this short confidential survey as soon as possible.

A Community Bank® is unlike other banks in that we, the people, have the opportunity to generate funds from our local bank, which can be reinvested within our local community. Community Bank® branches of Bendigo Bank are already operating in over 250 communities throughout Australia.

Briefly it works like this:

- Revenue will be shared between Bendigo Bank and our Community Bank® branch.
- The Community Bank® pays all branch operating costs while the Bendigo Bank pays for support services.
- The profits we generate will be available for distribution as grants to community projects, to shareholders as dividends and reinvestment in banking services.

A decision on whether to proceed will be based on the level of support in this survey from you and your fellow residents.

In order to proceed with the project it is necessary for the community to establish that the Community Bank® Branch will be financially viable. For this reason, your accurate and speedy response to this survey is important.

All the information you provide remains **confidential**. Please take the time to fill in the survey as we need a response from a cross section of the community (including voluntary organisations). In framing your response, consider your possible future needs as well as your current requirements.

Two survey forms are enclosed. One is for Personal use, the other is for Business use. If you are a Business Proprietor, please complete the personal survey for your personal banking and the business survey for your business banking.

We urge you to return this survey now. Five minutes of your time could make the difference for Grantville & District to get a Community Bank® Branch.

Michele Fulwell and Patrick Russell
Co-Chair, Grantville & District Community Bank® Branch
Steering Committee

Please feel free to contact any of the following members of the Steering Committee.

Ron Wiggins	5678 2216
Barrie Stewart	5657 7336
Michele Fulwell	5678 8577
Pat Russell	5678 8673

THE CONTENTS OF THIS SURVEY ARE CONFIDENTIAL

This survey is anonymous and confidential and will be processed by Richmond Sinnott & Delahunty, PO Box 30, Bendigo Victoria 3552. Neither the steering committee nor any bank representative will be permitted access to these surveys or their contents.

Only aggregated information is disclosed. Richmond Sinnott & Delahunty (RSD) are an independent chartered accounting firm appointed by the Steering Committee to conduct the feasibility study.

If you have any questions or concerns relating to any of the questions asked, please do not hesitate to call STEPHEN BROWN of RSD on (03) 5443 1177.

PLEASE HELP US BY ENSURING THAT:

- This personal survey is used only for personal banking information.
- Business proprietors and community organisations complete the business survey.
- Your response includes all of the banking products you currently use.
- Each account is only recorded once.
e.g. Joint accounts should be recorded on one survey only. Business accounts should only be recorded by one proprietor/officeholder.
- Your survey is completed and returned to RSD in the enclosed reply paid envelope by **April 19, 2010**

TICK ONE BOX ONLY TICK AS MANY BOXES AS APPLICABLE

1. (a) **Please indicate your current occupation or income source.**

- Business Proprietor/Self Employed
 Employee (Full Time or Part Time)
 Home Duties
 Retired/Pensioner
 Unemployed
 Student
 Other (please specify)

(b) **Where do you live?**

- Grantville
 Bass
 Corinella
 Coronet Bay
 Glen Forbes
 Kernot
 Tenby Point
 The Gurdies
 Pioneer Bay
 Woodleigh
 Other (please specify)

(c) **What is your age?**

- 10-19 40-49 70-79
 20-29 50-59 80-89
 30-39 60-69 90 & Over

2. (a) **Which is your main financial institution?**

- ANZ
 Bendigo/Adelaide Bank
 Commonwealth Bank of Australia
 National Australia Bank
 Westpac
 Other (please specify)

(b) **If your main institution is Bendigo Bank, which branch do you use?**

- Cowes
 Koo Wee Rup
 Korumburra
 Lang Lang
 San Remo
 Tooradin
 Wonthaggi
 Other (please specify)

3. **Why do you use your main financial institution? Please indicate top three reasons.**

- 1 Account fee structure
 2 Banked with them for many years
 3 Competitive interest rates
 Convenience/locality
 Customer service received
 Loyalty/relationship
 Products and services offered
 Too difficult/expensive to change
 Other (please specify)

4. (a) **How satisfied are you with the service you currently receive from your main financial institution?**

- 1 2 3 4 5
 Not Satisfied Very Satisfied

(b) **Please tell us any way in which you feel the service from your main financial institution could be improved.**

.....

5. (a) **Have you made a pledge to become a shareholder of Grantville & District Community Bank?**

- Yes No

(b) **Are you a shareholder in San Remo District Financial Services Ltd?**

- Yes No

6. How do you withdraw cash when you need it?
- ATM
 - EFTPOS
 - Giro-Post
 - Over the Counter (Bank or Non-Bank)
 - Other (please specify)

7. What services would you require frequently from your financial institution?
- ATM
 - Cheque Deposit
 - Bank Cheque
 - Credit Card
 - Bpay
 - EFTPOS
 - Cash Deposit
 - Internet Banking
 - Cash Withdrawal
 - Personal Cheque Book
 - Cheque Cashing
 - Phone Banking
 - Other (please specify)

8. If you have Personal Savings, Cheque and/or Term Deposit accounts with any institution, please indicate the approximate balance. Please ensure that each account is only marked **once**.

PERSONAL SAVINGS/CHEQUE ACCOUNT(S)

- DON'T HAVE
- \$0 - \$5,000
- \$5,001 - \$10,000
- \$10,001 - \$20,000
- \$20,001 - \$40,000
- \$40,001 - \$60,000
- \$60,001 - \$80,000
- More (please specify)

PERSONAL INVESTMENTS

[Term Deposit(s)/Cash Management Account(s)]

- DON'T HAVE
- \$0 - \$5,000
- \$5,001 - \$25,000
- \$25,001 - \$50,000
- \$50,001 - \$75,000
- \$75,001 - \$100,000
- \$100,001 - \$125,000
- More (please specify)

9. If you have a Credit Card, Personal Loan, Home Loan and/or Investment Loan, please indicate approximate balance.

CREDIT CARD

(NB: Average Balance, not Limit)

- DON'T HAVE
- \$0 - \$3,000
- \$3,001 - \$5,000
- \$5,001 - \$10,000
- \$10,001 - \$15,000
- \$15,001 - \$20,000
- More (please specify)

PERSONAL LOAN

- DON'T HAVE
- \$0 - \$3,000
- \$3,001 - \$5,000
- \$5,001 - \$10,000
- \$10,001 - \$20,000
- \$20,001 - \$30,000
- \$30,001 - \$40,000
- More (please specify)

HOME LOAN

- DON'T HAVE
- \$0 - \$50,000
- \$50,001 - \$100,000
- \$100,001 - \$150,000
- \$150,001 - \$200,000
- \$200,001 - \$250,000
- \$250,001 - \$300,000
- More (please specify)

INVESTMENT LOAN

- DON'T HAVE
- \$0 - \$50,000
- \$50,001 - \$100,000
- \$100,001 - \$150,000
- \$150,001 - \$200,000
- \$200,001 - \$250,000
- \$250,001 - \$300,000
- More (please specify)

10. If you have managed funds, please indicate the approximate balance.

MANAGED FUNDS

- DON'T HAVE
- \$0 - \$50,000
- \$50,001 - \$100,000
- \$100,001 - \$200,000
- \$200,001 - \$300,000
- More (please specify)

11. If a Community Bank were to open in Grantville:

(a) Would you be prepared to support it by transferring your banking within 12 months?

- NO - Go to 12.
- YES - ALL of your banking. Go to 12.
- YES - PART of your banking. Go to 11(b).

(b) If you answered YES - PART of your banking to question 11(a), what would you transfer?

- Personal Savings/Cheque Account(s)
- Personal Term Deposit(s)/CMA(s)
- Managed Fund(s)
- Credit Cards/Personal Overdraft(s)
- Personal Loan(s)
- Home Loan(s)
- Investment Loan(s)

12. In addition to your existing banking identified in Question 11, what additional borrowing or deposit amounts would you expect to transfer to a Community Bank in Grantville over the next 3 years?

\$

13. (a) How often would you expect to do your banking business in the branch? i.e. over the counter?

- Never
- Daily
- 2-4 Times per Week
- Weekly
- Fortnightly
- Monthly
- 6 Monthly
- Annually

(b) Would you utilise a banking service if it was available on a Saturday morning?

- Yes No

14. We would greatly value your comments on why the Community Bank would (or would not) meet your banking needs.

.....

.....

.....

.....

.....

.....

.....

.....

.....

**COMPLETION
OF THE FOLLOWING IS
ENTIRELY OPTIONAL**

Please Note: If the details below are completed,
ONLY YOUR CONTACT DETAILS
will be forwarded to the
Grantville & District Community Bank®
Steering Committee.

All banking details are confidential and withheld by
Richmond Sinnott & Delahunty.

**I WISH TO SHOW MY SUPPORT FOR
THE GRANTVILLE & DISTRICT COMMUNITY
BANK® PROJECT AND AGREE
TO BEING CONTACTED AT A LATER DATE**

Name.....

Address.....

.....

.....

.....

.....Postcode.....

Telephone.....

ADDITIONAL SURVEYS CAN BE OBTAINED FROM THE FOLLOWING BUSINESSES:

**Grantville
Newsagency**
Phone 5678 8808

**Bass Valley
Community Centre**
Phone 5678 2277

**Corinella and District
Community Centre**
Phone 5678 0777

Thank you for completing this survey.

PLEASE PLACE IT IN THE REPLY PAID ENVELOPE AND POST IT AS SOON AS POSSIBLE



**Richmond Sinnott
& Delahunty**
Chartered Accountants

Grantville & District Community Bank® Branch



Business Banking Survey

Please return by: April 19, 2010

TICK ONE BOX ONLY TICK AS MANY BOXES AS APPLICABLE

Note: If your business enterprise consists of a number of partners, please complete only one "Business Survey" per business enterprise.

1. (a) If you currently own/manage a business or organisation, please indicate the type of business.

- Accommodation/Hospitality
 Agriculture/Aquaculture/Fishing/Forestry
 Community Organisation
 Construction
 Education
 Health & Community Services
 Manufacturing
 Property & Business Services
 Retail/Wholesale
 Service
 Tourism
 Transport and Storage
 Other (please specify)

(b) Where is your business located?

- Grantville
 Bass
 Corinella
 Coronet Bay
 Glen Forbes
 Kernot
 Tenby Point
 The Gurdies
 Pioneer Bay
 Woodleigh
 Other (please specify)

2. (a) Which is your main financial institution?

- ANZ
 Bendigo/Adelaide Bank
 Commonwealth Bank of Australia
 National Australia Bank
 Westpac
 Other (please specify)

(b) If your main financial institution is Bendigo Bank, which branch do you use?

- Cowes
 Koo Wee Rup
 Korumburra
 Lang Lang
 San Remo
 Tooradin
 Wonthaggi
 Other (please specify)

3. On a scale of 1 to 5, how satisfied are you with the service you currently receive from your main financial institution?

- | | | | | | |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 1 | 2 | 3 | 4 | 5 | |
| Not Satisfied | | | Very Satisfied | | |

4. (a) Has your business made a pledge to become a shareholder of Grantville & District Community Bank?

- Yes No

(b) Is your business a shareholder in San Remo District Financial Services Ltd?

- Yes No

5. If you have Business Savings, Cheque Account(s) and/or Term Deposit(s), with any institution please indicate the approximate current balance(s) in the table below.

Please ensure each account is only marked once.

BUSINESS SAVINGS/CHEQUE ACCOUNT (\$)

- DON'T HAVE \$20,001 - \$50,000
 \$0 - \$10,000 \$50,001 - \$100,000
 \$10,001 - \$20,000 MORE (please specify)

BUSINESS TERM DEPOSIT(S)

- DON'T HAVE \$20,001 - \$50,000
 \$0 - \$10,000 \$50,001 - \$100,000
 \$10,001 - \$20,000 MORE (please specify)

THE CONTENTS OF THIS SURVEY ARE CONFIDENTIAL

This survey is anonymous and confidential and will be processed by Richmond Sinnott & Delahunty, PO Box 30, Bendigo Victoria 3552.

Neither the steering committee nor any bank representative will be permitted access to these surveys or their contents.

Only aggregated information is disclosed. Richmond Sinnott & Delahunty (RSD) are an independent chartered accounting firm appointed by the Steering Committee to conduct the feasibility study.

If you have any questions or concerns relating to any of the questions asked, please do not hesitate to call STEPHEN BROWN of RSD on (03) 5443 1177.

6. If you have Business Overdraft, Leasing/Hire Purchase agreement and/or Other Loan Facilities, please indicate the approximate current balance(s) in the table below.

Please ensure each account is only marked once.

BUSINESS OVERDRAFT (NB: Average, not Limit)

- DON'T HAVE
- \$0 - \$10,000
- \$10,001 - \$50,000
- \$50,001 - \$100,000
- \$100,001 - \$150,000
- \$150,001 - \$200,000
- More (please specify).....

BUSINESS LEASING/HIRE PURCHASE

- DON'T HAVE
- \$0 - \$30,000
- \$30,001 - \$50,000
- \$50,001 - \$100,000
- \$100,001 - \$200,000
- \$200,001 - \$300,000
- More (please specify).....

OTHER LOAN FACILITIES

- DON'T HAVE
- \$0 - \$50,000
- \$50,001 - \$250,000
- \$250,001 - \$500,000
- \$500,001 - \$1,000,000
- More (please specify).....

7. If a Community Bank were to open in Grantville?

(a) Would you be prepared to support it by transferring your banking within 12 months?

- NO - Go to 8.
- YES - ALL of your banking. Go to 8.
- YES - PART of your banking. Go to 7(b).

(b) If you answered YES - PART of your banking to question 7(a), what would you transfer?

- Business Savings/Cheque Account(s)
- Business Term Deposit(s)
- Business Overdraft(s)
- Business Lease(s)/Hire Purchase(s)
- Other Loan Facilities

8. In addition to your existing banking identified in Question 7, what additional borrowing or deposit amounts would you expect to transfer to a Community Bank in Grantville over the next 3 years?

\$

9. (a) How often would you expect to do your banking business in the branch? i.e. over the counter?

- Never
- Daily
- 2-4 Times per Week
- Weekly
- Fortnightly
- Monthly
- 6 Monthly
- Annually

(b) Would you utilise a banking service if it was available on a Saturday morning?

- Yes No

10. We would greatly value your comments on why the Community Bank would (or would not) meet your business banking needs.

.....

.....

.....

.....

COMPLETION
OF THE FOLLOWING IS
ENTIRELY OPTIONAL

Please Note: If the details below are completed,
ONLY YOUR CONTACT DETAILS
will be forwarded to the
Grantville & District Community Bank®
Steering Committee.

All banking details are confidential and withheld by
Richmond Sinnott & Delahunty

**I WISH TO SHOW MY SUPPORT FOR
THE GRANTVILLE & DISTRICT COMMUNITY
BANK® PROJECT AND AGREE TO BEING
CONTACTED AT A LATER DATE**

Contact Name

Business Name

.....

Address

.....

.....Postcode.....

Telephone.....

Thank you for completing this survey.

PLEASE PLACE IT IN THE REPLY PAID ENVELOPE AND POST IT AS SOON AS POSSIBLE

This Page was left blank intentionally.

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 20,000.

- B. Enter the **TOTAL AMOUNT** of application money payable. To calculate the amount multiply the number of Shares applied for by the amount per Share.
- 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 **SAN REMO DISTRICT FINANCIAL SERVICES 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 of this Application Form 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 **SAN REMO DISTRICT FINANCIAL SERVICES 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:

SAN REMO DISTRICT FINANCIAL SERVICES LIMITED SHARE OFFER

**103A Marine Parade
San Remo VIC 3925**

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 Michele Fulwell on (03) 5678 8577 or Terry Ashenden on (03) 5956 7177.

SAN REMO DISTRICT FINANCIAL SERVICES LIMITED

ACN 102 770 150

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 San Remo District Financial Services Limited at A\$1.00 per share

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 PO Box/Postal Address (PLEASE PRINT)

Street Number Street

Suburb/Town

State

Post Code

SAN REMO DISTRICT FINANCIAL SERVICES LIMITED

ACN 102 770 150

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 San Remo District Financial Services Limited at A\$1.00 per share

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 PO Box/Postal Address (PLEASE PRINT)

Street Number Street

Suburb/Town

State

Post Code

E I/we am/are existing shareholder/s of San Remo District Financial Services Limited.

No Yes Holder number _____ (See your original certificate)

F Contact Name

Telephone Number - Business Hours

Telephone Number - After Hours

(_____) _____

(_____) _____

Telephone Number - Mobile

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 payment for the full monies I/we hereby:

- offer to subscribe for Shares in the Company;
- agree to be bound by the Constitution of the Company, and by the terms and conditions set out in the Prospectus;
- agree to take any number of Shares equal to or less than the number of Shares indicated in Box A of this Application Form that may be allotted to me/us pursuant to this Prospectus;
- declare that all details and statements made by me/us in this Application Form are complete and accurate; and
- 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.

A person lodging this Application Form on behalf of the above-named Applicant(s) hereby confirms that the Applicant(s) has/have consented to the above terms.

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

TFN of Applicant #1

OR

ABN of Applicant #1

TFN of Applicant #2

OR

ABN of Applicant #2

TFN of Applicant #3

OR

ABN of Applicant #3

OR Tax exemption category

Applicant #1:

Applicant #2:

Applicant #3:

SAN REMO DISTRICT FINANCIAL SERVICES LIMITED

ACN 102 770 150

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 San Remo District Financial Services Limited at A\$1.00 per share

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 PO Box/Postal Address (PLEASE PRINT)

Street Number Street

Suburb/Town

State

Post Code

E I/we am/are existing shareholder/s of San Remo District Financial Services Limited.

No Yes Holder number _____ (See your original certificate)

F Contact Name

Telephone Number - Business Hours

Telephone Number - After Hours

(_____) _____

(_____) _____

Telephone Number - Mobile

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 payment for the full monies I/we hereby:

- offer to subscribe for Shares in the Company;
- agree to be bound by the Constitution of the Company, and by the terms and conditions set out in the Prospectus;
- agree to take any number of Shares equal to or less than the number of Shares indicated in Box A of this Application Form that may be allotted to me/us pursuant to this Prospectus;
- declare that all details and statements made by me/us in this Application Form are complete and accurate; and
- 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.

A person lodging this Application Form on behalf of the above-named Applicant(s) hereby confirms that the Applicant(s) has/have consented to the above terms.

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

TFN of Applicant #1

OR

ABN of Applicant #1

TFN of Applicant #2

OR

ABN of Applicant #2

TFN of Applicant #3

OR

ABN of Applicant #3

OR Tax exemption category

Applicant #1:

Applicant #2:

Applicant #3:

