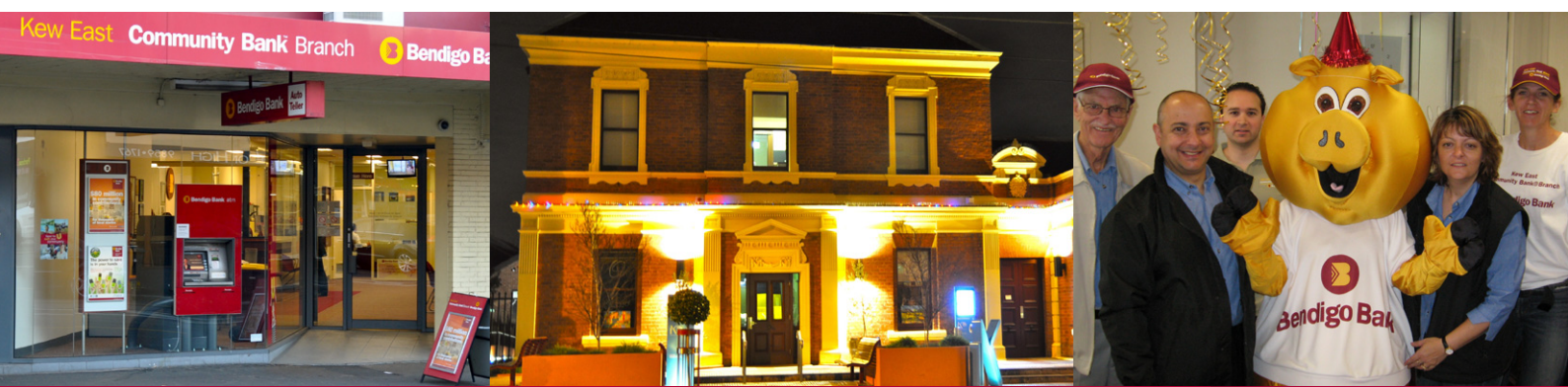


PROSPECTUS

Proposed Kew Community Bank[®] Branch of Bendigo Bank



IMPORTANT NOTICE

This Prospectus is dated 12 October 2012. A copy of this Prospectus has been lodged with the Australian Securities and Investments Commission (ASIC). Application will be made within seven days for quotation of the Shares on the National Stock Exchange (NSX). Neither ASIC nor the NSX take any responsibility for the content of this Prospectus. The fact that the NSX may quote the Shares is not to be taken in any way as an indication of the merits of the Company or of the Offer.

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 in relation to any prospective information provided in this Prospectus.

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Letter from Kew East Financial Services Limited

Dear Investor,

We welcome you and thank you for your interest in the Kew East **Community Bank®** Branch of Bendigo Bank and the proposed Kew **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 community.

In keeping with this aim, 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.

Eleven years ago the Company established the Kew East **Community Bank®** Branch, and the Company has continued to prudently manage that branch of Bendigo Bank.

This Prospectus outlines your opportunity to assist in raising funds for the establishment and operation by the Company of a new, second branch to be located in Kew.

Following the successful raising of the capital pursuant to this Prospectus both **Community Bank®** branches will be part of the one company and the Bendigo Bank **Community Bank®** project, the terms of which are also outlined in this Prospectus.

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 Kew was based on an extensive awareness campaign in which local people and businesses in Kew indicated their support for a locally-owned branch.

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.

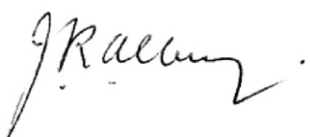
The outcomes of Kew East **Community Bank®** Branch and the enthusiasm shown by the local Kew people is further proof that if the branch becomes successful, a significant number of groups, clubs, schools and local organisations may be able to benefit from this unique community enterprise.

The Kew East **Community Bank®** Branch and the proposed Kew **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 interest in local 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 Kew community through your investment in our company and the Kew **Community Bank®** Branch of Bendigo Bank, I commend the investment to you.

Yours sincerely,



Rod Albury

Chairman, Kew East Financial Services Limited

Letter from Bendigo and Adelaide Bank Limited

Dear Investor

“Kew Community 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 Kew East 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 Kew, just as it has worked with Kew East Financial Services Limited in relation to the existing **Community Bank®** Branch at Kew East. 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 Kew East and Kew 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 Kew East 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 Kew **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 & Community
Bendigo and Adelaide Bank Limited

Investment overview

Topic	Summary	Where to find more information
A. Community banking		
A1. What is the purpose of community banking?	<p>The aims of the Community Bank[®] model are threefold.</p> <ul style="list-style-type: none"> • First, to secure branch banking services for participating communities. • Secondly, to help these communities better manage locally generated capital, and provide them with a better community return on their capital • Thirdly, to enable participating communities to share in revenues generated from their Community Bank[®] enterprise. 	Refer Chairman's letter, letter from Bendigo and Adelaide Bank, Section 3.2
A2. How does community banking work?	<p>The Community Bank[®] model provides communities with the opportunity to conduct a community owned branch of Bendigo Bank. Each branch operates as a franchise of Bendigo Bank, using the name 'Bendigo Bank' and the system of operations of Bendigo Bank. By supporting their local branch, communities have the opportunity to generate revenues which may be able to be returned to support and develop the community through contributions to projects identified in consultation with the community and dividends to participating shareholders.</p>	Refer Section 3.2
B. Company		
B1. What is the Company's business?	<p>The Company conducts a retail branch operation at Kew East under a franchise granted by Bendigo Bank. The Kew East branch commenced operation in 3 December 2001. Assuming the minimum subscription amount of \$200,000 is raised through this Offer, Bendigo Bank will grant a new franchise to the Company to manage a new retail branch operation at Kew.</p> <p>The Company offers and sells products and services for the Bendigo and Adelaide Group eg deposits, loans and financial planning, cash and cheque facilities, investment products, and some third party products authorised by Bendigo Bank eg credit cards and insurance.</p> <p>The Company may offer and promote non-banking products and services (such as telecommunications services) for the Bendigo and Adelaide Group.</p>	Refer Sections 3.2, 3.4, 4.4
B2. How does the Company make money?	<p>There are three primary sources of income the Company may receive. All are dependent on the Franchise Agreements with Bendigo Bank (see E1 below).</p> <ul style="list-style-type: none"> • Gross margin share 50% of the monthly gross margin earned by Bendigo Bank on Bendigo and Adelaide Group products and services sold by the Company that are regarded as "day to day" banking business eg deposits and loans. • Commissions Commissions paid by Bendigo Bank on the other Bendigo and Adelaide Group products and services (including third party products) sold by the Company eg insurance and financial planning. • Fee income A proportion of the fees paid by customers to which the Company may be entitled. 	Refer Section 4

Topic	Summary	Where to find more information
B3. What costs does the Company have to pay?	<p>The Company is responsible for the establishment and normal operating costs of the retail branch operations. Examples include costs of site modifications for the new branch, the lease of the branch locations, staff salaries, payroll, share registry and listing fees, cheque clearing services and computer software. It is also responsible for corporate costs such as legal fees and accountant's fees.</p> <p>The Company is required to pay fees and costs to Bendigo Bank in relation to establishing a branch at Kew, estimated at approximately \$310,720. This amount includes a franchise fee, training costs, IT establishment costs and site modification costs.</p>	Refer Section 4.2, 6
B4. What else does the Company have to do?	<p>The Company is responsible for complying with the Franchise Agreements with Bendigo Bank. This includes promoting and selling products and services in compliance with Bendigo Bank requirements, operational risk management and compliance with regulatory requirements.</p> <p>The Company is responsible for its financial performance and for making decisions about community contributions.</p>	Refer Section 6
B5. What does Bendigo Bank contribute to the Company's business?	<p>Bendigo Bank grants the Company its franchises and makes the following key contributions.</p> <ul style="list-style-type: none"> • Bendigo Bank is responsible for providing products and services to be offered to customers, all documentation relating to the products and services and for holding and maintaining all regulatory licences for offering the products and services. This includes meeting the requirements for holding licences including capital adequacy, risk management, organisational competency, regulatory compliance training and external dispute resolution membership. • Bendigo Bank provides the infrastructure for the retail branch operations which are integrated into the Bendigo Bank system, including the right to use intellectual property and access to information and technology. It also provides guidance on the requirements for conducting a retail branch operation, together with ongoing management and operational support, and advice and assistance in relation to the design and fit out of each branch. • Bendigo Bank provides other assistance and guidance, such as in relation to business and financial operations, corporate governance, community contributions and training of the branch manager and staff. 	Refer Sections 3.4, 3.5, 3.6
B6. How will the Company be managed?	<p>The management and control of the business and affairs of the Company is the responsibility of the Board.</p> <p>The Board is responsible for promoting the Company, its business and the Community Bank® model in the community.</p> <p>Banking and financial services expertise is provided by Bendigo Bank and by the branch manager and staff. It is also possible that staff will be seconded from the Bendigo Group to the Company.</p>	Refer Sections 3.4, 3.9
B7. How will the branch manager be appointed?	<p>The branch manager is important to the success of each branch. While the Company already employs one branch manager and other employees and staff at the Kew East branch, a new branch manager and additional staff for the Kew branch will be employed. All employees must be approved by Bendigo Bank.</p>	Refer Section 3.4

B8. Who are the directors and what is their expertise?	Directors	Expertise	Refer Section 2.1
	John Roderick Albury	Rod has taught professionally and managed schools for over 38 years, the last 11 years of which was spent as Principal of Kew Primary School.	
	Allen William Borella	Allen is an A Grade Automobile Engineer and owner of the Harp Junction Garage in Kew East, that was established in 1928. Allen has been the Proprietor since 1976.	
	Paula Kathleen Davey	For over 25 years, Paula's community involvement has included leadership roles within education, sport and a variety of not-for-profit services and groups.	
	Ross John McDermott	Ross is a practising Chartered Accountant and has operated an Accounting firm for the past 19 years.	
	Eric Arthur Thomas	Eric is a Chartered Accountant with over 50 years' experience having worked with two of the now big four accounting firms before becoming a Partner in an accounting firm in Kew East for nearly 20 years. Eric continues to work part time in the accounting profession.	
	Kenneth George Franks	Ken is a retired Licensed Surveyor and practised as a Consulting Land Surveyor for more than 40 years. He has an extensive commercial property portfolio in Kew East.	
	Mark Aloysius Heffernan	Mark has a Bachelor of Business (FRMIT) and is a Certified Practising Accountant. In his professional life Mark has been a Director of Heffernan Crawford Accountants, based in Kew, for the past 25 years.	
	Mina Sirianni	Mina established and managed a Kew based Management Consulting Business in partnership for over 20 years.	
All Directors have been subject to a Police Check with no adverse findings to report.			
B9. What is the Company's current financial position and how has it performed to date?	<p>The Company has traded since 2001 and has experienced business growth each year. It made an operating profit in 2004/2005, 2005/2006, 2006/2007, 2007/2008, 2008/2009, 2009/2010, 2010/2011 and 2011/2012 financial years.</p> <p>Net assets as at 30 June 2012 are \$1,005,657.</p> <p>Net Profit After Tax as at 30 June 2012 was \$186,841.</p>		Refer Section 4.4 & 4.5

Topic	Summary	Where to find more information	
C. Investment			
C1. Who will the shareholders be?	<p>As the Community Bank® model provides communities with the opportunity to conduct a community owned branch, shareholders are required to have a “close connection” with the Kew East or Kew communities.</p> <p>Also broad-based ownership is encouraged, with a restriction on any shareholder or closely related person or entity controlling or owning more than 10% of the Company.</p>	Refer Section 7.3	
C2. What are the voting rights?	Each shareholder has one vote, regardless of the number of Shares held.	Refer Section 7.2(a)	
C3. What happens to any revenue?	<p>The purpose of establishing and operating the Company is not simply for shareholder return. As explained above, an aim of the Community Bank® model is for communities to share in revenues generated by the Company.</p> <p>Therefore, after costs and capital expenditure, revenue may be used in any of the following ways:</p> <ul style="list-style-type: none">• Towards community or charitable projects as decided by the Directors.• In payment of dividends to shareholders. This is subject to the limit described below.• As working capital. <p>How they are used is decided by the Board.</p> <p>There is a limit on the profits that can be distributed to shareholders, including through dividends. By way of overview, the limit is the higher of: (a) 20% of the profits of the Company otherwise available for distribution to shareholders in the financial year, and (b) the relevant rate of return (being the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%) multiplied by the average level of share capital over that 12 month period.</p>	Refer Section 5.2	
D. Key offer information			
D1. What are the key offer statistics?	Offer price	\$1.00	Refer Sections 1.2, 1.3, 1.5
	Number of Shares offered under Prospectus	200,000 Shares	
	Minimum subscriptions required for Offer to proceed	200,000 Shares	
	Maximum permitted oversubscriptions (if accepted)	300,000 Shares	
	Total number of Shares on issue following the Offer <ul style="list-style-type: none">• if fully subscribed• if maximum oversubscriptions accepted	1,647,530 1,947,530	
D2. How will the offer proceeds be used?	After meeting the costs of the Offer, all funds raised (including oversubscriptions) will be used for the purposes of meeting the capital expenditure and working capital requirements for establishing and operating a Community Bank® branch of Bendigo Bank in Kew.	Refer Section 1.1	

Topic	Summary	Where to find more information
E. Key Risks		
E1. Franchise Agreements with Bendigo Bank	<p>As the only business of the Company is the operation of retail branch operations under Franchise Agreements with Bendigo Bank, their continuation is a key dependency and risk. Specific risks relating to the Franchise Agreements include the following.</p> <ul style="list-style-type: none"> • The Company's activities are limited to operating the retail branch operations, and it must not do anything else unless Bendigo Bank agrees. • In some cases, Bendigo may change the financial return that the Company receives with the result that the Company's revenue may decrease. This may be through changing the commissions paid to the Company (in specified cases) or the Company's share of fee income. See sections 4.1 and 5.3 • The initial term of the Kew Franchise Agreement is 5 years. The agreement may be renewed for two additional terms of 5 years each if the conditions for renewal are met. However, the Company may not meet the renewal conditions for either or both of these renewal terms. • The operation of the Kew East branch is proposed to continue under the terms of the Franchise Agreement governing that location. On expiry of its term, the Company may not meet the renewal conditions for that retail branch operation. • Bendigo Bank has the right to end each Franchise Agreement in the cases set out in the Franchise Agreement. Examples include if the Company is insolvent, engages in fraudulent conduct, conducts the business in a way that endangers public health or safety, if the financial performance of the relevant retail branch operation falls materially short of its projected profit or loss for a 6 month period, and if the Company breaches the agreement. • The rights granted under the Franchise Agreements are not exclusive to the Company. <p>Upon expiry of the Franchise Agreements, the Company may not carry on a substantially similar business for 3 years.</p> <p>The Company provides an indemnity to Bendigo Bank against losses it may suffer in connection with the Company's activities. The success of the Company also depends significantly on the standing and success of Bendigo Bank.</p>	Refer Sections 3.2, 3.3, 3.6, 5.2, 5.3, 5.4, 6

E2. Business volume	<p>There is a risk that the Company will not achieve sufficient business volume to make a profit. Business volume is dependent on a number of factors including the following.</p> <ul style="list-style-type: none"> • The conversion of banking business from feasibility survey responses into customers. There is a risk that this may occur at rates lower than anticipated. • The extent to which business generated by the Kew East branch varies from business generated in the past, including the impact of the new Kew branch. • The development activities of the branch manager and staff. There is a risk that the Company cannot employ a suitable branch manager. There is a risk that the branch manager and staff are not effective or successful in servicing or developing the business. • The promotional activities of the Board. There is a risk that the Board is not effective or successful in promoting the Company, its business and the Community Bank® model in the community. • Competition from other financial service providers located in the community or nearby, or able to deliver services remotely. • General economic conditions, including the effect of interest rate movements on interest rates offered by Bendigo Bank. <p>If the Company does not generate sufficient revenue it may not be able to make community contributions or pay dividends - see E3 and E5. Also, Bendigo Bank has a right to end the franchise agreement in some cases where the Company is not profitable - see section 6 for more detail.</p>	Refer Sections 3.8, 4, 5.3, 6
E3. Dividends	<p>There is a risk that the Company will not pay dividends. The ability of the Board to pay dividends depends on the profitability of the Company. In addition, as explained above (see C3), the purpose of the Company is not simply for shareholder return and there is a limit on the profits that can be distributed to shareholders, including through dividends.</p>	Refer Section 5.2
E4. Ability to sell Shares	<p>Because of the community based nature of the Company, it is not envisaged that there will be significant trade in its shares. There is a risk that shareholders will not be able to sell their shares when they want to, at all or at a price they want.</p> <ul style="list-style-type: none"> • The Company is listed and its shares are quoted on the National Stock Exchange of Australia. The Company will apply for quotation of the shares on the NSX, however that does not guarantee that a shareholder will be able to sell shares. • There are restrictions on who can be a shareholder and the number of shares that a person can hold. See C1 above. 	Refer Sections 5.2, 7.3
E5. Economic conditions	<p>There is a risk that changes in economic conditions and the competitive landscape could adversely affect the financial performance of Bendigo Bank and the Company. Examples include changes in inflation and interest rates.</p> <p>This may adversely affect the Company's share of gross margin, the commissions paid to the Company and the Company's share of fee income.</p> <p>Also, the level of banking business conducted through the Kew East and Kew Community Bank® branches will be affected by general economic conditions, which may adversely affect the Company's financial performance.</p> <p>Further, changes in local community conditions or the local environment could adversely affect the Company's financial performance as they can significantly impact on business volumes and local economic activity. Examples include drought or flood. See section 5.5.</p>	Refer Section 5.5

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 Kew. After meeting the costs of the Offer, all funds raised (including any oversubscriptions) will be used for the purposes of meeting these requirements, and for working capital.

Details of the establishment costs for the Kew **Community Bank®** Branch and estimated initial annual operating costs of the Company's two branches are set out in Section 4.2 of this Prospectus. The total costs of the Offer are estimated to be \$20,000 – \$30,000.

In 2001 the Company entered into a franchise agreement with Bendigo Bank for the Company to manage and provide services to the Kew East **Community Bank®** Branch as a "franchise" of Bendigo Bank. The Company raised the funds required for the establishment and initial ongoing operations of the Kew East **Community Bank®** Branch via an offer of shares (at an issue price of \$1.00 per share) to the Kew East community. The Company's Prospectus for that offer of shares was dated 6 July 2001. If this offer under this Prospectus is successful, the Company will manage, and provide services to the Kew East **Community Bank®** Branch and a newly formed Kew **Community Bank®** Branch. Both branches will operate as a "franchise" of Bendigo Bank.

The franchise arrangements relating to the Kew East **Community Bank®** Branch and the Kew **Community Bank®** Branch are contained in two separate franchise agreements between the Company and Bendigo Bank (the Franchise Agreements).

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 Kew East Financial Services Limited (the Company).

1.2 Description of the Offer

The Company is offering for subscription 200,000 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 5,000 Shares. However, the Directors reserve the right to accept applications for fewer than 500 Shares or (subject to the maximum permitted shareholding - see Sections 1.4 and 7.3 below) greater than 5,000 Shares. The Directors reserve the right to accept oversubscriptions of up to 300,000 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 Franchise Agreements 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	1,447,530
Shares issued pursuant to this Prospectus	200,000
TOTAL	1,647,530

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

Ordinary Shares

Shares currently on issue	1,447,530
Shares issued pursuant to this Prospectus	500,000
TOTAL	1,947,530

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 may 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 Kew East or Kew 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 may 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 200,000 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 “Kew Franchise Arrangement” 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 will be 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 NSX

The Company is listed, and its Shares are quoted, on the National Stock Exchange of Australia (NSX). The NSX acquired the Bendigo Stock Exchange

(BSX), on which the Company was previously listed, in 2005. Most of the companies listed on the BSX, including the Company, were migrated to the NSX on 3 January 2012. Application will be made within seven days of the date of this Prospectus for quotation of the Shares offered under this Prospectus on the NSX. Please see Section 5 of this Prospectus for a discussion of the risk factors relevant to the Company’s listing on the NSX 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	19 October 2012
Offer closes	23 November 2012
Shares expected to be allotted	07 December 2012
Certificates expected to be dispatched	21 December 2012
Quotation on NSX:	02 January 2013

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

Any 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.

1.13 Investors should seek Financial 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 Ross McDermott on 0409 966 241 or Allen Borella on 9859 1688.

2. Directors

Details of the Directors of the Company are as follows:

Name John Roderick Albury

Date of Birth 7 December 1944

Background Information

A resident of Kew since 1969, Rod is married with 2 adult children.

Rod has taught professionally and managed schools for over 38 years, the last 11 years as Principal of Kew Primary School.

Appointed to the Board of Kew East Financial Services (KEFS) in October 2004, Rod brings extensive local knowledge of the community coupled with significant management skills to his role as Chairman of the Board. Rod is also a member of the Finance, Business Development and Community Engagement Committees.

Rod was a member of Kew Community Festival for over 10 years, including 2 years as Chairman. Rod represents KEFS on the Boroondara Community Partnership Forum.

Rod's interests include travelling, reading, the visual and performing arts.

Resides Kew

Name Allen William Borella

Date of Birth 26 June 1947

Background Information

Allen was a member of the original Steering Committee and Board for the Kew East **Community Bank®** Branch.

Allen currently holds the positions of Deputy Chairman of the Board, Chairman of the Personnel Committee and member of both the Business Development and Community Engagement Committees.

Allen is an A Grade Automobile Engineer (1986) and Owner of the Harp Junction Garage in Kew East, that was established in 1928. Allen has been the Proprietor since 1976.

Allen's contribution to the Board is invaluable given his solid business background and experience coupled with his extensive networking contacts built up over many years through his local business connections.

Allen is married with 5 adult children.

Resides Warrandyte

Name Eric Arthur Thomas

Date of Birth 21 December 1938

Background Information

Eric has been a Director of Kew East Financial Services Ltd for 10 years; he was one of the original Directors in establishing the **Community Bank®** branch in Kew East.

Eric is Chairman of the Audit and Governance Committee and member of the Business Development Committee.

Eric is a Chartered Accountant with over 50 years' experience having worked with two of the now big four accounting firms before becoming a Partner in an accounting firm in Kew East for nearly 20 years. Eric continues to work part time in the accounting profession.

Eric brings to the Board wide-ranging experience in company auditing along with general business, personal taxation and accountancy skills. Eric has extensive experience with big companies and a solid understanding of business management. Eric has lead audit teams and liaised with national and international companies.

Eric is married and relishes time spent with his seven grandchildren.

Resides Croydon

Name Paula Kathleen Davey

Date of Birth 13 October 1959

Background Information

Paula, a resident of Kew East since 1990, is married with 3 school age children.

Paula is the Chairman of the Business Development Committee and a member of the Community Engagement Committee.

For over 25 years, Paula's community involvement has included leadership roles within education, sport and a variety of not-for-profit services and groups.

In 2001 Paula was awarded the Prime Minister's Centenary Medal for outstanding service as a Councillor and community worker.

Paula's current appointments include: Director Victorian Board of the Medical Board of Australia; Director Victorian Law Foundation; Member Kew High School Council; Facilitator, School of Business, Swinburne University. Paula is a former Trustee of Yarra Bend Park Trust and Councillor for the City of Boroondara.

Resides Kew East

Name Ross John McDermott

Date of Birth 26 October 1963

Background Information

Ross attended Stawell Street Kindergarten, Kew Primary School, Trinity Grammar and the University of Melbourne. He has mainly lived in the Kew and Kew East area and is married with 3 children.

Ross is the Company Secretary and is also a member of both the Audit and Governance and Personnel Committees.

Ross is a practising Chartered Accountant and has operated an Accounting firm for the past 19 years.

When not involved in weekend children's activities or graduate studies, Ross enjoys time at his country retreat.

Resides Kew East

Name Kenneth George Franks

Date of Birth 26 March 1932

Background Information

Educated at Melbourne High School, 1944 -48, Ken went on to serve Articles as a land surveyor with State Rivers and Water Supply Commission, later qualifying as a Licensed Surveyor in 1959.

Ken was a member of the original KEFS Board and currently holds the positions of Chairman of the Community Engagement Committee and member of the Audit and Governance Committee.

For over 10 years Ken was the Chairman of the Harp Village Business Association Incorporated.

Ken is a retired Licensed Surveyor and practised as a Consulting Land Surveyor for more than 40 years. He has an extensive commercial property portfolio in Kew East.

Ken is widowed with two adult sons.

Resides North Bawlyn

Name Mark Aloysius Heffernan

Date of Birth 10 April 1953

Background Information

Mark is firmly committed to the **Community Bank®** principals of financial fairness and service to the community. Prior to becoming a KEFS Director Mark was a Director at Burwood Community Credit Union for 10 years.

Mark is the Company Treasurer and also holds the position of Chairman of the Finance Committee and member of the Personnel Committee.

Mark has a Bachelor of Business (FRMIT) and is a Certified Practising Accountant. In his professional life Mark has been a Director of Heffernan Crawford Accountants, based in Kew, for the past 25 years.

Mark is married to Donna and has 5 adult children.

Resides Burwood

Name Mina Sirianni

Date of Birth 25 December 1955

Background Information

Mina established and managed a Kew based Management Consulting Business in partnership for over 20 years. During this time Mina initiated and developed the business in areas of; work practices, systems and procedures; quality control practices; human resource management and staff training; marketing strategies and campaigns; research and development; and conferences and events.

As a Director of KEFS, Mina is currently a member of both the Business Development and Community Engagement Committees.

Mina has been a resident of Kew for the past 30 years and her children have attended local schools with Mina being actively involved in their School Communities.

Mina established an Environmental group in the 1990's focusing on household waste. This group contributed significantly to the awareness of minimising waste within Boroondara and subsequently to the introduction of recycling and green waste bins.

Mina is married with 4 adult children.

Resides Kew

The Company has established a sound process for Director recruitment and succession planning to ensure that appropriate skills are maintained.

The Company undertakes an annual Board Performance Review, and encourages that all Directors undertake training relevant to their specific responsibilities.

No Director has been the subject of any legal or disciplinary action, or the director of a company subject to any legal or disciplinary action, or subject to a personal bankruptcy that is less than 10 years old and relevant to being a Director of the Company or the investment decision of an investor.

No Director has been an officer of a company that entered into a form of external administration because of insolvency when the Director was an officer or within a 12 month period afterwards.

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 35 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, Oxford Funding and Rural Bank Limited (previously a joint venture with Elders Limited called Elders Rural Bank) are wholly-owned subsidiaries of Bendigo Bank, as is the financial planning arm Bendigo Financial Planning.

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 486 branches. As at 30 June 2012, the Bendigo Group had an asset base of \$57.2 billion. It has more than 1.5 million retail customers and declared a profit after tax of \$195m for the 12 month period ending 30 June 2012. 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® Model

Bendigo Bank developed its **Community Bank®** model 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®** model are threefold:

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

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

By supporting their local branch, communities have the opportunity to generate revenues which may be able to 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®** model 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 credit representatives for the purposes of the National Consumer Credit Protection 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 295 **Community Bank®** branches, located in places such as Acacia Ridge, Biggera Waters, Brendale, Carrum Downs, Coleambally, East Gosford, East Malvern, Elwood, Goomalling, Henty, Kulin, Lang Lang, Laverton, Margate, Mission Beach, Nathalia, Neerim South, Paradise Point, Tambellup and Cranbrook (combined franchise), Ravenshoe, Toodyay, Toora, Upwey, Virginia and Woombye. Bendigo Bank has also granted a small number of commercial franchises.

Community Bank® network information

The first **Community Bank®** branch opened in 1998. There are now more than 290 **Community Bank®** branches across Australia, operated by more than 200 community companies, with over \$21.2 billion in banking business. In the past 3 years 56 new branches have opened for business.

The network is supported by more than 1800 directors (the majority of whom act on a voluntary basis), more than 70,000 local shareholders and more than 1400 staff members.

The following information about the financial performance of the **Community Bank®** network as at 30 June 2011 on a consolidated basis has been provided by Bendigo Bank. The information is historical only and does not constitute and should not be relied upon as any representation or indication as to the future performance of the Company, any **Community Bank®** branch or of the **Community Bank®** network as a whole. It serves only as a description of the financial performance

of the network on a consolidated basis up to a particular point in time (being 30 June 2011). You should refer to Section 4 of this Prospectus for information about the financial performance of the Company and Section 5 for a description of the business risks and other factors that may affect the financial performance of the Company.

The information shown illustrates the trend for **Community Bank®** companies to improve their performance over time by reference to certain specific measures of financial performance (net profit after tax, community contributions and payment of dividends). However, it also shows that a significant number of companies experience operating losses, and pay no dividends to shareholders, for the first 5 to 6 years of operation. The information given below also demonstrates the level of community contributions made across the network in the period from 2004 to the end of the 2010/2011 financial year.

(i) Net Profit (After Tax and Community Contributions)

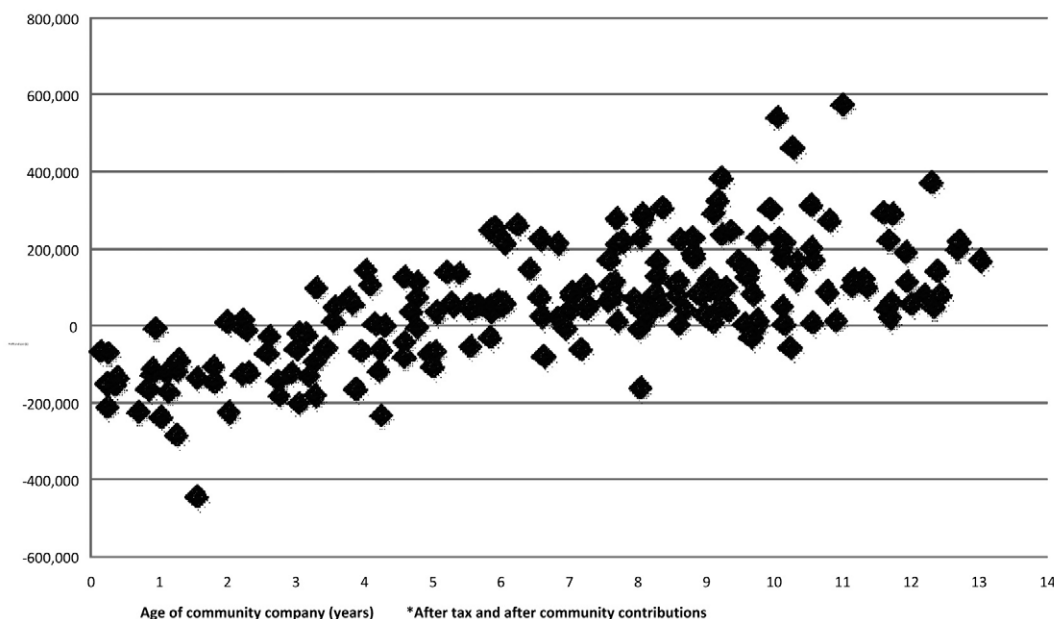
As at 30 June 2011:

- approximately 6% of companies that had traded for less than 3 years as at that date recorded a net profit (after tax and any community contributions made) for that year;
- approximately 56% of companies that had traded for a period of between 3 and 6 years as at that date recorded a net profit (after tax and any community contributions made) for that year; and
- approximately 94% of companies that had traded for more than 6 years as at that date recorded a net profit (after tax and any community contributions made) for that year.

Overall, 148 **Community Bank®** companies (71%) posted a net profit (after tax and any community contributions made) for the financial year ended 30 June 2011. This compares to 126 companies (66%) in the previous financial year 2009/10.

The diagram below shows the profit and loss (after tax and after community contributions) position of **Community Bank®** companies in the financial year ended 30 June 2011 (each dot in the graph below represents a **Community Bank®** company):

Community Bank® Company Net Profit/(Loss)* by Age Financial Year ended 30 June 2011



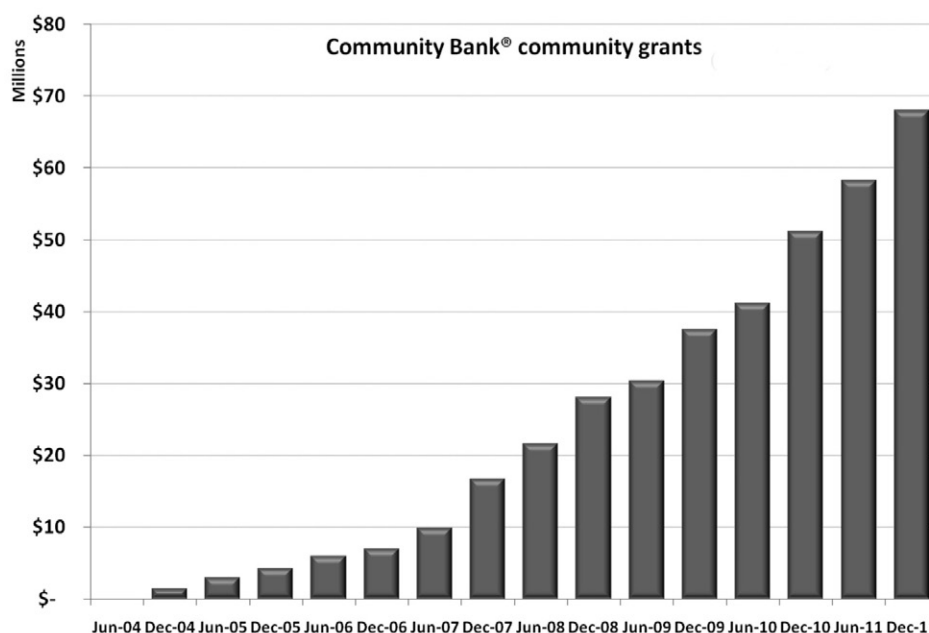
(ii) Community Contributions

A key aim of the **Community Bank®** model is for local communities to share in revenues generated by the Company. One of the main ways that this occurs is by **Community Bank®** companies making community contributions to the local communities in which they operate. These contributions can take the form of donations, grants or sponsorship arrangements. Bendigo Bank encourages the making of these contributions, but it is for the Board of each **Community Bank®** company to decide how funds are to be allocated within their communities .

Bendigo Bank collects, on a six monthly basis, data on all community contributions made by **Community Bank®** companies to the local communities in which they operate. Bendigo Bank records that information in a central data¹ base which enables total network results to be collated and distributed.

¹ In Section 3.5 below, there is a discussion of discretionary financial contributions that have been made by Bendigo Bank to **Community Bank®** companies. As discussed in that Section, these financial contributions are sometimes used by these **Community Bank®** companies to assist in making their community contributions.

As at 31 December 2012, almost \$70 million has been provided to community projects from the **Community Bank®** network since the first branch opened in 1998. The graph below shows (on a cumulative basis) how the total community contributions made by the **Community Bank®** network have grown in the period from 2004 to December 2011:



In the financial year ended 30 June 2011, all **Community Bank®** companies made contributions for local community purposes, and these totalled approximately \$17.5 million. In the previous financial year, all companies made community contributions, and these totalled approximately \$13.4 million. The level of contributions made by the companies varies, and generally reflects the level of maturity of the company, as shown below:

Contribution \$	Time period company has traded		
	Less than 3 years	Between 3-6 years	More than 6 years
Less than 20,000	63%	26%	8%
20,000 to 49,999	28%	45%	19%
50,000 to 99,000	9%	25%	25%
100,000 to 199,000		4%	32%
More than 200,000			16%

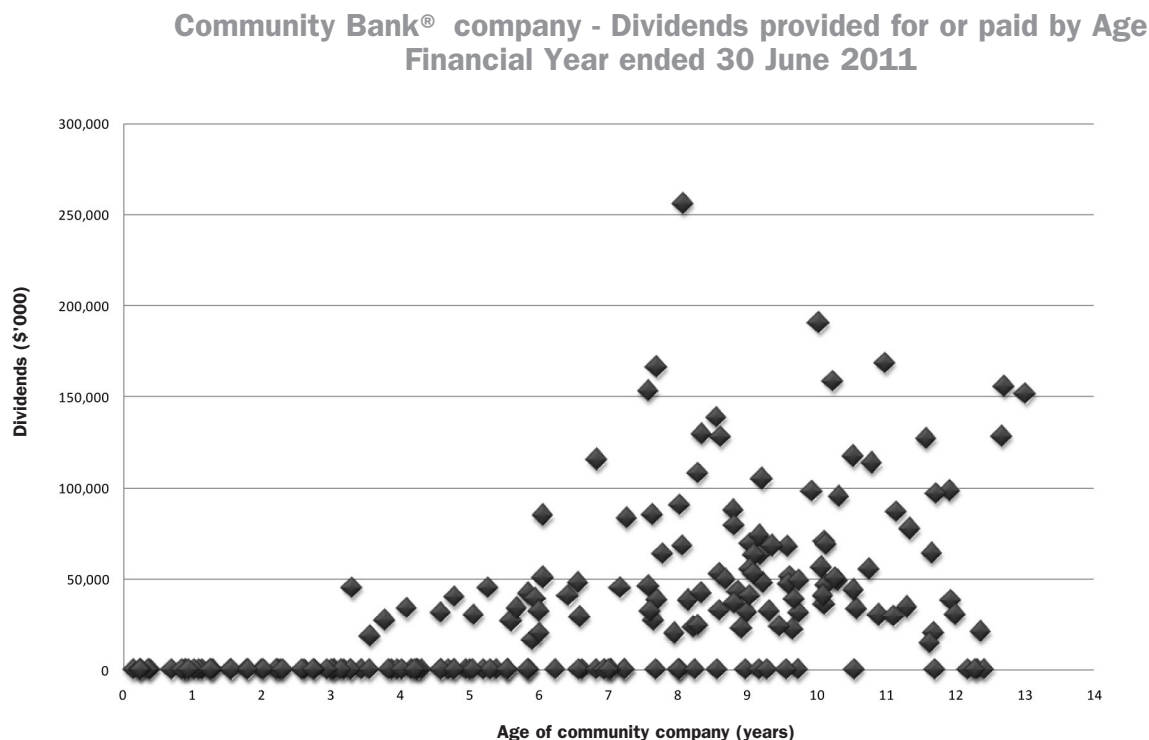
(iii) Dividends

As noted above, the purpose of a **Community Bank®** company is for local communities to share in revenues generated by the Company and not simply for shareholder return. This is reflected across the network by a higher proportion of **Community Bank®** companies making community contributions than paying dividends (see paragraph (ii) above).

As at 30 June 2011:

- no companies that had traded for less than 3 years as at that date paid or provided for a dividend to shareholders for that year;
- approximately 28% of companies that had traded for a period of between 3 and 6 years as at that date paid or provided for a dividend to shareholders for that year; and
- approximately 77% of companies that had traded for more than 6 years as at that date paid or provided for a dividend to shareholders for that year.

The diagram below shows the dividends paid or provided for by **Community Bank®** companies in the financial year ended 30 June 2011 (each dot in the graph below represents a **Community Bank®** company):



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 51AE of the Competition and Consumer Act 2010 (Cth) (CCA). Section 51AD of the CCA provides that a corporation must not contravene an industry code.

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 Kew East **Community Bank®** Branch, and a further disclosure document has been provided by Bendigo Bank to the Company in connection with the Kew Franchise Agreement relating to the proposed Kew **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 Franchise Arrangement

In 2001 the Company entered into the Kew East Franchise Agreement with Bendigo Bank pursuant to which the Company acquired rights to manage the Kew East **Community Bank**[®] Branch of Bendigo Bank.

The Kew East **Community Bank**[®] Branch of Bendigo Bank has been operating since 3 December 2001. Information regarding the financial position 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 Kew (this is discussed further below).

To facilitate these new arrangements, the Company has entered into the Kew Franchise Agreement with Bendigo Bank pursuant to which, subject to the satisfaction of a number of conditions, the Company will have the right to manage and provide services to the Kew **Community Bank**[®] Branch. As at the date of this Prospectus, the only condition that has not been satisfied is the condition relating to the raising of the minimum subscription amount (see below).

The effect of these arrangements will be that the existing management rights in relation to the Kew East **Community Bank**[®] Branch will continue under the Kew East Franchise Agreement. For customers of the Kew East **Community Bank**[®] Branch, this change in arrangements should not have any material effect.

If the conditions in the Kew Franchise Agreement are not satisfied (or waived), the Kew Franchise Agreement will not take effect.

Kew Franchise Arrangement

In addition to the arrangements described above in relation to the Kew East **Community Bank**[®] Branch, under the Kew 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 Kew.

As indicated above, the Company has entered into the Kew Franchise Agreement with Bendigo Bank that will govern the management of the Kew **Community Bank**[®] Branch. For ease of reference in this Prospectus, the rights granted to the Company under the Franchise Agreements to manage and operate the Kew East **Community Bank**[®] Branch and the Kew **Community Bank**[®] Branch are respectively referred to as the Kew East Franchise Rights and the Kew Franchise Rights respectively.

A condition to the Kew Franchise Agreement being granted is that the Company raises the subscription amount of \$200,000 pursuant to the Issue. If this condition in the Kew Franchise Agreement is not satisfied, the Company will not have the right to

manage and operate the Kew **Community Bank**[®] Branch. The Company's right to manage and operate the Kew East **Community Bank**[®] Branch will continue to be governed by the terms of the Kew East Franchise Agreement.

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

3.3 Duration of Franchise

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

A request to extend the term of the Kew Franchise Agreement must be made between three and six months prior to the end of the then existing term. Bendigo Bank must agree to extend the term provided that the Company:

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

These conditions must be satisfied at the end of the initial term and, if the franchise is 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 Franchise Agreements 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 Franchise Agreements) 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 Franchise Agreements. In any event, any assignee would have to continue to perform Bendigo Bank's obligations under the Franchise Agreements.

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 Franchise Agreements or the location of any branch with the prior written consent of Bendigo Bank and with the payment of a Transfer Fee to Bendigo Bank.

Bendigo Bank also has a pre-emptive right over the sale of the Company's interest in the Franchise Agreements, the Kew East and Kew Franchise Rights or the branch locations.

The consequences of the termination of the Franchise Agreements are discussed in Section 5.2 below.

3.4 Activities of Company

Branches

The Kew East **Community Bank**[®] Branch commenced operation in 2001 at 661A High Street, Kew East and is open from 9.00am to 5.00pm on Monday to Friday and from 9.00am to 12 noon on Saturday (excluding public holidays).

In addition, the Company intends to establish the Kew **Community Bank**[®] Branch of Bendigo Bank at Shop 3 181-183a High Street, Kew. It is proposed that the Kew **Community Bank**[®] Branch will open from 9.00am to 5.00pm on Monday to Friday and Saturday 9.00am to 12 noon (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 one Branch Manager and a number of Customer Service Officers to staff the Kew East **Community Bank**[®] Branch. 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 Kew **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.

Net Profit

From an initial Company start-up in 2001, Kew East Financial Services Limited started to generate profits in the 2004 financial year and in each subsequent financial year up to 30 June 2012.

Community Contributions

The Company has contributed over \$685,661 to local community organisations, events, sporting groups, projects and other initiatives.

Dividends

Kew East Financial Services Limited paid a first dividend of 5c per share to shareholders in 2005. Dividends have been paid every year since with dividends totalling 16c paid in 2012. On 15 May 2012 a bonus issue of two shares for every one share held was provided to existing shareholders as part of the initiative to open the new branch in Kew.

Financial Products and Services

Through the existing Kew East **Community Bank**[®] Branch and the new Kew **Community Bank**[®] Branch, the Company will provide a range of financial products and services determined by Bendigo Bank from time to time. The products and services will include (but are not necessarily limited to) the following:

- deposit business, for example, "Ultimate" accounts, term deposits, "money extra" 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 automatically to deposits of \$250,000 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 no longer applies 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 Kew East and Kew **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 for the purpose of managing the Kew East and Kew **Community Bank**[®] branches. This includes the trademark “**Community 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 Kew East and Kew **Community Bank**[®] branches 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 Kew **Community Bank**[®] Branch (assistance has already been given by Bendigo Bank in relation to the launch of the Kew East **Community Bank**[®] Branch).

Bendigo Bank will continue to provide ongoing management and operational support, and other

assistance and guidance in relation to all aspects of each franchise operation, including advice in relation to:

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

In addition and separate from the Franchise Agreements, Bendigo Bank has also made discretionary financial contributions (based on volume of business on the books for a branch) to **Community Bank**[®] companies to assist with local marketing and development activities, including in some cases their community contributions. It is for each Board to decide how to use these financial contributions from Bendigo Bank. The making of such payments by Bendigo Bank is discretionary and the program is subject to review from time to time by Bendigo Bank.

Non-exclusive Franchise

The Franchise Rights granted under the Franchise Agreements are non-exclusive. 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 Franchise Agreements provide 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 Kew East and Kew **Community Bank**[®] branches, 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 Agreements, and for a further three years after the Franchise Agreements have terminated.

Pursuant to these covenants (as contained in the Franchise Agreements), 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 Franchise Agreements 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; and
- a credit representative of Bendigo Bank (see Section 7.4 below).

3.7 Community engagement for the new Kew Community Bank® Branch

A significant amount of work and public consultation has been undertaken to determine the feasibility of establishing the proposed Kew **Community Bank®** Branch of Bendigo Bank. A preliminary meeting was held October 2010 to discuss the concept and the steps required to establish a **Community Bank®** branch of Bendigo Bank at Kew. As a result, the Company formed a Steering Committee in Kew to assist the Board in

evaluating the proposal and working towards opening a **Community Bank®** branch.

Bendigo Bank, the Steering Committee and the Board worked together through an extensive public awareness campaign before making a decision to proceed towards the establishment of a **Community Bank®** branch in Kew. This campaign involved:

- A series of public meetings and forums to inform the Kew community of the **Community Bank®** model and potential benefit to the community, and to gain broad based support.
- Obtaining indicative pledges of support from community members interested in becoming shareholders in the Company should it proceed towards the establishment of a **Community Bank®** branch. These pledges provided the Company with an indication of the level of potential investor support for raising the necessary capital to open the branch.
- Achieving agreed levels of banking business in support of the new branch. Bendigo Bank has recorded certain new banking business originating within the Kew community since inception of the campaign. For example \$5m in banking business was achieved prior to undertaking a feasibility study (see below for further details). The current level of banking business is detailed in Section 3.8. The Company is required to achieve at least \$10m of banking business prior to proceeding towards the establishment of a new branch operation.

Based on the level of support shown throughout the awareness campaign the Steering Committee and Board subsequently engaged an independent consultant, AFS & Associates Pty Ltd, to conduct a feasibility study in the Kew community.

The feasibility study process is an independent analysis conducted within an identified community to formally assess the level of community engagement and support of the proposed **Community Bank®** branch, and to obtain data on the level of potential banking business that could be transferred to the proposed new banking operation.

The Kew Feasibility Study involved:

- distributing surveys to 10,268 households and businesses located in Kew and surrounds;
- reviewing the available economic information regarding the area.

Surveys were distributed in respect of personal and business banking. A total of 10,268 surveys were distributed and 388 surveys were returned (a response rate of 3.78%).

The results of the feasibility study were presented to the Kew Steering Committee and the Board at a meeting held on 6 June 2012. The Board considered the Steering Committee's recommendation and

relevant supporting information and unanimously voted to proceed towards the establishment of the Kew **Community Bank®** Branch.

In June 2012, Bendigo Bank subsequently completed a further review of the feasibility study results and the budgets for the proposed branch. The results of this review were presented to the Board, which confirmed its vote to proceed towards the establishment of the Kew **Community Bank®** Branch.

Similar feasibility studies were undertaken in the Kew East community prior to the establishment of the Kew East **Community Bank®** Branch in 2001.

3.8 Business allocated to the Company attributed to the Kew Community Bank® Branch

Bendigo Bank has recorded certain new banking business originating within the Kew community from the date of the Board meeting at which it was resolved to proceed towards the establishment of the Kew branch (held in October 2010) referred to in Section 3.7, and will continue to do so until the date that the Kew **Community Bank®** Branch opens. This new banking business contributes to the Company's revenues. As at 30 June 2012, the amount of new business originating from our community that has been so recorded by Bendigo Bank is as follows:

	\$
Deposits Raised	4,597,842
Loans Generated	12,641,256
Total Portfolio	17,239,098

The Company's sources of revenue from banking business are discussed further in Section 4.1 of the Prospectus.

3.9 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, 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.

3.10 Share Price

Shares in the Company were originally listed on the Bendigo Stock Exchange in 2005, which was merged in to the NSX in January 2012. Since listing, the following trades have been recorded by the the BSX and NSX. Refer to Section 5.2.

Qty	Price	Date
1000	1.17	23/03/2012
7001	1.10	15/07/2011
3000	1.32	14/06/2011
4500	1.32	14/06/2011
500	1.32	19/05/2011
1000	1.25	10/09/2010
5000	1.25	1/07/2010
2000	1.10	23/02/2010
2500	1.05	18/08/2008
2500	1.06	18/08/2008
500	1.04	24/06/2008
500	1.08	26/04/2007
500	1.07	19/01/2007
1000	1.06	8/11/2006
1000	1.05	29/03/2006

4. Financial information

4.1 Revenue

The Franchise Agreements provide 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 Franchise Agreements provide that a commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred to 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 Franchise Agreements (subject to notice requirements). Agribusiness commissions may be varied at Bendigo Bank's discretion. Other commissions may be increased at Bendigo Bank's discretion but may only be reduced in proportion to a reduction in Bendigo Bank's commission or margin. Bendigo Bank has previously exercised this discretion on several occasions. For example, in February 2011 Bendigo Bank reduced commissions on two core banking products by 0.125% to ensure a more even distribution of income between Bendigo Bank and its **Community Bank**[®] partners. At that time, Bendigo Bank indicated it would review commission rates again in two years. Bendigo Bank is currently reviewing commission rates again, and will make a decision on any further changes in early 2013.

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 at Bendigo Bank's discretion from time to time.

4.2 Establishment and Operating Costs

The following costs will be incurred by the Company:

- the initial investment required to establish the Kew **Community Bank**[®] Branch and commence operations; and
- the annual operating costs of the Kew East and Kew **Community Bank**[®] branches.

Establishment Costs

The costs to establish the Kew **Community Bank**[®] Branch and commence operations include:

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

The costs are estimated at \$575,000.

Annual Operating Costs

The operating costs of the Company include:

- 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;
- payroll administration costs;
- travel and accommodation;
- repairs and maintenance;
- automatic teller machines (ATMs);
- accountancy and secretarial;
- share registry fees;
- annual audit fees;
- annual NSX listing and quotation fees; and
- freight and cartage.

These costs for the next financial year 2012/2013 are estimated to be \$460,000.

4.3 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.

4.4 Pro Forma Balance Sheet

Set out below is a balance sheet for the Company showing the actual (audited) position as at 30 June 2012 and alternative unaudited Pro Forma Balance Sheets showing the effect of the Issue.

	Actual Audited as at 30 June 2012 \$	Unaudited Pro-Forma as at 30 June 2012 ^{1 & 3} \$	Unaudited Pro-Forma as at 30 June 2012 ^{2 & 3} \$
ASSETS			
Current Assets			
Cash and cash equivalents	893,733	792,653	1,092,653
Receivables	144,785	144,785	144,785
Investments	13,195	23,195	23,195
Total Current Assets	1,051,713	960,633	1,260,633
Non-Current Assets			
Property, plant and equipment	76,138	287,218	287,218
Deferred tax assets	32,966	32,966	32,966
Intangible assets	44,167	124,167	124,167
Total Non-Current Assets	153,271	444,351	444,351
Total Assets	1,204,984	1,404,984	1,704,984
LIABILITIES			
Current Liabilities			
Payables	67,571	91,571	91,571
Current tax payable	37,165	37,165	37,165
Provisions	94,591	94,591	94,591
Total Current Liabilities	199,327	223,327	223,327
Total Liabilities	199,327	223,327	223,327
Net Assets	1,005,657	1,181,657	1,481,657
EQUITY			
Issued capital	482,510	682,510	982,510
Costs of Equity raising	-	(24,000)	(24,000)
Retained earnings	523,147	523,147	523,147
Total Equity	1,005,657	1,181,657	1,481,657

Notes

- 1 Assumes the offer is fully subscribed and no oversubscriptions are accepted, and all Shares have been allotted.
- 2 Assumes the offer is fully subscribed and the maximum amount of oversubscriptions is accepted, and all Shares have been allotted.
3. This balance sheet shows the position assuming that amounts due to Bendigo Bank under the Kew Franchise Agreement have been paid – refer to Section 6.

4.5 Statement of Comprehensive Income

Set out below is historical financial information for the Company for the financial years ended 30 June 2010, 2011 and 2012.

	Year Ended 30 June 2010 Actual (Audited)* \$	Year Ended 30 June 2011 Actual (Audited)* \$	Year Ended 30 June 2012 Actual (Audited)* \$
Revenues	1,165,614	1,315,548	1,340,020
Employee benefits expense	(353,992)	(403,745)	(462,030)
Charitable donations and sponsorship	(290,399)	(304,078)	(227,183)
Depreciation and amortisation expense	(25,874)	(25,763)	(24,330)
Other expenses	(283,952)	(363,488)	(359,021)
Profit before income tax expense	211,397	218,474	267,456
Income tax expense	(55,486)	(71,574)	(80,615)
Net Profit for the year	155,911	146,900	186,841
Other Comprehensive Income	-	-	-
Total comprehensive income for the year	155,911	146,900	186,841
Earnings per Share	c	c	c
Earnings per share for the period (cents)	32.31	30.44	12.91
Dividends paid or provided for (cents per share)	14	14	16

* These figures have been extracted from the Company's audited Financial Statements. A full set of the Company's audited Financial Statements can be found on the National Stock Exchange of Australia www.nsx.com.au

Prospective investors should note that past performance is not necessarily an indication of future performance. In particular, the performance of the Company is subject to a number of risks. You should refer to Section 5 for a discussion of key risks. It was determined by the Directors not to include forecast information.

4.6 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 applied 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 two **Community Bank®** branches of Bendigo Bank pursuant to the Franchise Agreements 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

As explained above (Section 3.2), an aim of the **Community Bank®** model is for communities to share in revenues generated by the Company and not simply for shareholder return. The Directors intend that as a general rule, any profits of the Company available for distribution to shareholders will 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 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 funds of the Company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of funds for distribution to shareholders, 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, the funds of the Company available for distribution to shareholders 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.

Trading in Shares

The Company provides members of the community with the opportunity to contribute to maintaining the Kew East and to establishing Kew **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 shareholders to recoup their investment in the Company by disposing of their Shares.

In particular, while the Company is currently listed and its Shares are quoted on the NSX (and the Directors intend to apply for quotation on NSX 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 the NSX, 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.

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 Franchise Agreements.

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 Franchise Agreements provide for a maximum term of 15 years each for the Kew East and Kew 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 any of the Franchise Agreements (see Section 6 below). For example, if the relevant franchise operation falls materially short of the budgeted profit or loss which has been agreed with Bendigo Bank, for each month in any six month continuous period. Whether the franchise operation is treated as not being profitable depends on whether the budget provides for a profit or loss. If the budget provides for a profit, it is treated as not profitable if the actual result is 50% or less of the budgeted profit for the month. If the budget provides for a loss, it is not profitable if the actual result is a loss of more or

equal to 1.5 times the budgeted loss for the month. The Company’s franchise operations have not fallen materially short of their budgeted profit or loss in any such period.

The Company is not entitled to any payment upon termination of a Franchise Agreement, though it would be entitled to the net proceeds of the sale of a franchise operation 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 Franchise Agreements – see Section 3.5 above).

On the expiration or earlier termination of a 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 Franchise Agreements, 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 relevant 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 Kew East and Kew **Community Bank®** branches of Bendigo Bank.

Financial return

The Franchise Agreements set out three forms of revenue that may be earned by the Company (see section 4.1). These are gross margin, commission and fee income. Bendigo Bank can change the commissions paid to the Company or the Company’s share of fee income. If Bendigo Bank makes a change the Company’s revenue may decrease.

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

4.1) 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 there is no obligation on respondents to the Kew Feasibility Study to transfer the business indicated in the study. There is also no certainty that the new banking business originating within the Kew community from October 2010 will be retained following the opening of the Kew **Community Bank®** Branch. 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 Kew East and Kew **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 Kew East **Community Bank®** Branch has been established and the Kew **Community Bank®** Branch is being established, in part, given the current level of banking facilities available in the Kew East and Kew 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 Kew East or Kew 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 Kew East or Kew communities.

The Directors believe that the possibility of two **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 the branch. It is however possible that this additional business may be offset if respondents to the Kew Feasibility Study choose to base their banking at the Kew East **Community Bank®** Branch instead of converting their business to the Kew **Community Bank®** Branch as indicated.

Branch Operations

Like any small business, the Branch Managers and employees will have a key role in the success of each of the Kew East and Kew **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 Kew East and Kew **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.

Under the Franchise Agreements, 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 branch premises or incur other security-related expenses that are not anticipated at the date of this Prospectus.

Two Branches

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

5.4 Relationship with Bendigo Bank

Success of Bendigo Bank

The Kew East **Community Bank®** Branch operates and the Kew **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. The effect of economic conditions on Bendigo Bank is discussed further below in Section 5.5 under the heading “Economic Conditions”.

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 Kew East and Kew **Community Bank®** branches, and that decisions in respect of the branch operations are made accordingly. In addition, while Bendigo Bank has made financial contributions to **Community Bank®** companies based on the volume of business on the books, the making of such payments is discretionary and the program is subject to review from time to time (see Section 3.5).

Bendigo Bank Claims

Pursuant to a broad indemnity in the Franchise Agreements, 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 a **Community Bank®** Branch 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 operation (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. Bendigo

Bank’s financial performance and financial position are primarily influenced by economic conditions in Australia, which is the key determinant of the level of lending (in particular personal home loans), the level and nature of financial services its customers require, and the cycles in lending and services growth and loan defaults and asset impairments.

Economic conditions in Australia are the product of a combination of domestic and international factors and events, including short and long term interest rates, business confidence and retail confidence. Changes in economic conditions could materially adversely affect the financial performance and financial position of Bendigo Bank, including:

- changes in inflation and interest rates, which in particular may reduce the net interest margin achieved in Bendigo Bank’s banking operations or impact the demand for loans, in particular housing loans;
- increasing unemployment, which is a key driver of loan defaults and declining asset growth;
- declines in aggregate investment and economic output in Australia or in key offshore regions; and
- decline in asset prices, in particular housing prices, which could cause loan losses on defaulted loans.

All these factors impact on the financial return of Bendigo Bank and the Company. This includes the Company’s share of gross margin, the commissions paid to the Company and the Company’s share of fee income.

The recent dislocation in credit and capital markets significantly impacted global economic activity including the Australian economy. This disruption led to a decrease in credit growth and a reduction in consumer and business confidence. There has been some economic recovery since the global financial crisis but the strength of the recovery is not yet certain. A further downturn in the Australian economy could further adversely impact Bendigo Bank’s business, results of operations, liquidity, capital resources and financial condition.

Changes in local community conditions or the local environment (such as drought or flood) can also affect the Company’s financial performance.

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 Agreements

The Franchise Agreements establish the relationship between the Company and Bendigo Bank, and set out the parameters within which the Company must operate. The Franchise Agreements define the business that will be conducted by the Company and, accordingly, are critical to an assessment of the Company.

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

The following is a further brief summary of the key provisions of the Franchise Agreements.

Grant of Rights

Under the Franchise Agreements, 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 Kew East and Kew **Community Bank**[®] branches.

It is a condition to the Kew Franchise Agreement that the Company raises \$200,000 pursuant to the Issue.

Term

The Kew East Franchise Agreement originally granted the Company the right to conduct the Kew East **Community Bank**[®] Branch for an initial term of five years from 3 December 2001, with two renewal periods of five years each provided certain conditions were met. In 2006 Bendigo Bank and the Company agreed to renew the Kew East Franchise Agreement for the first renewal period (for five years from 3 December 2006) and at that time Bendigo Bank granted the Company a third renewal period. In 2011 Bendigo Bank and the Company agreed to renew the Kew East Franchise Agreement for the second renewal period (for five years from 3 December 2011) and at that time Bendigo Bank granted the Company a fourth renewal period. Therefore provided certain conditions are met, Bendigo Bank must agree to extend the term of the Kew East Franchise Agreement for two further five year terms.

The initial term of the Kew Franchise Agreement is five years from the Commencement Date. Provided certain conditions are met at the end of each term, Bendigo Bank must agree to extend the term of the

Kew Franchise Agreement for two further five year terms.

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 Kew **Community Bank**[®] Branch, under the Kew 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)
- Training Costs of \$10,000 and
- Start-Up Costs, being
 - IT establishment costs estimated at \$1,080; and
 - site modification costs estimated at \$210,000

Under each Franchise Agreement, for each additional five year period in respect of each branch, the Company must pay a Renewal Fee of \$60,000 (comprised of a \$10,000 franchise fee and a \$50,000 renewal process fee, both CPI adjusted at the time of payment), 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 4.1 above.

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

Indemnity

The Company provides a broad indemnity in favour of Bendigo Bank under the Franchise Agreements. 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, a breach of the Franchise Agreements (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 either or both of the Franchise Agreements in various circumstances, including if:

- the Company breaches the relevant 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 relevant 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 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 Franchise Agreement or 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 **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 falls materially short of its projected profit or loss each month in any continuous 6 month period; or
- the Company operates the branch from a location not previously approved by Bendigo Bank.

The Company may terminate either or both of the Franchise Agreements if Bendigo Bank materially breaches the relevant Franchise Agreement.

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

In certain circumstances, where there has been a breach of a Franchise Agreement by the Company, the right to carry on that franchise is suspended until the breach is rectified or the Franchise Agreement is terminated.

Upon termination of a Franchise Agreement, there is no obligation on Bendigo Bank to sell the franchise operation. 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 shareholder has the right to vote at a general meeting.

On a show of hands or a poll, each shareholder 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 shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each shareholder 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 Kew East and Kew **Community Bank**[®] branches have the same ability to influence the operation of the Company.

(b) Dividends

Generally, dividends are payable to shareholders 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 Franchise Agreements 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 the NSX they can only exercise this discretion in certain limited circumstances (for example, where permitted or required by law or the NSX 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 NSX 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, while the Shares are quoted on the NSX, the rules applicable to transfers on the NSX.

(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% shareholding limit

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 to community

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 Kew East or Kew communities. For example, individuals who are residents of these communities, and their close family members, would ordinarily be considered to have such a close connection. Similarly, a company whose registered office is in these communities and that is owned and controlled by such individuals would ordinarily be considered to have such a close connection. However, these are illustrative examples only.

Ultimately the Directors will need to assess in each case whether there is a close community connection.

Base number

A person is 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 will be calculated after the allocation of Shares under the Issue. However, the application of this provision is subject to the NSX Listing Rules. Consequently, the Base Number provisions do not apply while the Company is listed on the NSX.

Consequences of holding a prohibited shareholding interest

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

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

The Board's power to suspend voting and dividend rights and to require shares to be disposed of where the prohibited shareholding interest is a breach of the 10% limit or a breach of the requirement that a shareholder have a close connection with the community served by the Company may be exercised while the Company is listed on the NSX.

The Board's power to suspend voting and dividend rights, to require shares to be disposed of, or to refuse to register a transfer where the prohibited shareholding interest is a breach of the Base Number requirement may not be exercised while

the Company is listed on the NSX. Rule 9(12) of the Constitution states that where the Company is listed, a person cannot have a prohibited shareholding interest on the basis that after the transfer of shares to that person, the number of shareholders in the Company would be less than the Base Number unless the NSX has confirmed that the Base Number provisions are appropriate and equitable. NSX has advised that it does not consider the Base Number provisions to be appropriate and equitable for a listed entity, as they would be inconsistent with NSX's obligations as an operator of a licensed financial market to provide an orderly market. Consequently, the Base Number provisions do not apply while the Company is listed on the NSX.

In the Constitution, shareholders acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, 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 Franchise Agreements).

The Company is also appointed as a credit representative of Bendigo Bank.

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 33⅓% (where the investor is a superannuation fund) in the hands of the investor. In the case of trust investors, the calculation of the CGT discount is complex, and specific advice should be obtained.

Any capital loss (namely the excess of the cost base of the 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
John Roderick Albury	-	Legal and Beneficial
Allen William Borella	1,503	Legal and Beneficial
Paula Kathleen Davey	-	Legal and Beneficial
Ross John McDermott	3,000	Legal and Beneficial
Eric Arthur Thomas	3,003	Legal and Beneficial
Kenneth George Franks	13,203	Legal and Beneficial
Mark Aloysius Heffernan	-	Legal and Beneficial
Mina Sirianni	-	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

Nil

Other Benefits

The Directors received the following remuneration for the years ended 30 June:

	2012	2011
	\$	\$
Eric Thomas	4,444	3,429
Rod Albury	13,333	13,428
Allen Borella	-	-
Kenneth Franks	4,444	1,429
Mark Heffernan	4,444	3,429
Ross McDermott	4,444	3,429
Paula Davey	4,444	1,429

Paula Davey, a Director of the Company has been contracted by the Company to provide administrative services to the board. For the year ending 30 June 2012 fees paid to Paula Davey were \$27,475 (2011: \$29,405).

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 has provided legal services to the Company in connection with the offer and for those services will be paid a fee of \$8,500.

AFS & Associates Pty Ltd has undertaken the Kew Feasibility Study and has provided accountancy services to the Company in connection with the offer and for those services will be paid a fee of \$8,400.

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) AFS & Associates Pty Ltd has given and has not, before lodgement of this Prospectus, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.
- (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.
- (d) NSX Limited, the operator of the National 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 44). 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 or entity that applies for Shares pursuant to this Prospectus.

APRA – Australian Prudential and Regulatory Authority.

ASIC – Australian Securities and Investments Commission.

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

Bendigo Group – Bendigo Bank and its related bodies corporate.

Company – Kew East Financial Services Limited (ACN 096 301 058).

Corporations Act – Corporations Act 2001 (Cth).

Director – a Director of the Company.

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

Franchise Agreements – the Kew East Franchise Agreement and the Kew Franchise Agreement (and Franchise Agreement means either of them).

Franchise Rights – either or both of the Kew East Franchise Rights and the Kew Franchise Rights.

Franchising Code – Franchising Code of Conduct.

Issue – Issue of Shares pursuant to this Prospectus.

Kew Community Bank® Branch – the proposed **Community Bank®** branch of Bendigo Bank to be located at Shop 3, 181-183a High Street, Kew VIC 3101.

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

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

Kew East Community Bank® Branch – the **Community Bank®** branch of Bendigo Bank located at 661A High Street, Kew East VIC 3102.

Kew East Franchise Agreement – the franchise agreement entered into by Bendigo Bank, the Company and the Directors in 2001 under which the Company has the right to manage and operate the Kew East **Community Bank®** Branch.

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

NSX – National Stock Exchange of Australia.

NSX Listing Rules – Listing rules of the NSX.

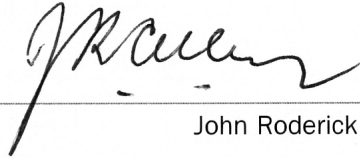
Offer – offer of Shares pursuant to this Prospectus.

Prospectus – this prospectus.

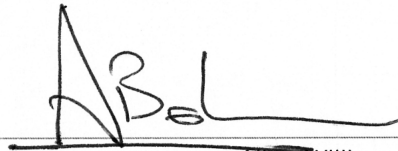
Shares – ordinary shares in the Company issued at \$1.00.

9. Signatures

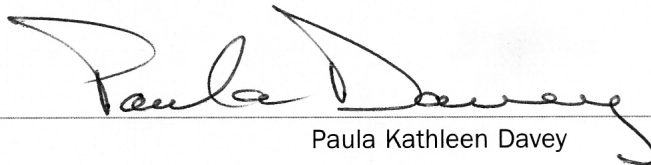
Each Director of the Company has given, and not withdrawn, their consent to the lodgement of this Prospectus with ASIC. Signed for and on behalf of the Company:



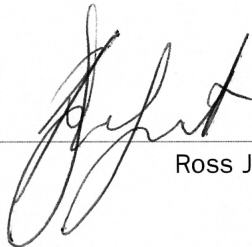
John Roderick Albury



Allen William Borella



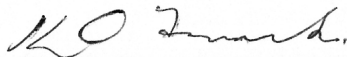
Paula Kathleen Davey



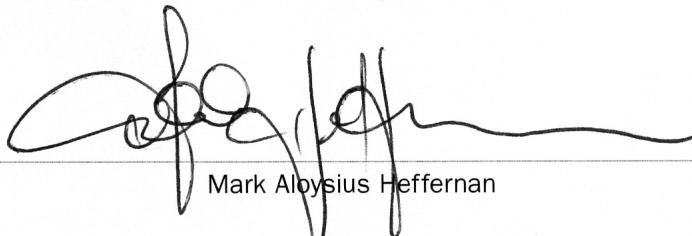
Ross John McDermott



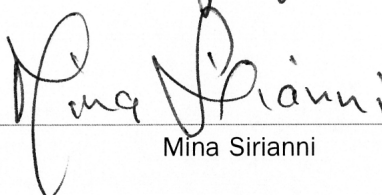
Eric Arthur Thomas



Kenneth George Franks



Mark Aloysius Heffernan



Mina Sirianni

10. Directory

Directors

John Roderick Albury
Allen William Borella
Paula Kathleen Davey
Ross John McDermott
Eric Arthur Thomas
Kenneth George Franks
Mark Aloysius Heffernan
Mina Sirianni

Company Secretary

Ross John McDermott

Registered Office

661A High Street
KEW EAST VIC 3102

Solicitors

Rennick & Gaynor Solicitors
431 Riversdale Road
Hawthorn East Vic 3123

Accountants

AFS & Associates Pty Ltd
63 Bull Street
BENDIGO VIC 3550

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 5,000

- B. Enter the **TOTAL AMOUNT** of application money payable. To calculate the amount multiply the number of Shares applied for by one dollar.
- C. Enter the **FULL NAME(S)** and **TITLE(S)** of all legal entities that are to be recorded as the registered holder(s). Refer to the **Name Standards** below for guidance on valid registration.
- D. Enter the **POSTAL ADDRESS** for all communications from the Company. Only one address can be recorded.
- E. Enter telephone numbers and a contact person the Company Secretary can speak to if there are any queries regarding this application.
- F. Payment must be made by cheque payable to **KEW EAST 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 **KEW EAST 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:

KEW EAST FINANCIAL SERVICES LIMITED SHARE OFFER

661A High Street, Kew East VIC 3102

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 Ross McDermott on 0409 966 241 or Allen Borella on 9859 1688.

KEW EAST FINANCIAL SERVICES LIMITED

PUBLIC SHARE OFFER APPLICATION FORM

DO NOT STAPLE

PLEASE READ ALL INSTRUCTIONS ON THE BACK OF THIS FORM

A I/We apply for

Shares in Kew East 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

\$.

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

☐ No ☐ Yes[illegible][illegible]

Drawer	Bank	Branch	BSB	Amount

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

| | | | |

| | | | | | | | | |

Applicant #1:

Applicant #2:

Applicant #3:

KEW EAST FINANCIAL SERVICES LIMITED

PUBLIC SHARE OFFER APPLICATION FORM

DO NOT STAPLE

PLEASE READ ALL INSTRUCTIONS ON THE BACK OF THIS FORM

A I/We apply for

Shares in Kew East 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 Email

I/we wish to receive an e-mail alert if Kew East Financial Services Limited updates material information on its website.

☐ No ☐ Yes

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:

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

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

A horizontal number line with 11 equally spaced tick marks. The tick marks are labeled with integers from 0 to 10, starting from the left and increasing to the right.

OR Tax exemption category

Applicant #1:

Applicant #2:

Applicant #3:

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