

# Notice of General Meeting of Shareholders

including Explanatory Statement and Proxy Form

## **AlexInvest Community Services Limited (ACN 143 552 363)**

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### **GENERAL MEETING**

#### **Time and date of General Meeting**

**Time:** 7.30pm

**Date:** 18 September 2020

#### **Place of General Meeting**

Mount Compass Community Sports  
and Social Club, Community Oval,  
Mount Compass

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## Key Dates and Times

A timetable of events in relation to the transactions detailed in the Notice of General Meeting and Explanatory Statement is set out below:

Event	Time/Date
Last date for receipt of Proxy Form	16 September 2020
Record Date (for the purposes of determining the identity of AlexInvest shareholders and to determine their entitlements to shares in Fleurieu)	18 September 2020
AlexInvest General Meeting to be held at Mount Compass Community Sports and Social Club, Community Oval, Mount Compass	18 September 2020
Completion of the Proposed Merger*	5 October 2020

*\*The anticipated date of completion of the Proposed Merger (as described in the Notice of General Meeting and Explanatory Statement) is indicative only. The Proposed Merger will not proceed unless the resolutions necessary to effect the Proposed Merger are approved by the shareholders of both Fleurieu and AlexInvest.*

## Letter from the Chairman

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Dear Shareholder

### **General Meeting of AlexInvest shareholders to approve the Merger with Fleurieu**

A notice of meeting and an explanatory statement for the forthcoming general meeting of shareholders of AlexInvest to be held on Friday, 18 September 2020 at 7.30pm is attached. The business of the meeting is to consider the resolutions necessary to enable AlexInvest to merge with Fleurieu Community Enterprises Limited (ACN 116 550 157) (**Fleurieu**) (the **Proposed Merger**).

The Proposed Merger will create a merged business with enhanced scale, which may strengthen its ability to withstand economic and industry transformation pressures.

It is also expected that the Proposed Merger will create synergies and cost efficiencies that will be beneficial to the merged business of AlexInvest and Fleurieu.

The Proposed Merger will be implemented by cancelling the shares held by all shareholders of AlexInvest (other than the shares to be issued to Fleurieu). In consideration of having their shares cancelled, each shareholder will receive 1 fully paid ordinary share in Fleurieu for every 3 shares in AlexInvest they presently own.

The Directors commissioned RSM Corporate Australia Pty Ltd (the **Independent Expert**) to prepare an Independent Expert's Report on whether the Proposed Merger is fair and reasonable. The Independent Expert has concluded that the Proposed Merger is fair and reasonable to the existing shareholders of AlexInvest. The Independent Expert's Report is included in full as Appendix 1 to the Explanatory Statement.

For the reasons set out in the Explanatory Statement and in particular the advantages set out in section 2.2 of the Explanatory Statement, the directors of AlexInvest unanimously recommend that shareholders vote in favour of all resolutions to be put at the general meeting of shareholders (other than resolution 6). In relation to resolution 6, the directors unanimously recommend that Fleurieu votes in favour of the resolution and all other shareholders abstain from voting.

On behalf of the Board, I recommend that shareholders attend the general meeting either in person or by proxy to vote on the proposed resolutions.

Yours sincerely,



Barry Kym McHugh

**Chairman of Directors**

## Frequently asked questions

No	Question	Answer	Where to find more information
<b>Tell me about the commercial transaction</b>			
1	What is the Proposed Merger?	<p>The Proposed Merger involves the merger of AlexInvest and Fleurieu, which will result in:</p> <ul style="list-style-type: none"> <li>• Fleurieu being owned by its current shareholders and the current shareholders of AlexInvest; and</li> <li>• Fleurieu operating its existing business, as well as the business currently operated by AlexInvest.</li> </ul>	See section 2.1 of the Explanatory Statement
2	Why is the Proposed Merger being proposed?	<p>The Board considers that AlexInvest and Fleurieu are appropriately matched to undergo a merger given that their businesses currently operate closely, both geographically and via the existing shared use of staff (including branch manager).</p> <p>The Proposed Merger will create a merged business with enhanced scale to make it attractive as the bank of choice for all community minded businesses and customers across the Fleurieu Peninsula. This scale is essential to the longer term survival and financial strength of both companies given the low interest rate environment and increased competition from non-traditional banking faced by both businesses.</p>	See section 2.2 of the Explanatory Statement
3	What are the advantages of the Proposed Merger?	<p>The Proposed Merger is fair to shareholders of AlexInvest, as assessed by the independent expert.</p> <p>It is also expected that the Proposed Merger will:</p> <ul style="list-style-type: none"> <li>• increase the size of the business operation, which may strengthen the business' ability to withstand economic and industry transformation pressures;</li> <li>• create synergies and cost efficiencies; and</li> <li>• broaden the range of expertise and experience of the board.</li> </ul>	See section 2.2 of the Explanatory Statement
4	What are the	The disadvantages of approving the Proposed	See section

No	Question	Answer	Where to find more information
	disadvantages of the Proposed Merger?	<p>Merger include:</p> <ul style="list-style-type: none"> <li>The collective interest of AlexInvest shareholders in the Merged Entity will be 26.7%, substantially less than the 73.3% collective interest of Fleurieu shareholders.</li> <li>The shareholders of AlexInvest may not want to have an economic interest in the business of Fleurieu.</li> <li>The Proposed Merger may not deliver expected cost savings.</li> </ul>	2.3 of the Explanatory Statement
5	What is the opinion of the Independent Expert?	<p>AlexInvest appointed an independent expert, being RSM Corporate Australia Pty Ltd to provide an opinion on whether the Proposed Merger is fair and reasonable to its shareholders.</p> <p>The independent expert has concluded that the Proposed Merger is fair and reasonable to the shareholders of AlexInvest.</p> <p>The independent expert's report is set out in full in Appendix 1 to this Notice of General Meeting.</p>	See section 7.2 and Appendix 1 of the Explanatory Statement
6	What is the recommendation of AlexInvest's directors?	<p>The directors of AlexInvest unanimously recommend that the AlexInvest shareholders vote in favour of the Proposed Merger.</p> <p>Each AlexInvest director who holds AlexInvest shares intends to vote in favour of the Proposed Merger.</p>	See section 7 of the Explanatory Statement
<b>Tell me what has to happen for the Proposed Merger to proceed</b>			
7	How will the Proposed Merger be implemented?	<p>The Proposed Merger will be implemented through all shareholders in AlexInvest receiving shares in Fleurieu in consideration of their shares in AlexInvest being cancelled.</p> <p>Fleurieu will be issued shares in AlexInvest and AlexInvest will become a wholly-owned subsidiary of Fleurieu.</p> <p>The business of AlexInvest will be transferred to Fleurieu.</p>	See sections 2.1 and 2.5 of the Explanatory Statement
8	What say do AlexInvest shareholders have?	AlexInvest shareholders will vote on a number of resolutions at the general meeting of AlexInvest's shareholders, including an advisory resolution about whether the Proposed Merger should proceed.	See section 7 of the Explanatory Statement

No	Question	Answer	Where to find more information
		If the resolutions are not approved by the majorities required, the Proposed Merger will not proceed.	
9	What say do Fleurieu shareholders have?	<p>Fleurieu shareholders will vote on a number of resolutions at the general meeting of Fleurieu's shareholders, including an advisory resolution about whether the Proposed Merger should proceed.</p> <p>If the resolutions are not approved by the majorities required, the Proposed Merger will not proceed.</p>	See sections 2.1 and 7 of the Explanatory Statement
10	Other than the approval of the shareholders of AlexInvest and Fleurieu, what else is needed for the Proposed Merger to proceed?	<p>The agreement of Bendigo Bank is needed in order for the Proposed Merger to proceed. If the Proposed Merger proceeds, Fleurieu will enter into a new franchise agreement with Bendigo Bank to operate Fleurieu's existing business and the business currently operated by AlexInvest, and the franchise agreement between AlexInvest and Bendigo Bank will end.</p> <p>The new franchise agreement to be entered into by Fleurieu is to substantially the same effect as the existing franchise agreements to which Fleurieu and AlexInvest are each currently a party.</p>	See section 2.5 of the Explanatory Statement
<b>Tell me about the meetings</b>			
11	When are the meetings?	<p>The general meetings of shareholders of AlexInvest and Fleurieu will be held on Friday, 18 September 2020.</p> <p>The Fleurieu general meeting will be held at 6.30pm, followed by the AlexInvest general meeting at 7.30pm.</p>	See section 'Key Dates and Times'
12	Where will the general meetings of AlexInvest and Fleurieu be held?	Both meetings will be held at Mount Compass Community Sports and Social Club, Community Oval, Mount Compass.	See section 'Key Dates and Times'
13	Can I vote and how do I vote?	<p>Your rights to vote at the AlexInvest general meeting are explained in this Notice of General Meeting.</p> <p>You do not have a right to vote at the Fleurieu meeting.</p>	See sections 7 and 10 of the Explanatory Statement

No	Question	Answer	Where to find more information
14	Why should I vote?	Voting is not compulsory. However, your vote will be important in determining whether the Proposed Merger proceeds.  The directors of AlexInvest encourage you to read this Notice of General Meeting carefully and in full, and recommend you vote in favour of the Proposed Merger.	See sections 7 and 10 of the Explanatory Statement
15	When will the results of the general meetings of AlexInvest and Fleurieu be known?	The results of the general meetings of AlexInvest and Fleurieu will be known on the day of the general meetings. The results of both meetings will be announced on the websites of AlexInvest and Fleurieu as soon as possible.	Not applicable.
<b>Tell me what happens if the Proposed Merger does not proceed</b>			
16	What happens to AlexInvest if the Proposed Merger does not proceed?	If the Proposed Merger does not proceed, AlexInvest intends to continue to operate its business.  In signing off the financial statements for the year ended 30 June 2019, AlexInvest's auditors, AFS & Associates, noted a material uncertainty related to AlexInvest operating on a going concern basis. Therefore, if the Proposed Merger does not proceed, AlexInvest may be unable to realise its assets and discharge its liabilities in the normal course of business.  AlexInvest will have incurred transaction costs that it will have to pay, including adviser fees, irrespective of whether the Proposed Merger proceeds.  The advantages discussed in the Explanatory Statement will not be realised.	See section 2.1 of the Explanatory Statement
17	What happens to my shares in AlexInvest if the Proposed Merger does not proceed?	Nothing will happen to your shares in AlexInvest if the Proposed Merger does not proceed. You will keep your AlexInvest shares. You will not receive any Fleurieu shares.	See section 2.1 of the Explanatory Statement
<b>Tell me about Fleurieu if the Proposed Merger proceeds</b>			
18	How will ownership of Fleurieu be split between the AlexInvest shareholders and Fleurieu's current	Following completion of the Proposed Merger, the current Fleurieu shareholders will own approximately 73.3% of Fleurieu and the current AlexInvest shareholders will own approximately 26.7% of Fleurieu.	See section 2.1 of the Explanatory Statement

No	Question	Answer	Where to find more information
	shareholders following completion of the Proposed Merger?		
19	Who will be the directors of Fleurieu following completion of the Proposed Merger?	<p>The board of Fleurieu following implementation of the Proposed Merger will comprise of all of the current directors of Fleurieu and all of the current directors of AlexInvest.</p> <p>The proposed directors of Fleurieu following the Proposed Merger are as follows.</p> <ul style="list-style-type: none"> <li>• Ron Leslie Logan (currently a director of Fleurieu).</li> <li>• Hazel Ann Wainwright (currently a director of Fleurieu).</li> <li>• Charles Dominic Rodney Manning (currently a director of Fleurieu).</li> <li>• Anita Jade Bailetti (currently a director of Fleurieu).</li> <li>• Daniel John Roach (currently a director of Fleurieu).</li> <li>• Karyn Joy Thomas (currently a director of Fleurieu).</li> <li>• Juan Edward Smith (currently a director of Fleurieu).</li> <li>• Jordan Daniel Corfield-Higgins (currently a director of Fleurieu).</li> <li>• Marissa Anne Harvey (currently a director of Fleurieu)</li> <li>• Robert Joe Van Der Kamp (currently a director of AlexInvest).</li> <li>• Emily Catherine Livingston (currently a director of AlexInvest).</li> <li>• Barry Kym McHugh (currently a director of AlexInvest).</li> <li>• Elizabeth Mary Williams (currently a director of AlexInvest).</li> <li>• Lauren McKee (currently a director of AlexInvest).</li> <li>• Carol Gaston (currently a director of</li> </ul>	See section 4 of the Explanatory Statement

No	Question	Answer	Where to find more information
		AlexInvest).	
20	What will happen to AlexInvest's business following completion of the Proposed Merger?	Fleurieu intends to operate its existing business, as well as the business currently operated by AlexInvest.  The AlexInvest business will be operated as a separate branch.	See section 2.4 of the Explanatory Statement
21	What will happen to community contributions following completion of the Proposed Merger?	Fleurieu intends that when community contributions are made, they will be made in both communities in which Fleurieu and AlexInvest currently operate.	See section 2.4 of the Explanatory Statement
<b>Tell me what it means for me if the Proposed Merger proceeds</b>			
22	How many Fleurieu shares will I get?	Shareholders of AlexInvest as at the Record Date will get 1 share in Fleurieu for every 3 shares in AlexInvest they hold as at the Record Date.	See sections 2.1 and 2.5 of the Explanatory Statement
23	When will I get my entitlement to Fleurieu shares?	The Fleurieu shares will be issued on the date on which the Proposed Merger is completed, which is expected to be on or about 5 October 2020.	See section 2.1 of the Explanatory Statement
24	What happens to my AlexInvest shares upon completion of the Proposed Merger?	All AlexInvest shares held by you will be cancelled.  You cannot keep your AlexInvest shares.	See sections 2.1 and 2.5 of the Explanatory Statement
25	Do I have to pay brokerage or stamp duty?	You do not have to pay any brokerage or stamp duty to get the shares in Fleurieu or on cancellation of your AlexInvest shares.	Not applicable.
26	What about tax?	A summary of the Australian tax implications for AlexInvest shareholders is set out in this Notice of General Meeting.	See section 6 of the Explanatory Statement
<b>Tell me how I can get more information</b>			
27	Who can I contact?	If, after reading this Notice of General Meeting and the Prospectus, you have any questions about the Proposed Merger, you should contact Kym McHugh (Chairman) by phone on 0419 817 134 or by email at <a href="mailto:kym.mchugh4finniss@bigpond.com">kym.mchugh4finniss@bigpond.com</a> .	See section 11 of the Explanatory Statement

No	Question	Answer	Where to find more information
		If you are not sure what you should do, you should consult an independent licensed professional adviser.	

## Notice of General Meeting

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Notice is given that a general meeting of AlexInvest will be held at Mount Compass Community Sports and Social Club, Community Oval, Mount Compass on Friday, 18 September 2020 at 7.30pm (the **General Meeting**). Shareholders will be asked at the General Meeting to consider and, if thought fit, approve the resolutions set out below.

*Important: The resolutions set out in this Notice of General Meeting should be read together with the accompanying Explanatory Statement. Terms and abbreviations used in this Notice of General Meeting and Explanatory Statement are defined in the glossary set out in section 12 of the Explanatory Statement.*

### AGENDA

#### **Resolution 1 – Proposed merger with Fleurieu**

To consider and, if thought fit, to approve the following resolution as an advisory resolution of AlexInvest:

*Subject to all Resolutions being passed, that the merger of AlexInvest with Fleurieu on the terms summarised in the Explanatory Statement accompanying this Notice of General Meeting, which will result in Fleurieu holding all of the issued ordinary shares in AlexInvest, be approved.*

#### **Who can attend and vote?**

All AlexInvest shareholders are entitled to attend and vote on Resolution 1.

#### **Resolution 2 – Share cancellation**

To consider and, if thought fit, to approve the following resolution as a special resolution of AlexInvest:

*Subject to all Resolutions being passed, that the share capital of AlexInvest be reduced by cancelling and extinguishing the fully paid shares held by all shareholders of AlexInvest on the register of members immediately before the start of the meeting at which this resolution is considered by the shareholders of AlexInvest.*

#### **Who can attend and vote?**

All AlexInvest shareholders are entitled to attend and vote on Resolution 2.

The Corporations Act provides that where a selective capital reduction involves the cancellation of shares, the reduction must be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled. At the time Resolution 2 of this Notice of General Meeting is considered at the General Meeting, Fleurieu's representative will not be present at the General Meeting and Fleurieu will not be a shareholder of AlexInvest. Therefore, at the time this resolution is considered at the General Meeting, all AlexInvest shareholders will be entitled to vote on this Resolution given that all of the AlexInvest shareholders will have their Shares cancelled.

#### **Interdependence of Resolutions**

The Capital Reduction will not proceed and this resolution will not take effect unless Resolutions 3, 4, 5 and 6 of the Notice of General Meeting are also approved by the required majority of AlexInvest shareholders.

#### **Resolution 3 – Issue of 790,477 ordinary shares in AlexInvest to Fleurieu**

To consider and, if thought fit, to approve the following resolution as an ordinary resolution of AlexInvest:

*Subject to all Resolutions being passed, that, for the purpose of item 7, section 611 of the Corporations Act 2001 (Cth), the issue by AlexInvest of 790,477 fully paid shares to Fleurieu (representing 50% of the voting power in AlexInvest) in consideration for 263,492 fully paid shares in Fleurieu be approved.*

#### **Who can attend and vote?**

All AlexInvest shareholders are entitled to attend and vote on Resolution 3.

**Resolution 4 – Alteration to the Constitution**

To consider and, if thought fit, to approve the following resolution as a special resolution of AlexInvest:

*Subject to all Resolutions being passed, that the Constitution of AlexInvest be altered with immediate effect following the passing of this resolution as follows:*

<b>Rule no.</b>	<b>Description of current provision (before amendment)</b>	<b>Proposed amendment</b>
9	<p>A person must not have a "prohibited shareholding interest".</p> <p>There are a number of circumstances in which a "prohibited shareholding interest" may arise, including:</p> <ul style="list-style-type: none"> <li>• where a person controls or owns 10% or more of the Shares; or</li> <li>• where a person does not, in the opinion of the Board, have a close connection to the community or communities in which the Community Bank® Fleurieu dominantly carries on business.</li> </ul>	Delete Rule 9.
45	<p>On a show of hands or a poll, each AlexInvest shareholder attending the meeting has one vote, regardless of the number of Shares held.</p>	<p>Delete Rule 45 and replace it with the following Rule:</p> <p>'Voting Rights</p> <p>45. On a show of hands or on a poll:</p> <p>(a) each shareholder present has one vote for each fully paid share held;</p> <p>(b) in the case of a partly paid share, that fraction of a vote equivalent to the proportion that the amount paid up on that shareholder's share bears to the total amount paid and payable for that share. Amounts paid in advance of a call are to be ignored when calculating the proportion; and</p> <p>(c) where a shareholder has appointed more than one person as a representative, proxy or attorney for the shareholder, only one of the representatives, proxies or attorneys is entitled to vote.</p>
N/A	No existing provision.	<p>Insert a new Rule 34A, immediately after Rule 34, as follows:</p> <p>'Distribution of assets in-specie</p> <p>34A. If the Company is to reduce its share capital in accordance with Rule 34, it may do so wholly or partly by the distribution of specific assets (including</p>

<b>Rule no.</b>	<b>Description of current provision (before amendment)</b>	<b>Proposed amendment</b>
		<p>shares or other securities in another corporation). Where the Company reduces its share capital by way of distribution of shares or other securities in another corporation, then each member is taken to have agreed to become a shareholder or securityholder of that corporation and to have agreed to be bound by the constitution of that corporation. Each member also appoints each Director and Secretary their agent and attorney to:</p> <p>(a) agree to the member becoming a shareholder or securityholder of that corporation;</p> <p>(b) agree to the member being bound by the constitution of that corporation; and</p> <p>(c) execute any transfer of shares or securities, or other document required to give effect to the distribution of shares or other securities to that shareholder.'</p>

#### **Who can attend and vote?**

All AlexInvest shareholders are entitled to attend and vote on Resolution 4.

#### **Resolution 5 – Increase the maximum number of Directors**

To consider and, if thought fit, to approve the following resolution as an advisory resolution of AlexInvest:

*Subject to all Resolutions being passed, that the maximum number of Directors determined under Rule 51 of the Constitution be increased from ten to fifteen.*

#### **Who can attend and vote?**

All AlexInvest shareholders are entitled to attend and vote on Resolution 5.

#### **Adjournment**

Before voting on Resolution 6 of the General Meeting, and subject to Resolutions 1, 2, 3, 4 and 5 of this Notice of General Meeting being passed, the General Meeting will be adjourned. During this adjournment, AlexInvest will issue 790,477 fully paid shares to Fleurieu, as approved under Resolution 3 of the Notice of General Meeting, and Fleurieu will be recorded on the Register as the holder of such shares. The General Meeting will be reconvened once Fleurieu's name has been recorded in the Register, and Fleurieu will be entitled to vote on Resolution 6 of the Notice of General Meeting.

#### **Resolution 6 – Selective capital reduction**

To consider and, if thought fit, to approve the following resolution as a special resolution of AlexInvest:

*That the share capital of AlexInvest be reduced by cancelling and extinguishing the fully paid shares held by all shareholders of AlexInvest other than Fleurieu in consideration for AlexInvest making a pro rata in-specie distribution of the 263,492 fully paid shares in Fleurieu held by AlexInvest to all shareholders other than Fleurieu.*

#### **Who can attend and vote?**

All AlexInvest shareholders are entitled to attend the meeting when Resolution 6 is considered. However, only Fleurieu can vote in favour of Resolution 6.

Upon Fleurieu's name being recorded in the Register and the General Meeting being reconvened, the Chair of the General Meeting will invite Fleurieu's representative to attend the General Meeting and vote on Resolution 6 of this Notice of General Meeting on Fleurieu's behalf.

The Corporations Act requires that AlexInvest must disregard any votes cast in favour of Resolution 6 of the Notice of General Meeting by a person who is to receive consideration as part of the reduction. Therefore, votes cast in favour of Resolution 6 of the Notice of General Meeting by all AlexInvest shareholders other than Fleurieu will be disregarded, as all those AlexInvest shareholders receive consideration as part of the reduction. However, those AlexInvest shareholders may vote against Resolution 6 or abstain from voting on that resolution.

See the information on how to vote at this General Meeting in section 10 of the Explanatory Statement.


#### **Interdependence of Resolutions**

Resolution 6 of this Notice of General Meeting will only be considered at the General Meeting if Resolutions 1, 2, 3, 4 and 5 of this Notice of General Meeting have been approved by the required majority of AlexInvest shareholders.

#### **Effective time**

The Capital Reduction will be effective from the date being 14 clear days after the day on which AlexInvest lodges ASIC Form 2205 (Notification of Resolutions Regarding Shares) with ASIC in relation to the proposed reduction of capital.

By order of the Board of Directors

  
\_\_\_\_\_  
**Emily Livingston**  
**Company Secretary**  
19/08/2020  
**Dated**

## Explanatory Statement

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### 1 Introduction

This Explanatory Statement (including the appendices) has been prepared for the AlexInvest shareholders in connection with the General Meeting and forms part of the Notice of General Meeting. This Explanatory Statement sets out an explanation of the resolutions to be considered at the General Meeting.

The purpose of the Explanatory Statement is to provide AlexInvest shareholders with information known to AlexInvest that is material to the decision on whether or not to approve the Proposed Merger. This Explanatory Statement explains the Proposed Merger, identifies the Board's reasons for proposing it to the AlexInvest shareholders and outlines the risks of the Proposed Merger.

The Directors recommend that AlexInvest shareholders read this Explanatory Statement and the appendices carefully. If you have any inquiries or questions regarding the information contained in the Notice of General Meeting, this Explanatory Statement or any of the appendices, we suggest you contact the Kym McHugh (Chairman) by phone on 0419 817 134 or by email at [kym.mchugh4finniss@bigpond.com](mailto:kym.mchugh4finniss@bigpond.com) or seek professional advice.

### 2 Summary of the Proposed Merger

#### 2.1 Background

AlexInvest and Fleurieu are proposing to undertake a merger to be implemented by way of an issue of shares to Fleurieu and selective capital reduction by AlexInvest. Further information regarding the mechanism by which the Proposed Merger will be implemented is set out in section 2.5 of this Explanatory Statement.

On 7 November 2019, AlexInvest and Fleurieu entered into the Transaction Agreement. Under that agreement each company is required to convene a meeting of AlexInvest shareholders to consider and, if thought fit, pass various resolutions in relation to the Proposed Merger, including an advisory resolution approving the merger. Further information about the Transaction Agreement is set out in section 2.5 below.

The meeting of Fleurieu shareholders is to be convened before the meeting of AlexInvest shareholders. If the resolutions proposed at the Fleurieu general meeting are not passed, the Directors propose to cancel the AlexInvest meeting.

AlexInvest is required to convene a meeting of its shareholders to consider and, if thought fit, approve a selective reduction of capital whereby all of the Shares (other than those to be issued to Fleurieu) will be cancelled in exchange for Fleurieu shares.

Following implementation of the Proposed Merger, the current AlexInvest shareholders will become shareholders of Fleurieu and will therefore continue to participate in the business of AlexInvest, with AlexInvest becoming a wholly-owned subsidiary of Fleurieu.

Upon implementation of the Proposed Merger, the current Fleurieu shareholders will own approximately 73.3% of Fleurieu and the AlexInvest shareholders will own approximately 26.7% of Fleurieu. AlexInvest shareholders as at the Record Date will receive 1 share in Fleurieu for every 3 shares in AlexInvest they currently hold. The number of Fleurieu shares to be received by AlexInvest shareholders for every AlexInvest share they hold has been agreed by the directors of each of Fleurieu and AlexInvest, having regard to valuations obtained by each Board. These Fleurieu Shares will be received by AlexInvest shareholders on the date on which the Proposed

Merger is completed, which is expected to occur on or about 5 October 2020.

If the Proposed Merger does not proceed, the AlexInvest shareholders will retain their existing AlexInvest Shares and will not receive any shares in Fleurieu. AlexInvest will, in these circumstances, continue to operate its existing business, though the advantages of the Proposed Merger (discussed in section 2.2 below) will not be realised.

AlexInvest has an overdraft facility with Bendigo Bank for working capital. It is anticipated that this overdraft facility will be needed for the foreseeable future. In signing off the financial statements for the year ended 30 June 2019, the Company's auditors, AFS & Associates, noted a material uncertainty related to AlexInvest operating on a going concern basis and that AlexInvest may be unable to realise its assets and discharge its liabilities in the normal course of business. In the financial statements for the year ended 30 June 2019, it was noted that AlexInvest directors had a reasonable expectation that AlexInvest has adequate resources to continue in operational existence for the foreseeable future, and they continue to adopt the going concern basis of accounting in preparing the annual financial statements. However, if the Proposed Merger does not proceed, there is a risk that AlexInvest may be unable to realise its assets and discharge its liabilities in the normal course of business.

## **2.2 Reasons for, and benefits of, the Proposed Merger**

The Board considers that AlexInvest and Fleurieu are appropriately matched to undergo a merger given that their businesses operate closely, both geographically and via the existing use of shared staff (including branch manager).

The advantages of the Proposed Merger are:

- The Proposed Merger is fair to AlexInvest shareholders.
- The Proposed Merger will build on the past informal arrangements where AlexInvest and Fleurieu have shared marketing initiatives and resources.
- Increasing the size of the business operation may strengthen its ability to withstand economic and industry transformation pressures.
- The Board expects that a Merged Entity with operations across the whole of the Fleurieu Peninsula will provide it with a greater marketing presence in the region. It is expected this will result in an increase in the number of loans processed and the deposit base which will enable the Merged Entity to spread its fixed costs over a greater revenue base.
- By combining workforces, the Board expects that the Merged Entity will be able to use staff in more specialised roles, which is expected to enhance the service delivery to customers.
- It is expected that the Proposed Merger will create synergies and cost efficiencies that will be beneficial to the Merged Entity. This includes moving to one share registrar, accountant and auditor and consolidation of the current Franchise Agreements, which is expected to result in an annual saving. Those synergies and cost efficiencies are mentioned in the Independent Expert's Report and are estimated at \$25,000.
- The Merged Entity will have a larger board with a broader range of expertise and experience, which is expected to aid in attracting and retaining directors moving forward. Current directors of AlexInvest will represent 40% of the board of the Merged Entity by number immediately following completion of the Proposed Merger.

## 2.3 Disadvantages of the Proposed Merger

The disadvantages of the Proposed Merger are:

- The collective interest that shareholders of AlexInvest will acquire in the Merged Entity is approximately 26.7%, whilst shareholders of Fleurieu will hold approximately 73.3% of the Merged Entity. This will dilute the shareholders of AlexInvest's interest and their collective influence on the operations of the Merged Entity compared to their influence over the operations of AlexInvest.
- AlexInvest has an overdraft facility with Bendigo Bank. On implementation of the Proposed Merger, this will be assumed by Fleurieu and converted into two separate interest free loans from Bendigo Bank, repayable over a period of five and ten years respectively. Unless the Merged Entity is able to grow its revenue base to a sufficient level, the requirement to repay the loans may reduce the Merged Entity's available funds for working capital and reduce its ability to pay future dividends.
- The shareholders of AlexInvest may not want to acquire an economic interest in the Fleurieu business.
- There are operational and financial risks associated with increasing the scale of AlexInvest's activities.
- The Proposed Merger may not deliver expected cost savings.
- The community in Goolwa may be less committed to banking with the branch when it becomes owned by Fleurieu, notwithstanding that the former shareholders of AlexInvest become members of Fleurieu and the Board of the Merged Entity includes directors from both companies.

## 2.4 Intentions in respect of AlexInvest

It is intended that, following the Proposed Merger, the assets and business of AlexInvest will be transferred to Fleurieu, and Fleurieu will:

- continue to operate its existing branch in Aldinga Beach;
- operate the branch currently operated by AlexInvest in Goolwa as a branch of Fleurieu;
- employ AlexInvest's employees;
- utilise AlexInvest's fixed assets in the operation of the branch;
- make community contributions in the communities in which Fleurieu and AlexInvest currently operate; and
- apply to deregister AlexInvest following transfer of its business and assets to Fleurieu.

## 2.5 Effecting the Proposed Merger

### (a) The Transaction Agreement

On 7 November 2019, Fleurieu and AlexInvest entered into the Transaction Agreement. The key terms of the Transaction Agreement are set out below.

#### **Conditions**

Implementation of the Proposed Merger is subject to a number of conditions precedent including the following.

- The required majority of shareholders of AlexInvest approving certain resolutions, including:
  - (i) to approve the Proposed Merger;
  - (ii) for the purposes of item 7, section 611 of the Corporations Act, to approve the issue of 790,477 AlexInvest Shares to Fleurieu;
  - (iii) to approve certain variations to the constitution of AlexInvest for the purposes of the Proposed Merger; and
  - (iv) to approve the selective reduction of capital and share cancellation.
- The required majority of shareholders of Fleurieu approving certain resolutions, including:
  - (i) to approve the Proposed Merger;
  - (ii) for the purposes of item 7, section 611 of the Corporations Act, to approve the issue of 263,492 Fleurieu Shares to AlexInvest;
  - (iii) to approve certain variations to the constitution of Fleurieu for the purposes of the Proposed Merger;
- None of the Directors of AlexInvest or Fleurieu changing, qualifying or withdrawing their recommendation to the shareholders of AlexInvest and Fleurieu, respectively, to vote in favour of the shareholder resolutions noted above, respectively;
- No prescribed occurrence occurring in respect of the AlexInvest or Fleurieu (this includes alterations to share capital, entering into material transactions or the footings of either party reducing by more than 20%); and
- The lessor of AlexInvest's branch premises consents to the assignment of the lease to Fleurieu.

#### ***Implementation steps***

The Implementation Agreement requires AlexInvest and Fleurieu to undertake the steps necessary to effect the Proposed Merger. The implementation steps include the following.

- Fleurieu is required to prepare a Prospectus, with the assistance of AlexInvest.
- Both AlexInvest and Fleurieu must convene general meetings of their shareholders to consider the resolutions necessary to effect the Proposed Merger.
- Fleurieu is required to enter into a new franchise agreement with Bendigo Bank effective on and from implementation of the Proposed Merger and covering the businesses currently conducted by AlexInvest and Fleurieu.

#### ***Right to end the Transaction Agreement***

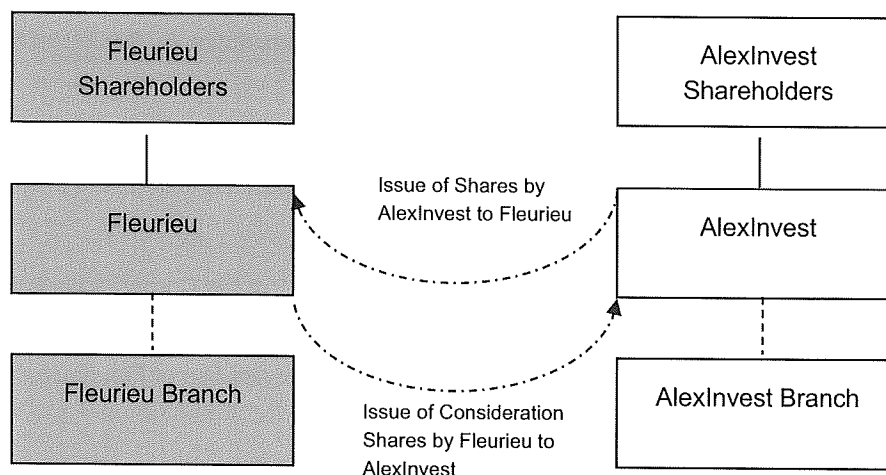
AlexInvest and Fleurieu are entitled to end the Transaction Agreement in certain circumstances, namely, where the conditions to the Proposed Merger are not satisfied or waived (if applicable) by the stated end date, or where a party is in material breach of the Transaction Agreement and the breach is not remedied or cured following notice from the other party.

#### **(b) Merger procedure**

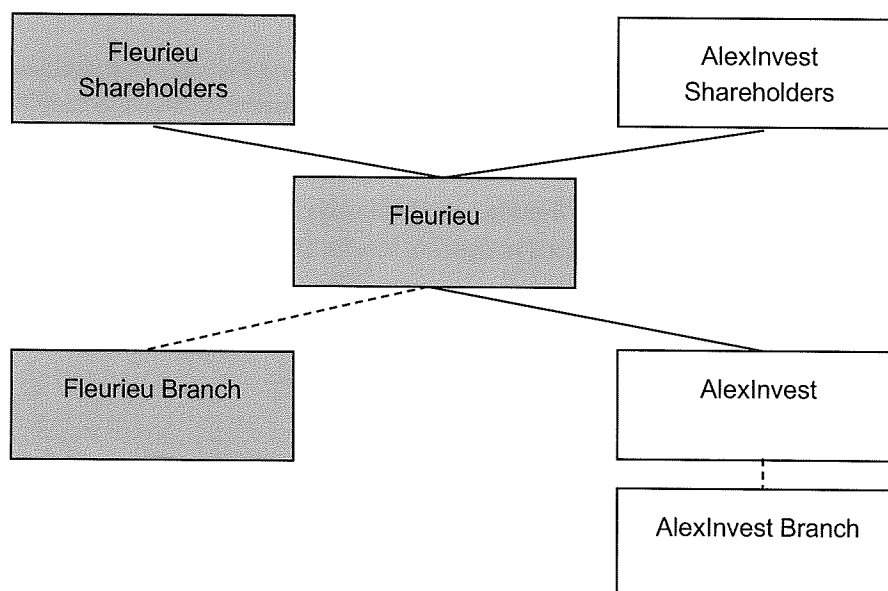
The mechanism by which the Proposed Merger will be implemented is as follows.

- AlexInvest will issue 790,477 Shares to Fleurieu in consideration of Fleurieu issuing 263,492 fully paid, ordinary shares (being the Consideration Shares) to AlexInvest. The

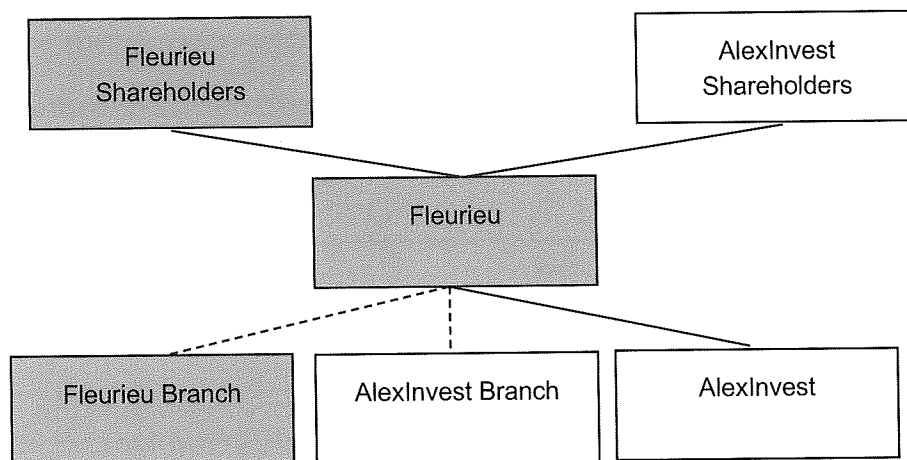
value of the Fleurieu shares to be issued reflects the value of AlexInvest. Accordingly, the shares to be issued by AlexInvest in consideration of receiving the Fleurieu shares are equivalent to the value of AlexInvest. The shares issued by AlexInvest will represent 50% of the total shares on issue in AlexInvest and replace the shares that will be cancelled if the Proposed Merger is approved.



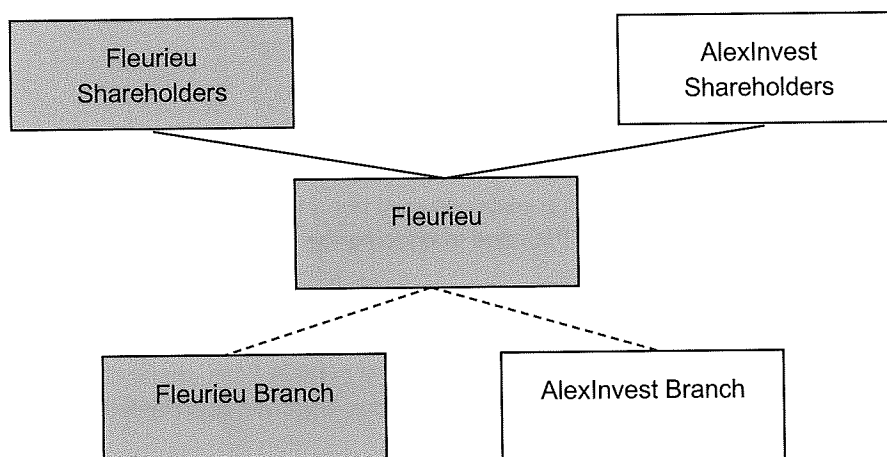
- AlexInvest will undertake a selective capital reduction involving the cancellation of all of the Shares other than those held by Fleurieu. In consideration for the cancellation of the Shares, the Consideration Shares will be distributed in-specie (i.e. in the form of shares) by AlexInvest to its shareholders (other than Fleurieu), such that each AlexInvest shareholder (other than Fleurieu) will receive 1 fully paid share in Fleurieu for every 3 Shares they hold. Following the selective reduction and in-specie distribution, Fleurieu will be the sole shareholder of AlexInvest.



- The assets and business of AlexInvest will be transferred to Fleurieu, with the existing business of AlexInvest to be operated as a branch of Fleurieu.



- Following the transfer of the assets and business of AlexInvest to Fleurieu, Fleurieu will most likely elect to deregister AlexInvest, subject to professional advice.



### 3 Profile of companies

This section sets out an overview of the companies and the Merged Entity. Further information regarding the companies and the Merged Entity are contained in the Prospectus in Appendix 6.

#### 3.1 Profile of Fleurieu

##### (a) Overview

Fleurieu was incorporated on 6 October 2005. It was formed to operate a branch at Aldinga Beach, South Australia under a franchise agreement with Bendigo Bank.

##### (b) Operations

Fleurieu opened the Aldinga Community Bank branch in April 2006 and has conducted the retail branch operation since the branch opened.

Fleurieu opened its customer service centre at Willunga in April 2015 and has conducted the customer service centre since it opened.

It has 7 employees and its loan and deposit book as at 30 April 2020 is \$116 million.

(c) **Board and management**

The names of the current directors of Fleurieu and the shares they currently hold in Fleurieu is set out below.

Name of director	Shares in Fleurieu
Ronald Leslie Logan	10,000
Hazel Ann Wainwright	-
Charles Dominic Rodney Manning	-
Anita Jane Bailetti	-
Daniel John Roach	-
Karyn Joy Thomas	3,000
Juan Edward Smith	-
Jordan Daniel Corfield-Higgins	-
Marissa Anne Harvey	-

The current branch manager is Samantha Bitter.

(d) **Financial information**

Fleurieu has been operating its business since April 2006 with a branch in Aldinga Beach. Losses were made in the first four years as the business was building. In 2011 the first profit was made, which led to the first dividend paid of one cent per share. Dividends have been paid in every year since, except for 2015 and 2016, due to opening the Willunga Customer Service Centre in 2015.

Over the course of the business and up to 2019, the business has reduced its accumulated losses to \$247,428.

Bendigo Bank may make discretionary financial contributions. Since starting operation Fleurieu has received discretionary financial contributions from Bendigo Bank totalling approximately \$552,000.

For the half financial year ended 31 December 2019 Fleurieu's financial performance was as follows:

- Net profit (loss) after tax and community contributions: (\$37,204)
- Community contributions: \$27,909

More detailed financial information is available in section 3.3(f).

### 3.2 Profile of AlexInvest

(a) **Overview**

AlexInvest was incorporated on 10 May 2010. It was formed to operate a branch at Goolwa, South Australia under a franchise agreement with Bendigo Bank.

(b) **Operations**

AlexInvest opened the Goolwa Community Bank branch on 6 May 2011 and has conducted the retail branch operation since the branch opened.

It has 4 employees and its loan and deposit book as at 31 December 2019 is \$69.7 million.

(c) **Board and management**

The names of the current directors of AlexInvest, the shares they currently hold in AlexInvest and the shares they will receive in Fleurieu under the Proposed Merger (in consideration for the cancellation of their shares in AlexInvest) is set out below.

Name of director	Shares in AlexInvest	Shares the director will receive in Fleurieu
Robert Joe Van Der Kamp	90,000	30,000
Emily Catherine Livingston	-	-
Barry Kym McHugh	5,000	1,667
Elizabeth Mary Williams	-	-
Lauren McKee	-	-
Carol Gaston	21,000	7,000

The current branch manager is Samantha Bitter, on secondment from Fleurieu.

(d) **Financial information**

AlexInvest has been operating its business since 6 May 2011 with a branch at Goolwa. It made net losses (after tax and community contributions) in each year until 2018, in which it made a maiden net profit (after tax and community contributions).

Since starting operation AlexInvest has received discretionary financial contributions from Bendigo Bank totalling approximately \$325,000 (as at 31 December 2020).

For the half financial year ended 31 December 2019 AlexInvest's financial performance was as follows:

- Net profit (loss) after tax and community contributions: (\$9,087)
- Community contributions: \$9,048

More detailed financial information is available in section 3.3(f).

### 3.3 Profile of Merged Entity

(a) **Overview**

If the Proposed Merger occurs, Fleurieu will conduct the business currently operated by AlexInvest as an additional branch.

Fleurieu intends that when community contributions are made, they will be made in both communities in which Fleurieu and AlexInvest currently operate.

(b) **Operations**

Fleurieu will enter into a new franchise agreement with Bendigo Bank that will start when the Proposed Merger becomes effective. This will replace the existing franchise agreement that Fleurieu has for the branch it operates and the existing franchise agreement that AlexInvest has for the branch it operates. The new franchise agreement will enable Fleurieu to operate both branches.

(c) **Board and management**

Information about the directors and branch managers of Fleurieu on completion of the Proposed Merger is contained in section 4.

(d) **Capital structure**

Details of the capital structure of Fleurieu prior to and following the Proposed Merger are set out below:

**Number of shares on issue in Fleurieu  
as at the date of this Notice of General  
Meeting.** 724,815

**Number of shares to be issued to  
AlexInvest, and in turn distributed to the  
current shareholders of AlexInvest** 263,492

**Number of shares on issue in Fleurieu  
following the Proposed Merger** 988,307

(e) **Rights attaching to Consideration Shares**

The rights attaching to the Consideration Shares to be distributed to the current shareholders of AlexInvest are the same as the rights currently attaching to the shares in Fleurieu.

(f) **Financial information**

Changes to the financial return for Community Bank companies were introduced as of 1 July 2016.

This impacted on the following revenue items.

(i) Margin:

- A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.
- All revenue paid on core banking products is through margin share. Core banking products now include additional products, namely fixed rate housing loans (as well as variable rate housing loans), term deposit accounts over 90 days (as well as those under 90 days), and margin loans (as well as other personal loans).
- Margin on core banking products is shared on a 50/50 basis.

(ii) Commission: These products no longer include those that have been categorised as core banking products, but include some additional products, such as foreign currency loans.

(iii) Discretionary financial contributions: In addition to margin, commission and fee income, Bendigo Bank may make discretionary financial contributions. Bendigo Bank has changed these to focus on greater support for new branches with less banking business and less support for branches with more banking business.

The impact of the changes for Community Bank companies has varied. Accordingly, the historical and pro forma historical results most likely would have been different if these changes had been introduced at the time.

In signing off the financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019, AlexInvest's auditors, AFS & Associates, noted a material uncertainty related to AlexInvest's ability to continue as a going concern and that AlexInvest may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after considering a number of factors, AlexInvest directors have a reasonable expectation that AlexInvest has adequate resources to continue in operational existence for the foreseeable future, and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Balance Sheet**

The following are set out in the table contained in Appendix 2 to this Explanatory Statement:

- the reviewed balance sheet of Fleurieu for the half financial year ended 31 December 2019;
- the reviewed balance sheet of AlexInvest for the half financial year ending 31 December 2019; and
- the pro-forma unaudited consolidated balance sheet of Fleurieu assuming implementation of the Proposed Merger on the balance sheet date.

#### ***Income statements***

The following are set out in the tables contained in Appendix 3 to this Explanatory Statement:

- the audited profit and loss statement of Fleurieu for the 3 financial years preceding the date of this Explanatory Statement;
- the audited profit and loss statement of AlexInvest for the 3 financial years preceding the date of this Explanatory Statement;
- the pro-forma unaudited consolidated profit and loss statement of Fleurieu for the 3 financial years preceding the date of this Explanatory Statement assuming implementation of the Proposed Merger as at the beginning of each financial year;
- the reviewed profit and loss statement of Fleurieu for the half years ended 31 December 2018 and 31 December 2019;
- the reviewed profit and loss statement of AlexInvest for the half years ended 31 December 2018 and 31 December 2019; and
- the pro-forma unaudited consolidated profit and loss statement of Fleurieu for the half years ended 31 December 2018 and 31 December 2019 assuming implementation of the Proposed Merger as the beginning of each financial year.

#### ***Cash flow statements***

The following are set out in the tables contained in Appendix 4 to this Explanatory Statement:

- the audited cash flow statement of Fleurieu for the 3 financial years preceding the date of this Explanatory Statement;
- the audited cash flow statement of AlexInvest for the 3 financial years preceding the date of this Explanatory Statement;
- the pro-forma unaudited consolidated cash flow statement of Fleurieu for the 3 financial years preceding the date of this Explanatory Statement assuming implementation of the Proposed Merger at the beginning of each financial year;
- the reviewed cash flow statement of Fleurieu for the half years ended 31 December 2018 and 31 December 2019;
- the reviewed cash flow statement of AlexInvest for the half years ended 31 December 2018 and 31 December 2019; and
- the pro-forma unaudited consolidated cash flow statement of Fleurieu for the half years ended 31 December 2018 and 31 December 2019 assuming implementation of the Proposed Merger at the beginning of each financial year.

#### ***Costs of Proposed Merger***

- **(Transaction costs)** The following gives an overview of the transaction costs of undertaking the Proposed Merger that will need to be met out of the funds of the Merged Entity.
  - **Legal, accounting and other advisory costs:** \$69,650
  - **Prospectus and Notice of Meeting production costs:** \$1,300
  - **ASIC lodgements:** \$4,008
- **(Costs of entering into new franchise agreement)** As part of the Proposed Merger, Fleurieu will enter into a new franchise agreement with Bendigo Bank. This will cover the retail branch operations in Aldinga Beach and Goolwa and the Willunga Customer Service Centre. It also restarts the franchise terms, at five years with two renewal options for Fleurieu of five years each. Providing for 15 years in total on implementation of the Proposed Merger, rather than continuing existing terms which would have less than 15 years remaining, recognises the costs involved in the Proposed Merger.

Under the new franchise agreement, the following fees are payable.

Fee	Fleurieu branch	AlexInvest branch
Franchise fee	\$10,000	\$5,000
Process fee	\$50,000	\$25,000
Training fee	\$ 7,700	\$4,400
Annual fee (customer service centre)	\$4,500	N/A

The fees may be paid upfront or in instalments. Fleurieu is proposing to pay by annual instalments. The fee for the Willunga Customer Service Centre is currently an annual fee.

Bendigo Bank is required to repay Fleurieu the amounts paid by Fleurieu and AlexInvest for the unexpired current term of the existing franchise agreements with Fleurieu and AlexInvest on a pro rata basis. Assuming implementation of the Proposed Merger takes place on 5 October 2020, this totals \$19,515.83.

#### **Debt facility with Bendigo Bank**

AlexInvest has an overdraft facility with Bendigo Bank. Fleurieu will assume responsibility for this and will enter into a new loan facility with Bendigo Bank.

#### **Working capital**

The Board of Fleurieu anticipates that following the Proposed Merger, the level of working capital will be sufficient for Fleurieu to meet the operating costs of both its existing business and AlexInvest's business for the short to medium term. Accordingly, based on its estimates of working capital requirements, the Board of Fleurieu does not anticipate the need to incur any material debt in the short to medium term to meet the operating costs. However, the Board of Fleurieu will keep this under review.

#### **Ratios**

The following ratios have been calculated using the most recent financial results (i.e. to 31 December 2019).

- **(Cost to income ratio)**
  - Fleurieu Community Enterprises Limited:1.07.
  - AlexInvest Community Services Limited:1.02.
  - Pro forma as if Proposed Merger had completed:1.05.

The cost-to-income ratio measures a company's operating costs in relation to its operating income. It is worked out as follows:

$$\text{Cost to income ratio} = \frac{\text{operating expenses}}{\text{operating income}}$$

Note: community contributions have been excluded from operating expenses on the basis that they are discretionary and profit-distributing in nature.

- **(Current ratio)**
  - Fleurieu: 3.22.
  - AlexInvest: 0.08
  - Pro forma as if Proposed Merger had completed: 1.36.

The current ratio measures a company's ability to pay short-term obligations with its short-term assets. It is worked out as follows:

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

### **Community contributions**

Fleurieu and AlexInvest have made the following community contributions.

- **(Fleurieu)** Fleurieu has made community contributions since its first year of operation. Contributions totalling \$373,338 have been distributed to local community organisations, events, sporting groups, local projects and other development initiatives.

For the financial year ended 30 June 2019 Fleurieu made community contributions of \$55,435.82.

- **(AlexInvest)** AlexInvest has made community contributions in each year since its first year of operation. Contributions totalling \$199,169 have been distributed to local community organisations, events, sporting groups, local projects and other development initiatives (from the financial year ended 30 June 2011 to the half year ended 31 December 2019). All of this amount was paid from discretionary financial contributions received by AlexInvest from Bendigo Bank.

For the financial year ended 30 June 2019 AlexInvest made community contributions of \$13,878.

Fleurieu intends that if community contributions are made, they will be made in both communities in which Fleurieu and AlexInvest currently operate.

#### **Dividends**

Fleurieu and AlexInvest have paid the following dividends to their shareholders.

- **(Fleurieu)** Fleurieu has paid dividends to shareholders every year since 2011, except for 2015 and 2016 due to opening the Willunga Customer Service Centre in 2016. The total amount paid in dividends since incorporation is \$130,466, which on a cumulative per share basis is \$0.18 per Fleurieu share. For the financial year ended 30 June 2019 Fleurieu paid dividends totalling \$28,993, or \$0.04c per Fleurieu share.
- **(AlexInvest)** AlexInvest has paid no dividends to shareholders since incorporation.

Going forward, the Fleurieu Board intends to pay dividends to shareholders if the financial position of Fleurieu permits, after making community contributions.

## **4 Governance**

Following the Proposed Merger, the board of Fleurieu will consist of all of the members of the current Fleurieu and AlexInvest boards. Information about each director of Fleurieu following the Proposed Merger, their experience, qualifications and expertise, and the shares they will hold in Fleurieu following the Proposed Merger is set out below.

<b>Name of director</b>	<b>Experience, qualifications and expertise</b>	<b>Shares held in Fleurieu following Proposed Merger</b>
Ronald Leslie Logan (Chair)	Occupation; Company director  Qualifications, experience and expertise: Retired senior executive and Director with HSBC, CBA, Colonial and TSB (UK). Has worked in UK, Australia, Vietnam and the Philippines. Currently operates an aviation and private investment company.	10,000
Hazel Ann Wainwright	Occupation: Funeral Celebrant  Qualifications, experience and expertise: Chair of Friends of Sellicks, assistant Treasurer of the Southern Vales View Club, member of the Sellicks and	-

	Aldinga Alliance, volunteer for Fred's Van, mentor of local primary school children at Aldinga and past Councillor with the Onkaparinga Council.	
Charles Dominic Rodney Manning	Occupation: Management consultant  Qualifications, experience and expertise: Corporate team coach and facilitator, developer of leaders and managers, in major corporations and government, Masters in Applied Science (RMIT), past employee Commonwealth Department of Finance and Departmentt of Defence.	-
Anita Jane Bailetti	Occupation: Management consultant  Qualifications, experience and expertise: Past owner and manager at Doc Adams Wines, Bachelor of Management, Bachelor of Commerce, Member of the Institute of Chartered Accountants.	
Daniel John Roach	Occupation: Lawyer  Qualifications, experience and expertise: Bachelor of Laws and Legal Practise and a Bachelor of Biotechnology. Previously worked for a mid-tier commercial law firm for banking and finance providers and as in-house counsel for a state government agency and a venture capital fund.	-
Karyn Joy Thomas	Occupation: Business consultant  Qualifications, experience and expertise: Graduate of Australian Institute of Company Directors (GAICD), Bachelor of Information Technology (Business Computing & HR), Master of Business Administration (MBA) at University of Adelaide. Business consultant providing advisory services on data management, data governance, business strategy and business development. Past owner of Breeze IT with 24 years business and IT experience. Has business development experience including starting a Software Distribution business with successful	3,000

	sale/dissolution. Past Tour Down Under Co-ordinator for Willunga Business and Tourism Association.	
Juan Edward Smith	Occupation: Architectural draftsman	-
	Qualifications, experience and expertise: Masters in Project Management, Professional Management Certificate, past experience in Space Management, Project Management, Architectural Drafting and as a tutor in CAD design, member Toastmasters and Southern Men's Gathering.	
Jordan Daniel Corfield-Higgins	Occupation: Console operator	-
	Qualifications, experience and expertise: volunteer for the Onkaparinga Youth committee, Onkaparinga Australia Day awards committee and the Fleurieu Folk Festival.	
Marissa Anne Harvey	Occupation: Book keeper and business services provider	-
	Qualifications, experience and expertise: Diploma of Accounting, Diploma of Financial Planning, Member of Association of Accounting Technicians. Member of a local community sporting organisation.	
Robert Joe Van Der Kamp	Occupation: Service manager	30,000
	Qualifications, expertise and experience: Senior Management role in marine and automotive private companies, and Director of private companies.	
Emily Catherine Livingston	Occupation: Graduate solicitor	-
	Qualifications, expertise and experience: Bachelor of Law and Bachelor of Environmental Policy and Management from University of Adelaide. Graduate Diploma of Legal Practice. Full time	

	Solicitor at Sothern Coast Legal.	
Barry Kym McHugh	Occupation: Presiding member and/or member of many Local Government / State Government and National Bodies and committees. Former Mayor of Alexandrina Council for 19.5 years.	1,667
Elizabeth Mary Williams	Occupation: Accountant  Qualifications, expertise and experience: Certified Practicing Accountant (CPA), Master of Business (Accountancy), current senior management role in local government	-
Lauren McKee	Occupation:  Qualifications, expertise and experience: Bachelor of Business (Administrative Management), Graduate and Member of Australian Institute of Company Directors, Secretary of Alexandrina Inc, career in operations and business management.	-
Carol Gaston	Occupation: Director  Qualifications, expertise and experience: B. App.Sc, B. Ed (Admin), Grad Dip Env Studies, FAICD, retired Director ECH, retired Director ACHA, provision Audit & Risk Committee, provision of health services and planning consultation at state, national and international level.	7,000

The current branch manager of Fleurieu and AlexInvest is Samantha Bitter. The branch manager will remain unchanged.

Samantha Bitter has 20 years' experience in the banking industry, including 15 with Bendigo and Adelaide Bank in a variety of roles from Branch Manager, Insurance and Investments to Sales Lead roles, coaching and mentoring customer facing staff to execute sales strategies and develop high performing teams. This includes exposure to a number of key roles within Retail Banking from Regional Manager, Retail Operations Manager and Change Management. Following a period of secondment to the Fleurieu area, Samantha is now employed by Fleurieu and oversees all locations across the Fleurieu area operated by Fleurieu and AlexInvest, with a total staff of 11. Samantha works closely with both boards and directors.

## 5 Risk factors

There are a number of potential risks specifically relating to the Proposed Merger. These include:

- (a) AlexInvest or Fleurieu failing to obtain the necessary shareholder approvals;
- (b) either AlexInvest or Fleurieu ending the Transaction Agreement (as discussed in section 2.5(a) above);
- (c) the benefits of the Proposed Merger not being realised upon implementation of the Proposed Merger or the Proposed Merger adversely impacting either of the businesses of AlexInvest or Fleurieu;
- (d) Fleurieu's current intention for the Merged Entity includes operating the Goolwa branch of AlexInvest as a standalone branch. Fleurieu may decide in the future to cease operating the AlexInvest branch;
- (e) Fleurieu may be overvalued relative to AlexInvest and the ratio of shares received by AlexInvest shareholders may be too low; and
- (f) the community in Goolwa may be less committed to banking with the branch when it becomes owned by Fleurieu, notwithstanding that the former shareholders of AlexInvest become members of Fleurieu and the Board of the Merged Entity includes directors from both companies.

Upon the successful implementation of the Proposed Merger, the current AlexInvest shareholders will become shareholders of Fleurieu. The collective interest that shareholders of AlexInvest will acquire in the Merged Entity is approximately 26.7%, whilst shareholders of Fleurieu will hold approximately 73.3% of the Merged Entity. This will dilute the shareholders of AlexInvest's interest and their collective influence on the operations of the Merged Entity compared to their influence over the operations of AlexInvest.

AlexInvest shareholders should be aware of both the general and specific risks which may affect Fleurieu and the value of its securities. Some of the potential risks associated with an investment in Fleurieu are set out in section 5 of the Prospectus, and in Appendix 5. This list is not exhaustive and AlexInvest shareholders should consult their professional advisers to ensure they are fully informed.

## 6 Tax implications

A letter from PKF Melbourne Pty Ltd is set out in Appendix 7 to this Explanatory Statement containing general statements of the tax consequences associated with the Proposed Merger, which should be carefully considered by AlexInvest shareholders.

It is emphasised that tax consequences can vary according to the particular circumstances of each AlexInvest shareholder, and each AlexInvest shareholder should consult their own tax adviser as to the consequences of having their Shares cancelled.

## 7 Specific information relevant to each resolution

### 7.1 Resolution 1 – Proposed merger with Fleurieu

Independent of the approvals necessary in respect of the procedural elements of the Proposed Merger, there is no legal requirement to seek the approval of the AlexInvest shareholders to undertake the Proposed Merger. Resolution 1 of the Notice of General Meeting is therefore a non-binding, advisory resolution intended to provide AlexInvest shareholders with a reasonable opportunity to ask about or make comments on the Proposed Merger.

If this advisory resolution is not passed, the Directors intend to end the Transaction Agreement and not proceed with the Proposed Merger.

## **7.2 Resolution 3 – Issue of 790,477 ordinary shares in AlexInvest to Fleurieu**

Under section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company or an unlisted company with more than 50 members if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of that person which results in that person's (or someone else's) voting power in the company increasing:

- from 20% or below to more than 20%; or
- from a starting point of above 20% and below 90%.

Section 611 of the Corporations Act sets out various exceptions to the prohibition contained in section 606(1) of the Corporations Act, including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (see item 7, section 611 of the Corporations Act).

AlexInvest will issue 790,477 Shares to Fleurieu in consideration of Fleurieu issuing 263,492 fully paid, ordinary shares (being the Consideration Shares) to AlexInvest. The value of the Fleurieu shares to be issued reflects the value of AlexInvest. Accordingly, the shares to be issued by AlexInvest in consideration of receiving the Fleurieu shares are equivalent to the value of AlexInvest. The shares issued by AlexInvest will represent 50% of the total shares on issue in AlexInvest and replace the shares that will be cancelled if the Proposed Merger is approved.

The issue of 790,477 Shares to Fleurieu may contravene the prohibition contained in section 606(1) of the Corporations Act unless approved by a resolution passed at a general meeting of AlexInvest.

The following information is provided for the purposes of item 7, section 611 of the Corporations Act:

- Fleurieu will be acquiring the Shares.
- Fleurieu's voting power in AlexInvest will increase from zero to 50%.
- Fleurieu does not have any associates for the purposes of item 7, section 611 of the Corporations Act.

The Directors consider that the following information is also relevant to deciding how to vote on Resolution 3:

- It is anticipated that the Proposed Merger will be completed on 5 October 2020.
- The material terms of the Proposed Merger are set out in section 2 of this Explanatory Statement and section 1.1 of the Prospectus.
- AlexInvest and Fleurieu have entered into the Transaction Agreement, which sets out each party's obligations in respect of the implementation of the Proposed Merger. The Transaction Agreement is conditional upon, among other things, the resolutions set out in the Notice of General Meeting being passed. Further information about the Transaction Agreement is set out in section 2.5(a) of this Explanatory Statement.
- The reasons for the Proposed Merger are set out in section 2.2 of this Explanatory Statement.
- Fleurieu's intentions in respect of AlexInvest are set out in section 2.4 of this Explanatory Statement.

- Information about Fleurieu's dividend policy is set out in section 6.1.8 of the Prospectus.
- Information regarding the board of Fleurieu following the Proposed Merger is discussed in section 4 of this Explanatory Statement.

The Independent Expert's Report sets out a detailed examination of the Proposed Merger. The Independent Expert's Report concludes that the Proposed Merger is fair and reasonable.

AlexInvest shareholders are urged to read carefully the Independent Expert's Report to understand the scope of the report, the sources of information and assumptions made.

If Resolution 3 of the Notice of General Meeting is not passed by the required majority of AlexInvest shareholders, the Directors intend to end the Transaction Agreement and not proceed with the Proposed Merger.

### 7.3 Resolution 4 – Alteration to the Constitution

In order to implement the Proposed Merger, some alterations to the Constitution of AlexInvest are necessary.

The Constitution of AlexInvest currently includes the following.

- A person must not have a "prohibited shareholding interest" (see Rule 9 of the Constitution). There are a number of circumstances in which a "prohibited shareholding interest" may arise, including where a person controls or owns 10% or more of the Shares, or where a person does not, in the opinion of the Board, have a close connection to the community or communities in which the Community Bank® Fleurieudominantly carries on business.
- On a show of hands or a poll, each AlexInvest shareholder attending the meeting has one vote, regardless of the number of Shares held (see Rule 45 of the Constitution).

As the acquisition of Shares by Fleurieu would give rise to a "prohibited shareholding interest", it is proposed that the Constitution be altered to remove this restriction. Rule 45 of the Constitution will also be amended so that each AlexInvest shareholder may cast one vote per Share held. This will allow AlexInvest shareholders, including Fleurieu, to vote on Resolution 6 of the Notice of General Meeting in proportion to their economic interest in AlexInvest.

It is important to note that following completion of the Proposed Merger, AlexInvest will be a wholly-owned subsidiary of Fleurieu. The constitution of Fleurieu will continue to have the "prohibited shareholding interest" provisions and the one vote per member provisions. Further information about the provisions of the constitution of Fleurieu and the rights attaching to the Consideration Shares is set out in section 6.2 of the Prospectus.

In addition, a new rule – Rule 34A – will be inserted to allow AlexInvest to reduce its share capital by way of distributing its assets (which may include securities in another entity, such as the Consideration Shares to be issued to AlexInvest). The Constitution will be amended to provide that where AlexInvest reduces its share capital through the distribution of securities in another corporation, each AlexInvest shareholder is taken to have approved to become a member of that corporation, agreed to be bound by the constitution of such corporation and appoint each Director and secretary of AlexInvest as their agent and attorney for the purposes of, among other things, signing share transfer forms. This amendment will, subject to the Capital Reduction Resolutions being passed, allow AlexInvest to distribute the Consideration Shares to the AlexInvest shareholders (other than Fleurieu), and AlexInvest will be entitled to agree, on behalf of each AlexInvest shareholder, to become a member of Fleurieu and to execute the share transfer forms for the Consideration Shares to be distributed to the AlexInvest shareholders.

If Resolution 4 of the Notice of General Meeting is not passed by the required majority of AlexInvest shareholders, the Directors intend to end the Transaction Agreement and not proceed with the Proposed Merger.

#### **7.4 Resolution 5 – Increase the maximum number of Directors**

In order to implement the Proposed Merger, it is necessary to increase the maximum number of Directors permitted by the Constitution.

The Constitution of AlexInvest currently includes the following:

- The number of Directors (not including Alternate Directors) must be not less than three nor more than ten unless otherwise determined by general meeting. Each Director is to be a natural person (see Rule 51 of the Constitution).

As all directors of AlexInvest and Fleurieu are proposed to become directors of both AlexInvest and Fleurieu, it is proposed that the maximum number of Directors be increased from ten to fifteen.

#### **7.5 Resolutions 2 and 6 of the Notice of General Meeting – Selective capital reduction and share cancellation**

The capital reduction is to be effected by a selective reduction. Under the Corporations Act, two resolutions will need to be considered at the General Meeting:

- Under section 256C(2)(a) of the Corporations Act, the selective capital reduction must be approved by a special resolution passed at a general meeting of AlexInvest (see Resolution 6 of the Notice of General Meeting). The Corporations Act requires that any votes cast in favour of this resolution by a person who will directly benefit by the reduction of capital or by their associates must be disregarded. At the time Resolution 6 is considered at the General Meeting, Fleurieu will be an AlexInvest shareholder and Fleurieu's representative will be in attendance at the General Meeting. As such, votes cast in favour of this resolution by all AlexInvest shareholders other than Fleurieu will be disregarded. However, these AlexInvest shareholders may vote against this resolution or abstain.
- As the reduction involves the cancellation of shares, section 256(2) of the Corporations Act also requires that the reduction be approved by special resolution passed at a meeting of the AlexInvest shareholders whose shares are to be cancelled. At the time Resolution 2 is considered at the General Meeting, Fleurieu will not be a AlexInvest shareholder and Fleurieu's representative will not be present at the General Meeting. As such, votes may be cast in favour of Resolution 2 by all AlexInvest shareholders.

If the Capital Reduction Resolutions are approved by the AlexInvest shareholders in accordance with section 256C of the Corporations Act, this will result in all of the Shares other than those held by Fleurieu being cancelled, leaving Fleurieu as the sole AlexInvest shareholder (that is to say, AlexInvest will become a wholly-owned subsidiary of Fleurieu).

As consideration for the cancellation of the Shares held by all AlexInvest shareholders other than Fleurieu, AlexInvest will distribute to the AlexInvest shareholders (other than Fleurieu) the Consideration Shares on a pro rata basis (that is to say, the AlexInvest shareholders will become shareholders of Fleurieu and will not hold any Shares in AlexInvest).

Based on ASIC Regulatory Guide 188, the invitation to vote on the Capital Reduction Resolutions constitutes an offer to transfer shares in Fleurieu for the purposes of the Corporations Act, which requires the issue of a prospectus. Accordingly, Fleurieu has prepared and lodged with ASIC the Prospectus under Chapter 6D of the Corporations Act in order to satisfy Corporations Act and

ASIC requirements. The Prospectus is set out in Appendix 6 to this Explanatory Statement. AlexInvest recommends that all AlexInvest shareholders read the Prospectus carefully, in conjunction with the Notice of General Meeting and Explanatory Statement.

If Resolution 2 of the Notice of General Meeting is not passed by the required majority of AlexInvest shareholders, the Directors intend to end the Transaction Agreement and not proceed with the Proposed Merger.

If Resolution 6 of the Notice of General Meeting is not passed by the required majority of AlexInvest shareholders, the Directors intend to:

- (a) end the Transaction Agreement and not proceed with the Proposed Merger; and
- (b) take all steps necessary to reverse the effect of Resolutions 3 and 4, including seeking shareholder approvals needed to:
  - (i) cancel the Shares issued to Fleurieu in accordance with Resolution 3; and
  - (ii) amend the Constitution so that it takes the form it took before the changes made by Resolution 4; and
  - (iii) reduce the maximum number of Directors so that it equals the number before the increase made by Resolution 5.

## **8 Fleurieu consent**

This Notice of General Meeting contains statement made by, or statements said to be based on statements made by Fleurieu and Fleurieu's Directors. Fleurieu and each of Fleurieu's Directors has consented to the inclusion of each statement he or she has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Notice of General Meeting.

## **9 Board's recommendation**

For the reasons set out in this Explanatory Statement and in particular the reasons and benefits set out in section 2.2 of this Explanatory Statement, the Directors unanimously recommend that:

- (a) the AlexInvest shareholders vote in favour of Resolutions 1, 2, 3, 4 and 5 of the Notice of General Meeting; and
- (b) the AlexInvest shareholders (other than Fleurieu) do not vote on Resolution 6 of the Notice of General Meeting.

The Independent Expert has concluded that the Proposed Merger is fair and reasonable to the existing AlexInvest shareholders.

## **10 How to vote**

If you are entitled to vote at the General Meeting, you may vote by attending the General Meeting in person or by attorney, proxy or, in the case of corporate AlexInvest shareholders, corporate representative.

For the purposes of Resolutions 1 to 5 of the Notice of General Meeting, AlexInvest shareholders will be taken to be persons who are registered holders of the Shares at the start of the General Meeting.

For the purposes of Resolution 6 of the Notice of General Meeting, AlexInvest shareholders will be taken to be persons who are registered holders of the Shares when the General Meeting is reconvened following the adjournment contemplated in the Notice of General Meeting.

## 10.1 Voting by proxy

A AlexInvest shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote at the General Meeting on the AlexInvest shareholder's behalf. A proxy need not themselves be a AlexInvest shareholder.

To be valid, the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by AlexInvest no later than 7.30pm on Wednesday, 16 September 2020.

Proxy Forms can be submitted in four ways:

- by **mail** to P.O Box 2405, Goolwa SA 5214; or
- by **facsimile** to (08) 8555 0508; or
- by **hand** to 33 Hutchison Street, Goolwa SA 5214; or
- by **email** to [secretary@alexinvest.com.au](mailto:secretary@alexinvest.com.au).

Instructions on how to complete a Proxy Form are on the reverse of the Proxy Form set out in Appendix 8 of this Explanatory Statement.

If a Proxy Form is signed by an attorney, a shareholder must also send with the Proxy Form an original or a certified copy of the power of attorney or other authority under which the Proxy Form is signed.

## 10.2 Undirected proxies

The Chair of the General Meeting intends to vote undirected proxy votes in favour of all resolutions other than Resolution 6 (in which case the Chair will abstain).

## 10.3 Voting by corporate representative

A shareholder or proxy which is a corporation and entitled to attend and vote at the General Meeting may appoint an individual to act as its corporate representative to vote at the General Meeting. The appointment must comply with section 250D of the Corporations Act. The representative must bring to the General Meeting evidence of his or her appointment unless it has previously been provided to the secretary of AlexInvest.

## 10.4 Voting by attorney

A AlexInvest shareholder entitled to attend and vote at the General Meeting is entitled to appoint an attorney to attend and vote at the General Meeting on the shareholder's behalf. An attorney need not themselves be a AlexInvest shareholder.

The power of attorney appointing the attorney must be signed and specify the name of the AlexInvest shareholder and the attorney, and also specify the meeting/s at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must also be returned in the same manner, and by the same time, as specified for a Proxy Form in section 10.1 of this Explanatory Statement.

## 11 Queries

Any queries in respect of the Notice of General Meeting, this Explanatory Statement or the Proposed Merger should be directed to Kym McHugh (Chairman) by phone on 0419 817 134 or by email at [kym.mchugh4finniss@bigpond.com](mailto:kym.mchugh4finniss@bigpond.com).

## 12 Glossary

The meanings of the terms used in the Notice of General Meeting and this Explanatory Statement

are set out below.

<b>Term</b>	<b>Meaning</b>
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Bendigo Bank</b>	Bendigo and Adelaide Bank Limited (ABN 11 068 049 178).
<b>Board</b>	the board of directors of AlexInvest.
<b>Capital Reduction</b>	the selective capital reduction involving the cancellation of all Shares (other than those to be issued to Fleurieu) as further described in the Explanatory Statement.
<b>Capital Reduction Resolutions</b>	Resolutions 2 and 5 of the Notice of General Meeting.
<b>Consideration Shares</b>	263,492 fully paid shares to be issued to AlexInvest by Fleurieu (which will be in turn distributed by AlexInvest to its shareholders) in consideration for the issue of 790,477 Shares by AlexInvest to Fleurieu.
<b>Constitution</b>	the constitution of AlexInvest.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Director</b>	a director of AlexInvest.
<b>Explanatory Statement</b>	the explanatory statement to the Notice of General Meeting setting out an explanation of the resolutions to be considered by AlexInvest shareholders at the General Meeting.
<b>Fleurieu</b>	Fleurieu Community Enterprises Limited (ACN 116 550 157).
<b>Independent Expert</b>	RSM Australia
<b>Independent Expert's Report</b>	the report prepared by the Independent Expert and stating whether the Proposed Merger fair and reasonable to the existing AlexInvest shareholders, a copy of which is set out in Appendix 1 to the Explanatory Statement.
<b>General Meeting</b>	the general meeting of AlexInvest to be held at 7.30pm on 18 September 2020.
<b>Merged Entity</b>	Fleurieu and its subsidiary following implementation of the Proposed Merger (when AlexInvest will be a wholly owned subsidiary of Fleurieu).
<b>Notice of General Meeting</b>	the notice of the General Meeting, including the Explanatory Statement and Proxy Form.
<b>Proposed Merger</b>	the transaction which will result in AlexInvest becoming a wholly-owned subsidiary of Fleurieu and the AlexInvest shareholders (other than Fleurieu) becoming shareholders of Fleurieu as further described in section 2 of this Explanatory Statement.
<b>Prospectus</b>	the prospectus prepared by Fleurieu and set out in Appendix 6.
<b>Proxy Form</b>	the proxy form contained in Appendix 8.
<b>Record Date</b>	the date on which the identity of the AlexInvest shareholders and their respective entitlements to shares in Fleurieu is determined, being 18 September 2020.

Term	Meaning
<b><i>Register</i></b>	the register of members of AlexInvest maintained by or on behalf of AlexInvest under section 168(1) of the Corporations Act.
<b><i>Share</i></b>	an issued fully paid share in the capital of AlexInvest.
<b><i>Transaction Agreement</i></b>	the agreement entered into on 7 November 2019 by AlexInvest and Fleurieu in respect of the Proposed Merger.

## **Appendix 1 – Independent Expert's Report**

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## Appendix 2 - Balance Sheet

The following are set out in the table below:

- the reviewed balance sheet of Fleurieu for the half financial year ended 31 December 2019;
- the reviewed balance sheet of AlexInvest for the half financial year ended 31 December 2019; and
- the pro-forma unaudited consolidated balance sheet of Fleurieu assuming implementation of the Proposed Merger on the balance sheet date.

	Actual reviewed balance sheet for Fleurieu as at 31 December 2019	Actual reviewed balance sheet for AlexInvest as at 31 December 2019	Adjustments	Pro forma unaudited balance sheet for Fleurieu assuming Proposed Merger completes
	\$	\$		\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash assets	232,004	601		232,605
Trade and other receivables	71,090	39,996		111,086
<b>Total current assets</b>	<b>303,094</b>	<b>40,597</b>		<b>343,691</b>
<b>Non-current assets</b>				
Property, plant and equipment	136,921	115,125		252,046
Right of use assets	24,177	162,517		186,694
Intangible assets	17,908	15,816		33,724
Deferred tax asset	97,809	325,737		423,546
<b>Total non-current assets</b>	<b>276,815</b>	<b>619,195</b>		<b>896,010</b>
<b>Total assets</b>	<b>579,909</b>	<b>659,792</b>		<b>1,239,701</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	65,686	70,133		135,819
Lease Liabilities	8,266	28,675		36,941

Borrowings	-	404,226	(363,803)	40,423
Provisions	20,284	20,125		40,409
<b>Total current liabilities</b>	<b>94,236</b>	<b>523,159</b>		<b>253,592</b>
<b>Non-current liabilities</b>				
Lease Liabilities	10,903	199,142		210,045
Borrowings	-	-	363,803	363,803
Provisions	77,576	26,054		103,630
<b>Total non-current liabilities</b>	<b>88,479</b>	<b>225,196</b>		<b>677,478</b>
<b>Total liabilities</b>	<b>182,715</b>	<b>748,355</b>		<b>931,070</b>
<b>Net assets</b>	<b>397,194</b>	<b>(88,563)</b>		<b>308,631</b>
<b>EQUITY</b>				
Issued capital ordinary shares of \$1 each	724,815	774,626		1,499,441
Accumulated losses	(327,621)	(863,189)		(1,190,810)
<b>Total equity</b>	<b>397,194</b>	<b>(88,563)</b>		<b>308,631</b>

Notes:

- It is assumed that as a part of the Proposed Merger, the existing overdraft facility AlexInvest has with Bendigo Bank will be replaced by a term loan.
- It is expected that the loan mentioned above is interest free and repayable over 10 years.
- In the HY20 financial report, AlexInvest has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16:Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019 (in the amount of \$60,784). Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

## Appendix 3 - Income Statements

### Audited Income Statements

The following are set out in the table below:

- the audited profit and loss statement of Fleurieu for the 3 financial years preceding the date of this Prospectus;
- the audited profit and loss statement of AlexInvest for the 3 financial years preceding the date of this Prospectus; and
- the pro-forma unaudited consolidated profit and loss statement of Fleurieu for the 3 financial years preceding the date of this Prospectus assuming implementation of the Proposed Merger as at the beginning of each financial year.

	2019				2018				2017			
	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInve-st	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue from ordinary activities	679,927	414,274		1,094,201	669,390	356,698		1,026,088	673,556	369,855		1,043,411
Salaries and employee benefits expense	(294,351)	(176,861)		(471,212)	(310,398)	(152,322)		(462,720)	(369,006)	(247,723)		(616,729)
Charitable donations, sponsorships, advertising and promotion	(65,796)	(13,878)		(79,674)	(42,352)	(31,905)		(74,257)	(36,750)	(17,858)		(54,608)
Occupancy and associated costs	(93,531)	(44,995)		(138,526)	(95,689)	(43,869)		(139,558)	(90,086)	(41,421)		(131,507)

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	2019				2018				2017			
	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInve st	Adjust- ments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
Depreciation and amortisation expense	(27,366)	(21,072)		(48,438)	(27,005)	(21,610)		(48,615)	(31,505)	(22,647)		(54,152)
Systems costs	(22,128)	(31,995)		(54,123)	(26,513)	(29,967)		(56,480)	(31,541)	(29,827)		(61,368)
Finance costs	-	-		-	(175)	-		(175)	-	(85)		(85)
General and administration expenses	(94,193)	(74,789)		(168,982)	(81,344)	(72,921)		(154,265)	(80,570)	(72,636)		(153,206)
Profit (Loss) before income tax expense	82,562	50,684		133,246	85,914	4,104		90,018	34,098	(62,342)		(28,244)
Income tax credit (expense)	(22,784)	299,233		276,449	(23,610)	-		(23,610)	113,785	-		113,785
Profit (Loss) after income tax credit (expense)	59,778	349,917		409,695	62,304	4,104		66,408	147,883	(62,342)		85,541
Earnings per share	c	c	c	c	c	c	c	c	c	c	c	c
Earnings per share for the period	8.25	44.27		41.45	8.60	0.52		6.72	20.40	(7.89)		8.66
Dividends paid or provided for	28,993	-		28,993	28,993	-		28,993	-	-		-

### Half year income statements

The following are set out in the tables below:

- the reviewed profit and loss statement of Fleurieu for the half years ended 31 December 2019 and 31 December 2018;
- the reviewed profit and loss statement of AlexInvest for the half years ended 31 December 2019 and 31 December 2018;
- the pro-forma unaudited consolidated profit and loss statement of Fleurieu for the half years ended 31 December 2019 and 31 December 2018 assuming implementation of the Proposed Merger as at the beginning of each financial year.

	Half Year to 31 December 2019				Half Year to 31 December 2018			
	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue from ordinary activities	322,479	208,471		530,950	342,765	192,214		534,979
Salaries and employee benefits expense	(223,815)	(131,961)		(355,776)	(138,414)	(78,368)		(216,782)
Charitable donations, sponsorships, advertising and promotion	(27,909)	(9,048)		(36,957)	(35,024)	(2,418)		(37,442)
Occupancy and associated costs	(46,908)	(3,270)		(50,178)	(44,389)	(22,199)		(66,588)
Depreciation and amortisation expense	(19,106)	(23,090)		(42,196)	(13,746)	(10,478)		(24,224)
Systems costs	(12,334)	(15,592)		(27,926)	(11,097)	(16,117)		(27,214)
Finance costs	(1,257)	(6,268)		(7,525)	-	-		-
General and administration	(42,466)	(31,777)		(74,243)	(51,634)	(39,031)		(90,665)

	Half Year to 31 December 2019				Half Year to 31 December 2018			
	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
expenses								
<b>Profit (Loss) before income tax expense</b>	<b>(51,316)</b>	<b>(12,535)</b>		<b>(63,851)</b>	<b>48,461</b>	<b>23,603</b>		<b>72,064</b>
Income tax credit (expense)	14,112	3,448		17,560	(13,406)	306,771		293,365
<b>Profit (Loss) after income tax credit (expense)</b>	<b>(37,204)</b>	<b>(9,087)</b>		<b>(46,291)</b>	<b>35,055</b>	<b>330,374</b>		<b>365,429</b>
<b>Earnings per share</b>	<b>c</b>	<b>c</b>	<b>c</b>	<b>c</b>	<b>c</b>	<b>c</b>	<b>c</b>	<b>c</b>
Earnings per share for the period (cents)	(5.13)	(1.15)		(4.68)	4.84	41.79		36.98
Dividends paid or provided for (cents per share)	-				28,993	-		28,993

## Appendix 4 - Cash Flow Statements

## Audited cash flow statements

The following are set out in the table below:

- the audited cash flow statement of Fleurieu Community Enterprises Limited for the 3 financial years preceding the date of this Explanatory Statement; and
- the audited cash flow statement of AlexInvest Community Services Limited for the 3 financial years preceding the date of this Explanatory Statement; and
- the pro-forma unaudited consolidated cash flow statement of Fleurieu Community Enterprises Limited for the 3 financial years preceding the date of this Explanatory Statement assuming implementation of the Proposed Merger at the beginning of each financial year

Explanatory Statement assuming implementation of the Proposed Merger at the beginning of each financial year												
	2019				2018				2017			
	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash flow from operating activities												
Receipts from customers	756,179	447,045		1,203,224	732,174	401,989		1,134,163	727,333	401,739		1,129,072
Payment to suppliers and employees	(628,187)	(384,734)		(1,012,921)	(627,759)	(357,237)		(984,996)	(662,869)	(449,908)		(1,112,777)
Interest received	881	-		881	392	-		392	2,691	-		2,691
Interest/(paid)	-	-		-	(175)	-		(175)	-	(85)		(85)
Net cash provided by	128,873	62,311		191,184	104,632	44,752		149,384	67,155	(48,254)		18,901

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	2019				2018				2017			
	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
operating activities												
Cash flows from investing activities												
Payments for property, plant and equipment	(1,746)	(3,336)		(5,082)	-	(1,202)		(1,202)	-	-		-
Payments for intangible assets	(13,651)	(13,556)		(27,207)	(13,651)	(13,556)		(27,207)	(36,301)	(13,556)		(49,857)
Net cash used in investing activities	(15,397)	(16,892)		(32,289)	(13,651)	(14,758)		(28,409)	(36,301)	(13,556)		(49,857)
Cash flows from financing activities												
Dividends paid	(28,993)	-		(28,993)	(28,993)	-		(28,993)	-	-		-
Net cash used in financing activities	(28,993)	-		(28,993)	(28,993)	-		(28,993)	-	-		-
Net increase in cash held	84,483	45,419		129,902	61,988	29,994		91,982	30,854	(61,810)		(30,956)
Cash and cash	178,150	(476,163)		(298,013)	116,162	(506,157)		(389,995)	85,308	(444,347)		(359,039)

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	2019				2018				2017			
	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
equivalents at the beginning of the financial year												
Cash and cash equivalents at the end of the financial year	262,633	(430,744)		(168,111)	178,150	(476,163)		(298,013)	116,162	(506,157)		(389,995)

### Half-year Year Cash flow Statements

The following are set out in the tables below:

- the reviewed cash flow statement of Fleurieu for the half years ended 31 December 2019 and 31 December 2018;
- the reviewed cash flow statement of AlexInvest for the half years ended 31 December 2019 and 31 December 2018;
- the pro-forma unaudited consolidated cash flow statement of Fleurieu for the half years ended 31 December 2019 and 31 December 2018 assuming implementation of the Proposed Merger at the beginning of each financial year.

	Half Year ended 31 December 2019				Half Year ended 31 December 2018			
	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cash flow from operating activities</b>								
Receipts from customers	339,620	208,732		548,352	374,732	190,286		565,018
Payment to suppliers and employees	(366,771)	(162,445)		(529,216)	(319,579)	(152,348)		(471,927)
Lease payments (interest component)	(515)	(5,643)		(6,158)	-	-		-
Interest received	1,024	(188)		836	407	-		407
<b>Net cash provided by operating activities</b>	<b>(26,642)</b>	<b>40,456</b>		<b>13,814</b>	<b>55,560</b>	<b>37,938</b>		<b>93,498</b>
<b>Cash flows from investing activities</b>								

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	Half Year ended 31 December 2019				Half Year ended 31 December 2018			
	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
Payments for property, plant and equipment	-	-		-	(1,746)	(1,747)		(3,493)
Net cash used in investing activities	-	-		-	(1,746)	(1,747)		(3,493)
Cash flows from financing activities								
Lease payments (principal component)	(3,987)	(13,337)		(17,324)	-	-		
Dividends paid	-	-		-	(28,993)	-		(28,993)
Net cash used in financing activities	(3,987)	(13,337)		(17,324)	(28,993)	-		(28,993)
Net increase in cash held	(30,629)	27,119		(3,510)	24,821	36,191		61,012
Cash and cash equivalents at the beginning of the financial year	262,633	(430,744)		(168,111)	178,150	(476,163)		(298,013)
Cash and cash equivalents at the end of the half- year	232,004	(403,625)		(171,621)	202,971	(439,972)		(237,001)

## Appendix 5 - Risks

Franchise agreement with Bendigo Bank		
Fleurieu has entered into a new franchise agreement with Bendigo Bank, which is subject to and conditional upon completion of the Proposed Merger. The franchise agreement is the foundation of Fleurieu's business. There are a number of potential risks relating to the franchise agreement, as discussed in items 1 to 6 below.		
1.	Single purpose entity	<p>Fleurieu's only business will be conducting a retail branch operation that is offering and selling products and services offered by a Bendigo and Adelaide Group entity or other products and services made available by Bendigo Bank.</p> <p>It may not do anything else unless Bendigo Bank agrees. For example, Fleurieu must not own or lease any assets or incur any liability unless Bendigo Bank agrees (except for assets and liabilities relating to the conduct of the branches at Aldinga and Goolwa and the customer service centre at Willunga or management of Fleurieu). Fleurieu must not enter into any agreement with a term of 3 years or more or a value of over \$100,000 unless Bendigo Bank agrees.</p> <p>In addition, it is unlikely that Fleurieu will be able to earn revenue outside the operation of its existing Community Bank branches and so Fleurieu's success will be dependent on those operations.</p> <p>Further, many of Fleurieu's business decisions are subject to the approval of Bendigo Bank. This includes the products and services made available by Fleurieu, and the annual budgets and the credit business generated through the branches.</p> <p>It is clear that Fleurieu and Bendigo Bank have a common interest in the success of Fleurieu. For this reason, communication between Fleurieu and Bendigo Bank will be critical to making sure that Bendigo Bank understands the particular circumstances of Fleurieu and that it has this information in making decisions about Fleurieu.</p>
2.	Financial return	The franchise agreement sets out three forms of revenue that may be earned by Fleurieu. These are margin, commission and fee income. There are limited circumstances in which Bendigo Bank can make a change to financial return.
3.	Limited term of franchise	<p>The franchise agreement is for a term of five years starting on completion of the Proposed Merger. Fleurieu may elect to renew the relationship for two additional terms of five years each, if Fleurieu meets the conditions for renewal. Fleurieu may not qualify for a renewal term. In these circumstances, the franchise will not be renewed and Fleurieu will no longer have a right to conduct its sole operations, unless Bendigo Bank agrees to waive the relevant condition.</p> <p>After the maximum possible term of 15 years, Fleurieu will have no right to conduct its operations, unless Bendigo Bank agrees to renew the relationship. Bendigo Bank may choose not to agree, or to agree on conditions.</p>
4.	Ending the franchise agreement	<p>Bendigo Bank has the right to end the franchise agreement in the cases set out in the franchise agreement. Examples include if Fleurieu is insolvent, fraudulent, conducts the business in a way that endangers public health or safety, or if Fleurieu breaches the franchise agreement and the breach is a material breach.</p> <p>The franchise agreement sets out the relevant timeframes and notice requirements that apply in different cases where Bendigo Bank may end the agreement.</p> <p>In some cases, the franchise agreement may continue for some sites but not others.</p> <p>At the date of the Notice of General Meeting, Bendigo Bank has not ended the franchise relationship with a Community Bank company under these provisions.</p>
5.	Effect of	When the franchise agreement ends, all rights given to Fleurieu end. Fleurieu must

	<b>franchise agreement ending (including if it is not renewed)</b>	<p>leave the sites occupied by it and give Bendigo Bank possession of all sites. However, in some cases, the franchise agreement may end for some sites and not others. In that case, rights in relation to the sites staying open continue.</p> <p>Fleurieu is not entitled to a refund for money spent or to any compensation for goodwill in relation to the Community Bank branches. If Bendigo Bank chooses to buy any equipment and fittings, it must pay Fleurieu the written down value of the item in Fleurieu accounts.</p> <p>If Fleurieu asks to renew the franchise relationship for some, but not all, sites, the rights given to Fleurieu in respect of the sites not renewed end. The consequences set out above apply equally to those sites which Fleurieu has chosen not to renew. The franchise agreement continues to apply for the renewed sites.</p>
6.	<b>Losses and claims</b>	<p>Fleurieu is responsible for losses incurred by Fleurieu, Bendigo Bank and other companies in the Bendigo and Adelaide Group as well as claims made against them in the circumstances set out in the franchise agreement. For example, Fleurieu is responsible for claims made against Bendigo Bank that arise naturally from a breach of the franchise agreement, misconduct, exercise of discretion and conduct and promotion of Fleurieu's Community Bank branches by Fleurieu.</p> <p>While no guarantee can be given, the Board believes that Fleurieu has put in place appropriate safeguards and procedures to minimise the risk of it breaching the franchise agreement, triggering other rights of Bendigo Bank to claim against it, or incurring a loss itself. Fleurieu has a Risk and Governance Committee primarily for the purpose of assessing the business's risks and recommending the implementation of mitigating activities and procedures. Directors are encouraged to undertake ongoing education that is provided by Bendigo Bank and/or a peak body such as Governance Institute of Australia. The Board aims to ensure that it comprises a good mix of skills and experience. However, there are some risks where, depending on the circumstances, Fleurieu may not be able to have much influence, for example the risk of fire or loss of cash. In both those examples, Fleurieu is required to have insurance cover.</p>
<b>Effectiveness of Fleurieu and branches</b> The success of Fleurieu and its branches will depend on a number of factors, as discussed in items 7 to 9 below.		
7.	<b>Revenue</b>	<p>The effect of the margin sharing, fees and commission arrangements is that Fleurieu bears the risk of generating sufficient revenue from the banking business to make a profit. The revenue generated is dependent on business volume and the financial return from Bendigo Bank. Whether Fleurieu achieves sufficient business volume will depend on a number of factors, including those discussed below. The financial return is dependent on the arrangements with Bendigo Bank.</p> <ul style="list-style-type: none"> <li>• <b>(Business performance of Fleurieu)</b> There is no guarantee that Fleurieu will continue to achieve the level of business experienced in the past in respect of its existing business.  In addition, there is no guarantee that Fleurieu will achieve the level of business experienced in the past in respect of the business acquired from AlexInvest.</li> <li>• <b>(Effectiveness of branch staff)</b> Like any small business, the branch managers and staff have a key role in the success of the branch in which they work. The branch managers and staff are responsible for promoting that branch, and providing a level of service and support that will result in ongoing relationships with customers. The ability of each branch manager to communicate effectively with representatives of Bendigo Bank, and represent the interests of their branch, will also be critical to the smooth operation of the branch.</li> </ul>

		<p>The branch manager of Fleurieu, and their relevant experience, is set out in section 4 of this Explanatory Statement.</p> <p>If a branch manager leaves, or branch staff are not effective or successful in developing the business, Fleurieu may not achieve the business volume to generate the revenue anticipated.</p> <ul style="list-style-type: none"> <li>• <b>(Promotional activities of the Board)</b> The success of the business is also dependent on the efforts of the Directors, who are responsible for promoting Fleurieu, its business and the Community Bank model. If the promotional activities of the Board are not effective or successful, Fleurieu may not achieve the business volumes to generate revenue anticipated.</li> </ul>
8.	<b>Expenses</b>	<p>There is a risk that Fleurieu's profitability will be impacted by higher expenses than budgeted, for example, if unexpected expenses are incurred or Fleurieu does not manage its expenses adequately.</p>
9.	<b>Sufficiency of working capital</b>	<p>The Board anticipates Fleurieu's level of working capital will be enough for Fleurieu to meet operating costs of its existing business and that of AlexInvest, which will be acquired as part of the Proposed Merger, for the short to medium term.</p> <p>On Completion of the Proposed Merger Fleurieu's overdraft facility with Bendigo Bank will reduce from \$250,000 to \$100,000. The outstanding balance of the overdraft facility that accompanies AlexInvest Community Services Limited's business will be converted to a ten year loan on interest free terms.</p> <p>There is a risk that the working capital will not be sufficient in order for Fleurieu to operate both businesses. In that case, in order to continue operating, Fleurieu would need to access additional working capital. Bendigo Bank has made working capital facilities and other support available to Community Bank companies in some cases, but makes no commitment to do so in the future, and whether it does will depend on all the circumstances at the time. Accordingly, if Fleurieu needs to access additional working capital and Bendigo Bank does not provide this support, Fleurieu would need to access additional working capital from another source.</p> <p>If that is not possible, Fleurieu could not continue to operate and, on a winding up, shareholders may not get back all or any of the money invested in either Fleurieu or AlexInvest.</p>

Insufficient revenue to make community contributions		
10.	Community contributions may not be made	<p>The community contributions made by Fleurieu and AlexInvest Limited are set out in sections 3.1(d) and 3.2(d) of this Explanatory Statement.</p> <p>The ability of the Board to make community contributions is dependent on the ongoing success of Fleurieu. If Fleurieu is not able to generate sufficient revenue and the discretionary financial contributions by Bendigo Bank end or significantly reduce, it will not be able to make community contributions or any contributions made will be minimal. If Fleurieu is not able to make community contributions, or the level of contributions is minimal, this may impact on its reputation and standing in the community, which may in turn impact on its ability to generate business.</p> <p>Before companies become profitable, these contributions are generally reliant on the discretionary contributions that Bendigo Bank makes to Community Bank companies.</p> <p>It is intended that when community contributions are made they will be made in both communities in which Fleurieu and AlexInvest currently operate.</p>

Insufficient revenue to pay dividends		
11.	Dividends may not be paid	<p>The Board intends to pay dividends to shareholders if the financial position of Fleurieu permits, after making community contributions. As noted above, a key purpose of a Community Bank company is for local communities to share in revenue generated by Fleurieu 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 or providing for dividends.</p> <p>The timing and payment of dividends is dependent on many factors which affect future profits and the financial position of Fleurieu. There is no guarantee that any dividends will be able to be paid. Dividends will be decided by the Board based on actual results, financial position, capital requirements, operating costs and economic conditions at the time, and any restrictions in the Corporations Act on the amount that can be paid.</p> <p>In addition, the purpose of Fleurieu is not simply for shareholder return and there is a limit on the profits that can be distributed to shareholders (as set out in Fleurieu's Constitution), including through dividends. Accordingly, there will also be an assessment by the Board of the needs of any worthwhile community projects, as well as working capital needs of Fleurieu.</p> <p>For information on the dividend history of Fleurieu and AlexInvest see sections 3.1(d) and 3.2(d) of this Explanatory Statement.</p>
Suitable site		
12.	Sites are not or do not remain suitable	<p>The branch location is a key component in the success of a Community Bank branch.</p> <p>Fleurieu's existing Community Bank branch is located in the main shopping strip for Aldinga, at Shop 32, 1 Pridham Boulevard, Aldinga Beach, South Australia. Its customer service centre is located on the main street of Willunga, at 9 High Street, Willunga, South Australia. It also utilises a site in a shared multi-business environment at The Meeting Place, 162 Main Street, McLaren Vale, South Australia.</p> <p>AlexInvest's existing Community Bank branch is located in the main shopping centre for Goolwa at Goolwa Shopping Centre, Hutchison Street, Goolwa, South Australia. This branch will remain.</p> <p>There is a risk that the sites from which Fleurieu will operate will not be or remain suitable and this can have a significant adverse impact on the ability of Fleurieu to generate business. For example, there may be a change in the character of the area where a branch is located and such a branch could possibly be closed or downsized.</p>

Security risks		
13.	Security risks	<p>The risk of robbery is inherent in the nature of Fleurieu's business.</p> <p>Under the franchise agreement with Bendigo Bank, Fleurieu must make sure that it follows Bendigo Bank's requirements for security and controls for the transport of cash. Fleurieu must get security and cash transport services from Bendigo Bank. It may be required to change the fitout of its sites or incur other security-related expenses that are not known at the date of the Notice of General Meeting. Fleurieu is responsible for any loss or destruction of cash. It is responsible for getting insurance for loss or destruction of cash.</p>
Economic and local conditions		
14.	Risks arising from economic and local conditions	<p>Fleurieu's business will be affected by changes in economic conditions and the competitive landscape both directly and indirectly through the effect those changes may have on Bendigo Bank. Bendigo Bank's financial performance and financial position are primarily influenced by economic conditions in Australia. This is the key factor that influences 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.</p> <p>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, including those set out below, could materially adversely affect the financial performance and financial position of Bendigo Bank and Fleurieu.</p> <ul style="list-style-type: none"> <li>• Changes in inflation and interest rates. In particular this may reduce the net interest margin achieved in Bendigo Bank's banking operations or impact the demand for loans, in particular housing loans.</li> <li>• Increasing unemployment. This is a key driver of loan defaults and declining asset growth.</li> <li>• Declines in aggregate investment and economic output in Australia or in key offshore regions.</li> <li>• Decline in asset prices, in particular housing prices, which could cause loan defaults.</li> <li>• The dislocation in credit and capital markets during the global financial crisis 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</li> </ul>

		<p>adversely impact Bendigo Bank's business, results of operations, liquidity, capital resources and financial condition.</p> <p>All of these factors impact on the financial return of Bendigo Bank and Fleurieu. This includes Fleurieu's share of margin, the commissions paid to Fleurieu and Fleurieu's share of fee income.</p> <p>Also, changes in local community conditions or the local environment could adversely affect Fleurieu's financial performance as they can significantly impact on business volumes and local economic activity.</p> <p>In addition, the development and spread of Coronavirus (COVID-19) throughout Australia has resulted in Federal Government imposed restrictions. It is uncertain how long these measures will remain in place. It is also uncertain what impact COVID-19 will have on the Australian economy and the likelihood of an economic recession or downturn, and the financial impact this will have on the Merged Entity.</p>
<b>Success of Bendigo Bank</b>		
<b>15.</b>	<b>Risk to the Bendigo Bank business and brand</b>	<p>Fleurieu will continue to operate under the Bendigo Bank name and will only provide Bendigo and Adelaide Group products and services, and other products and services made available by Bendigo Bank. Accordingly, the success of Fleurieu is, to a significant degree, dependent on the standing and success of Bendigo Bank.</p> <p>The products and services provided through Fleurieu, and the revenue that Bendigo Bank (and, accordingly, Fleurieu) 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 and local conditions and other factors on the business of Bendigo Bank. The effect of economic and local conditions on Bendigo Bank is discussed further under item 14 above ("Economic and local conditions").</p> <p>Bendigo Bank and Fleurieu are also subject to a risk that some incident beyond the control of Bendigo Bank could occur which would have the effect of reducing consumer confidence or preference for the Bendigo Bank brand, such as the occurrence of a major information security incident. The consequences of such an incident could be very significant for both Bendigo Bank and Fleurieu, including reduced revenue and loss of consumer confidence in Bendigo Bank's products and services.</p>

<b>Competition</b>		
<b>16.</b>	<b>Competition from other financial service providers, Bendigo Bank and other Bendigo Bank franchises</b>	<p>Fleurieu will face competition from other financial service providers whether located in the communities in which Fleurieu operates, or in nearby communities or from other providers that are able to deliver services remotely (for example, through the internet or over the phone). This may include competition from other branches and franchises of Bendigo Bank.</p> <p>It is also possible that, in the future, other financial service outlets (or Bendigo Bank branches or franchises) could seek to open in the same communities as Fleurieu, particularly if Fleurieu's Community Bank branches are successful. Competition from other service providers may have a material adverse impact on Fleurieu's revenue.</p>
<b>Regulatory environment</b>		
<b>17.</b>	<b>Regulatory risks</b>	<p>Although Fleurieu will not carry on a banking business, by managing a Community Bank branch of Bendigo Bank, it will be subject to the regulatory environment in which Bendigo Bank operates. In particular, decisions of the Australian Prudential and Regulatory Authority that affect Bendigo Bank may also have an impact on the business conducted by Fleurieu.</p> <p>In addition, as part of the franchise arrangement, Fleurieu Limited has been appointed as an "authorised representative" and a "credit representative" of Bendigo Bank for the purposes of carrying out the franchise operations. This brings additional compliance obligations and procedures that Fleurieu must comply with.</p> <p>Fleurieu's business may also be affected by changes to government policies, including those relating to prudential supervision, taxation and regulation of financial services industries. These changes may affect Fleurieu directly or indirectly as a result of their impact on Bendigo Bank.</p>
<b>Ability to sell Fleurieu Shares</b>		
<b>18.</b>	<b>Risk that shareholders may not be able to sell Fleurieu Shares</b>	<p>Fleurieu provides members of the community with the opportunity to share in the risks and rewards of its Community Bank branch. The community nature of Fleurieu is reflected in restrictions in its Constitution about who can be a shareholder and the number of shares in Fleurieu that a person can hold. Shareholders are required to have a "close connection" with the communities in which Fleurieu predominantly carries on business, and any shareholder or closely related person or entity must not control or own more than 10% of Fleurieu.</p> <p>As a result, there is a risk that shareholders will not be able to sell their Fleurieu Shares when they want to, at all or at a price they want.</p> <p>Fleurieu is not listed on a securities exchange. Fleurieu conducts a "low volume financial market" in its shares under the Corporations Act. A "low volume financial market" is not a licensed market. It only provides a means for those interested in buying or selling Fleurieu Shares to be brought into contact with each other. Fleurieu can inform potential sellers and buyers of</p>

		<p>the number of Fleurieu Shares participants are interested in buying or selling, and the price at which they are interested in buying or selling.</p> <p>There is no mechanism for the formation of contracts between buyers and sellers, and Fleurieu will not provide a settlement service. It will be the responsibility of those buying and selling Fleurieu Shares to arrange settlement.</p> <p>Fleurieu as the operator of the market gives unconditional permission for Fleurieu Shares to participate in the "low volume financial market" from the date they are issued.</p> <p>As this market is exempt from the licensed market provisions, Fleurieu as operator is not subject to the usual legal obligations that apply to the operator of a licensed market. This includes an exemption from the requirement, to the extent that it is reasonably practicable to do so, to do all things necessary to make sure that the market is a fair, orderly and transparent market.</p> <p>It is envisaged that there will not be much trading in Fleurieu Shares because of the community based nature of Fleurieu.</p>
<b>Ability to keep shares and right to vote and dividends</b>		
19.	<b>Risks arising from restrictions on shareholdings</b>	<p>As noted above, the community nature of Fleurieu is reflected in restrictions in its Constitution about who can be a shareholder and the number of Fleurieu Shares that a person can hold. Shareholders are required to have a "close connection" with the communities in which Fleurieu predominantly carries on its business. It is possible that circumstances may change, for example, an existing shareholder who was a resident in the relevant community may move to another area. If the Board becomes aware of the change in circumstance, it will need to assess whether the person retains a sufficient connection and the Board may ask the shareholder for information to assess that. If the Board forms the opinion that a person does not have a close connection, the person will have a prohibited shareholding interest.</p> <p>In that case, voting and dividend rights attaching to the person's shares are suspended. Also the Board must require the disposal of the shares.</p>

## **Appendix 6 – Prospectus**

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## **Appendix 7 – Tax letter**

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## Appendix 8 – Proxy Form (General Meeting)

AlexInvest Community Services Limited  
A.B.N. 81 143 552 363

All correspondence to:  
AlexInvest Community Services Limited  
PO Box 2405  
Goolwa SA 5214

Enquiries 0419 817 134  
Facsimile (08) 8555 0508  
E-mail: [secretary@alexinvest.com.au](mailto:secretary@alexinvest.com.au)  
Registered Office: Goolwa Shopping Centre,  
Hutchinson Street  
Goolwa SA 5214

### Appointment of proxy

I/We .....  
[insert name]

Of .....  
[insert address]

being a shareholder/s of **AlexInvest Community Services Limited** ('the company') and entitled to attend and vote at the General Meeting to be held on Friday, 18 September 2020 appoint the following, or if no-one is identified, the Chair of the meeting:

- as my/our proxy to act generally at the meeting and at any adjournment of that meeting on my/our behalf, and
- to vote in accordance with the directions below (or if no directions are given, as the proxy sees fit).

If the person appointed does not attend, the Chair of the meeting is appointed as my/our proxy.

*Please note: The Chair of the meeting intends to vote undirected proxies in favour of Resolutions 1 to 5 (inclusive). The Chair intends to abstain from voting on Resolution 6.*

	The Chair of the meeting (please mark this box with an 'X')	OR		Please write the name of the individual or body corporate that you are appointing as proxy. Do not insert your own name.
--	--	----	--	--

### Voting instructions

If you would like to direct your proxy how to vote, please place an 'X' in the relevant box below.

If you mark "Abstain" you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in working out the majority.

Item	Resolution	For	Against	Abstain
1	Proposed merger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Share cancellation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3	Issue of ordinary shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Alteration to constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Increase the maximum number of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Selective capital reduction	Only Fleurieu Community Enterprises Limited can vote in favour of this resolution		

### Signing proxy form

This section MUST be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Shareholder 1	Shareholder 2	Shareholder 3
-----------------------------	---------------	---------------

Sole Director and  
Sole Company Secretary

Director

Director / Company Secretary

### How to complete your proxy form

#### 1. Appointment of a proxy

A shareholder entitled to attend and vote at the meeting may appoint one proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

#### 2. Identity of proxy

If you would like to appoint the Chair of the Meeting as your proxy, mark the box with an 'X'.

If the person you would like to appoint as your proxy is someone other than the Chair of the meeting, write the name of that person (this may be an individual or a body corporate).

If you leave this section blank, the Chair of the meeting will act as your proxy.

If the appointed proxy is not at the meeting, the Chair of the meeting will act as your proxy

#### 3. Voting instructions

You are encouraged to direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

#### 4. Signing of proxy form

A proxy appointment is only valid if the proxy form has been signed by the shareholder/s making the appointment. The following rules apply to signing proxy forms.

- *Individual:* If the holding is in one name, the individual shareholder must sign.
- *Joint holding:* If shares are held jointly, all shareholders should sign the proxy form. A proxy form signed by the shareholder whose name appears first in the register, but not by the other joint holder/s, will also be accepted as valid.
- *Power of Attorney:* If a proxy form is signed under a power of attorney, the original or certified copy of the power of attorney must be lodged with the proxy form, unless it has previously been lodged with the company.
- *Corporate shareholders:*
  - If the company has a sole director who is also the sole company secretary, the proxy form must be signed by that person.
  - If the company is a proprietary company and does not have a company secretary, and has only one director, the sole director can sign alone.
  - Otherwise the proxy form must be signed by a director jointly with either another director or a company secretary

Please indicate the office held when signing.

Note: If a proxy is body corporate, it must appoint an individual to act as a corporate representative under section 250D of the Corporations Act and give satisfactory written evidence of the appointment to the company before the meeting.

### **How to lodge your proxy form (and other documents)**

This proxy form (and any Power of Attorney under which it is signed) must be received by the company not later than **7.30pm on Wednesday, 16 September 2020** before the meeting. Any proxy form received after that time will not be valid for the meeting.

Documents may be lodged in any of the following ways:

- **by mail** to P.O Box 2405, Goolwa SA 5214; or
- **by facsimile** to (08) 8555 0508; or
- **by hand** to 33 Hutchison Street, Goolwa SA 5214; or
- **by email** to [secretary@alexinvest.com.au](mailto:secretary@alexinvest.com.au).



## ALEXINVEST COMMUNITY SERVICES LIMITED

Financial Services Guide and Independent Expert's Report

22 July 2020

*We have concluded that the Proposed Merger is fair and reasonable*

# FINANCIAL SERVICES GUIDE

22 July 2020

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

## Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

## General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

## Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## Remuneration or other benefits received by our employees

All our employees receive a salary.

## Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

## Complaints resolution

### Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

### Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au). You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

## Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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22 July 2020

The Directors  
AlexInvest Community Services Limited  
PO Box 2405  
Goolwa SA 5214

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to Shareholders for a General Meeting of AlexInvest Community Services Limited ("AlexInvest", "ACS" or "the Company") to be held in September 2020, at which shareholder approval will be sought for a number of resolutions relating to the Company's merger (the "Proposed Merger") with Fleurieu Community Enterprises Limited ("Fleurieu"), as set out below:

#### **Resolution 1 – Proposed merger with Fleurieu**

To consider and, if thought fit, to approve the following resolution as an advisory resolution of AlexInvest:

*Subject to all Resolutions being passed, that the merger of AlexInvest with Fleurieu on the terms summarised in the Explanatory Statement accompanying this Notice of General Meeting, which will result in Fleurieu holding all of the issued ordinary shares in AlexInvest, be approved.*

#### **Resolution 2 – Share cancellation**

To consider and, if thought fit, to approve the following resolution as a special resolution of AlexInvest:

*Subject to all Resolutions being passed, that the share capital of AlexInvest be reduced by cancelling and extinguishing the fully paid shares held by all shareholders of AlexInvest on the register of members immediately before the start of the meeting at which this resolution is considered by the shareholders of AlexInvest.*

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**AUDIT | TAX | CONSULTING**

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RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

### Resolution 3 – Issue of 790,477 ordinary shares in AlexInvest to Fleurieu

To consider and, if thought fit, to approve the following resolution as an ordinary resolution of AlexInvest:

*Subject to all Resolutions being passed, that, for the purpose of item 7, section 611 of the Corporations Act 2001 (Cth), the issue by AlexInvest of 790,477 fully paid shares to Fleurieu (representing 50% of the voting power in AlexInvest) in consideration for 263,492 fully paid shares in Fleurieu be approved.*

### Resolution 4 – Alteration to the Constitution

To consider and, if thought fit, to approve the following resolution as a special resolution of AlexInvest:

*Subject to all Resolutions being passed, that the Constitution of AlexInvest be altered with immediate effect following the passing of this resolution as follows:*

Rule no	Description of current provision (before amendment)	Proposed amendment
9	A person must not have a “prohibited shareholding interest”. There are a number of circumstances in which a “prohibited shareholding interest” may arise, including:  where a person controls or owns 10% or more of the Shares; or  where a person does not, in the opinion of the Board, have a close connection to the community or communities in which the Community Bank® Fleurieu dominantly carries on business.	Delete Rule 9.
45	On a show of hands or a poll, each AlexInvest shareholder attending the meeting has one vote, regardless of the number of Shares held.	Delete Rule 45 and replace it with the following Rule:  Voting Rights  45. On a show of hands or on a poll:  (a) each shareholder present has one vote for each fully paid share held;  (b) in the case of a partly paid share, that fraction of a vote equivalent to the proportion that the amount paid up on that shareholder's share bears to the total amount paid and payable for that share. Amounts paid in advance of a call are to be ignored when calculating the proportion; and  (c) where a shareholder has appointed more than one person as a representative, proxy or attorney for the shareholder, only one of the representatives, proxies or attorneys is entitled to vote.
N/A	No existing provision.	Insert a new Rule 34A, immediately after Rule 34, as follows:

Rule no	Description of current provision (before amendment)	Proposed amendment
		<p><i>Distribution of assets in-specie</i></p> <p>34A. If the Company is to reduce its share capital in accordance with Rule 34, it may do so wholly or partly by the distribution of specific assets (including shares or other securities in another corporation). Where the Company reduces its share capital by way of distribution of shares or other securities in another corporation, then each member is taken to have agreed to become a shareholder or securityholder of that corporation and to have agreed to be bound by the constitution of that corporation. Each member also appoints each Director and Secretary their agent and attorney to:</p> <p>(a) agree to the member becoming a shareholder or securityholder of that corporation;</p> <p>(b) agree to the member being bound by the constitution of that corporation; and</p> <p>(c) execute any transfer of shares or securities, or other document required to give effect to the distribution of shares or other securities to that shareholder.</p>

## Resolution 6 – Selective capital reduction

To consider and, if thought fit, to approve the following resolution as a special resolution of AlexInvest:

*That the share capital of AlexInvest be reduced by cancelling and extinguishing the fully paid shares held by all shareholders of AlexInvest other than Fleurieu in consideration for AlexInvest making a pro rata in-specie distribution of the 263,492 fully paid shares in Fleurieu held by AlexInvest to all shareholders other than Fleurieu.*

- 1.2 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd (“RSM”), being independent and qualified for the purpose, express an opinion as to whether the Proposed Merger is fair and reasonable to shareholders of AlexInvest not associated with the Proposed Merger (“Shareholders”).
- 1.3 We have been asked to opine on Resolutions 1, 2, 3, 4 and 6, as following the implementation of these resolutions AlexInvest will become a wholly-owned subsidiary of Fleurieu, with Shareholders holding 26.7% of the shares in Fleurieu immediately after the Proposed Merger.
- 1.4 The ultimate decision whether to approve the Proposed Merger should be based on each Shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Merger, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

## 2. Summary and conclusion

### Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Proposed Merger is **fair and reasonable** to Shareholders.

### Approach

- 2.2 In assessing whether the Proposed Merger is fair and reasonable to the Shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – *Content of Expert Reports* (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.
- 2.3 Where an issue of shares by a company otherwise prohibited under section 606 of the Corporations Act 2001 (Cth) (“Act” or “Corporations Act”) is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Merger, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 2.4 Therefore, we have considered whether or not the Proposed Merger is “fair” to Shareholders by assessing and comparing:
- the Fair Market Value of a Share in AlexInvest on a controlling basis prior to the Proposed Merger; with
  - the Fair Market Value of the Consideration received by Shareholders (the “Consideration”) for each Share held in AlexInvest prior to the Proposed Merger.
- 2.5 We have also considered whether the Proposed Merger is “reasonable” to Shareholders by undertaking an analysis of the other factors relating to the Proposed Merger which are likely to be relevant to the Shareholders in their decision of whether or not to approve the Proposed Merger.
- 2.6 Further information of the approach we have employed in assessing whether the Proposed Merger is “fair” and “reasonable” is set out at Section 4 of this Report.

### Fairness

- 2.7 Our assessed value of an AlexInvest Share prior to the Proposed Merger and our assessed value of the Consideration received by Shareholders for each Share held in AlexInvest prior to the Proposed Merger are summarised in the table below.

	Low	High	Preferred
Fair Market Value per Share pre the Proposed Merger (controlling basis)	\$Nil	\$Nil	\$Nil
Fair Market Value of the Consideration per ACS Share (non-controlling basis)	\$Nil	\$Nil	\$Nil

Source: RSM analysis

**Table 1: Valuation summary**

- 2.8 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with section 611 of the Act, we consider the Proposed Merger to be **fair** to Shareholders as the Fair Market Value of the Consideration received by Shareholders for each share held in AlexInvest prior to the Proposed Merger is equal to the value of an AlexInvest Share pre the Proposed Merger.

## Reasonableness

- 2.9 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Merger:
- the future prospects of the Company if the Proposed Merger does not proceed; and
  - any other commercial advantages and disadvantages to Shareholders as a consequence of the Proposed Merger proceeding.

## Future prospects of AlexInvest if the Proposed Merger does not proceed

- 2.10 If the Proposed Merger does not proceed, AlexInvest intends to continue to operate its business and the position of AlexInvest shareholders will not change.
- 2.11 In signing off the financial statements for the year ended 30 June 2019, the Company's auditors, AFS & Associates, noted a material uncertainty related to the Company operating on a going concern basis. Therefore, if the Proposed Merger does not proceed, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Advantages of approving the Proposed Merger

- 2.12 The advantages of approving the Proposed Merger are:
- the Proposed Merger is **fair**;
  - AlexInvest and Fleurieu may be able to realise cost saving synergies and, therefore, reduce expenditure as a result of the Proposed Merger. Examples of cost synergies determined by the directors of AlexInvest include ASIC registration fees, share registry fees, franchise fees, accounting fees and audit fees. These savings are estimated to total \$25,000;
  - increasing the size of the business operation may strengthen its ability to withstand economic and industry transformation pressures. The larger business operation may also provide a greater marketing presence across the whole Fleurieu Peninsula;
  - by combining workforces, the Merged Entity will be able to use staff in more specialised roles, which may enhance the businesses' service delivery;
  - should the Proposed Merger proceed, six of the initial fifteen directors of the Merged Entity will be current directors of AlexInvest, representing 40% of the board by number;
  - should the Proposed Merger proceed, the board of the Merged Entity will have a broader range of expertise and experience, which may assist in attracting and retaining directors in the future;
  - should the Proposed Merger proceed, Bendigo Bank has agreed to contribute up to \$50,000 of AlexInvest's professional fees. This contribution will be deposited into the overdraft account and the residual overdraft debt of AlexInvest will be converted to two new term loans in the name of Fleurieu. These loans will be interest free and payable over 5 and 10 years respectively; and
  - if the Proposed Merger does not proceed and the Company is unable to continue as a going concern, AlexInvest may incur significant costs in winding up the Company and in related administrative expenses.

## Disadvantages of approving the Proposed Merger

- 2.13 The disadvantages of approving the Proposed Merger are:
- Shareholders' interests in the Merged Entity will effectively be 26.7% post the Proposed Merger, substantially less than the 73.3% interest held by Fleurieu shareholders;
  - Shareholders may not wish to acquire an interest in the Fleurieu business;
  - there are operational and financial risks associated with increasing the scale of the Company's activities;
  - the Proposed Merger may not deliver expected cost savings; and
  - should the Proposed Merger proceed, the residual overdraft debt of AlexInvest (after a \$50,000 contribution by Bendigo Bank for AlexInvest's professional fees) will be converted to two new term loans in the name of Fleurieu. These loans will be payable over 5 and 10 years respectively and therefore the Merged Entity will need to generate sufficient cashflow to repay the debt.
- 2.14 We are not aware of any alternative proposals which may provide a greater benefit to Shareholders at this time.
- 2.15 In our opinion, the position of the Shareholders if the Proposed Merger is approved is equal to the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Merger is **reasonable** for Shareholders.

### 3. Summary of Proposed Merger

#### Overview

- 3.1 AlexInvest and Fleurieu have entered into a transaction agreement (“Transaction Agreement”) in relation to the Proposed Merger of the two companies, dated 7 November 2019.
- 3.2 Both AlexInvest and Fleurieu currently operate as community banks (“Community Banks”) under franchise agreements with Bendigo and Adelaide Bank Limited (“Bendigo Bank”). Community Banks may make only limited distributions to Shareholders under the franchise agreement, with the majority of profits distributed to community projects.
- 3.3 The Proposed Merger will be implemented by issuing Fleurieu with 790,477 Shares in AlexInvest as consideration for 263,492 shares in Fleurieu. AlexInvest will then undertake a selective capital reduction, cancelling all Shares other than those owned by Fleurieu. Therefore, Fleurieu will own all 790,477 remaining Shares in AlexInvest.
- 3.4 The Proposed Merger will result in AlexInvest becoming a wholly-owned subsidiary of Fleurieu. If the Proposed Merger is successful, Fleurieu will enter into a new franchise agreement with Bendigo Bank to operate Fleurieu’s existing business and the business currently operated by AlexInvest. The franchise agreement between AlexInvest and Bendigo Bank will end.
- 3.5 The board of directors of the Merged Entity will be made up of all of the current directors of both AlexInvest and Fleurieu.
- 3.6 Existing sites at Goolwa (currently operated by AlexInvest); and Aldinga, McLaren Vale and Willunga (currently operated by Fleurieu); will be retained under their current leases.
- 3.7 Fleurieu will issue a completion dividend of \$0.08 per Fleurieu share (“Fleurieu Completion Dividend”), payable to shareholders of Fleurieu at the time of the Fleurieu general meeting to consider the Proposed Merger.

#### Key conditions of the Proposed Merger

- 3.8 Completion of the Proposed Merger is to be subject to, and conditional upon, a number of conditions precedent including:
  - before 8.00am on the date of completion, each party carries out, or procures the carrying out of, each pre-completion implementation step for which it is stated to be responsible for in the Transaction Agreement;
  - at the ACS General Meeting, the AlexInvest Shareholders approve the AlexInvest Shareholder Resolutions by the requisite majority under the Corporations Act, and in the case of the advisory resolution on the Proposed Merger, by a majority of votes;
  - at the FCE General Meeting, the Fleurieu Shareholders approve the Fleurieu Shareholder Resolutions by the requisite majority under the Corporations Act, and in the case of the advisory resolution on the Proposed Merger, by a majority of votes;
  - between the date of the Transaction Agreement and the date of the Fleurieu General Meeting, none of the directors of Fleurieu changes, qualifies or withdraws their recommendation to the Fleurieu Shareholders to vote in favour of the Fleurieu shareholder resolutions;
  - between the date of the Transaction Agreement and the date of the AlexInvest General Meeting, none of the directors of AlexInvest changes, qualifies or withdraws their recommendation to the AlexInvest Shareholders to vote in favour of the AlexInvest Shareholder Resolutions (with the exception of the AlexInvest Shareholder Resolution to approve the selective reduction under section 256C(2)(a) of the Corporations Act, in respect of which all AlexInvest Shareholders other than Fleurieu will be recommended to abstain from voting);

- at the date of completion, Fleurieu satisfies the conditions contained in the franchise agreement to be entered into between Fleurieu and Bendigo Bank in accordance with the Transaction Agreement;
- between the date of the Transaction Agreement and 8.00am on the date of completion, no prescribed occurrence (as defined in the Transaction Agreement) occurs in respect of AlexInvest;
- between the date of the Transaction Agreement and 8.00am on the date of completion, no prescribed occurrence (as defined in the Transaction Agreement) occurs in respect of Fleurieu;
- before 8.00am on the date of completion, there is no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other governmental agency of competent jurisdiction, that prohibits, materially restricts, makes illegal or restrains the completion of the Proposed Merger or any material obligation under the Transaction Agreement; and
- before 8.00am on the date of completion the lessor of the AlexInvest lease consents to the assignment of the AlexInvest lease to Fleurieu, to be effective within 1 month of completion.

### Impact of the Proposed Merger on AlexInvest's Capital Structure

- 3.9 The table below summarises the capital structure of the Company immediately pre and post the Proposed Merger.

		%
<b>Capital structure pre the Proposed Merger</b>		
Number of ordinary shares held by AlexInvest Shareholders	790,477	100.0%
<b>Number of shares immediately before the Proposed Merger</b>	<b>790,477</b>	<b>100.0%</b>
<b>Detailed capital structure post the Proposed Merger</b>		
Number of ordinary shares issued to Fleurieu (Resolution 3)	790,477	100.0%
Selective capital reduction (Resolution 6)	(790,477)	(100.0%)
<b>Number of shares immediately after the Proposed Merger</b>	<b>790,477</b>	<b>100.0%</b>

Source: Company share registry, RSM analysis

**Table 2: AlexInvest's capital structure pre and post the Proposed Merger**

### Impact of the Proposed Merger on Fleurieu's Capital Structure

- 3.10 The table below summarises the capital structure of Fleurieu immediately pre and post the Proposed Merger.

		%
<b>Capital structure pre the Proposed Merger</b>		
Number of ordinary shares held by Fleurieu Shareholders	724,815	100.0%
<b>Number of shares immediately before the Proposed Merger</b>	<b>724,815</b>	<b>100.0%</b>
<b>Detailed capital structure post the Proposed Merger</b>		
Number of ordinary shares issued to AlexInvest Shareholders	263,492	26.7%
Number of ordinary shares retained by Fleurieu Shareholders	724,815	73.3%
<b>Number of shares immediately after the Proposed Merger</b>	<b>988,307</b>	<b>100.0%</b>

Source: Fleurieu share registry, RSM analysis

**Table 3: Fleurieu's capital structure pre and post the Proposed Merger**

## 4. Scope of the Report

### Corporations Act

- 4.1 Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing from a starting point that is below 20% to an interest that is above 20%. In broad terms, a person has a "relevant interest" if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) holds, compared with the total number of voting shares in the company.
- 4.2 Completion of the Proposed Merger will result in AlexInvest becoming a wholly-owned subsidiary of Fleurieu, with Shareholders holding 26.7% of the shares in Fleurieu immediately after the Proposed Merger.
- 4.3 Therefore, the Company will be in breach of Section 606(1) of the Act in the absence of an applicable exemption.
- 4.4 Section 611(7) of the Corporations Act provides an exemption to the rule noted in paragraph 4.1 above. Section 611(7) allows a party (and its affiliates) to acquire a relevant interest in shares that would otherwise be prohibited under Section 606(1) of the Act if the proposed acquisition is approved in advance by a resolution passed at a General Meeting of the Company; and:
  - no votes are cast in favour of the resolution by the proposed acquirers or respective associates; and
  - there was full disclosure of all information that was known to the persons proposed to make the acquisition or their associates or known to the Company that was material to a decision on how to vote on the resolution.
- 4.5 Section 611(7) of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. RG 111 advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

### Basis of evaluation

- 4.6 In assessing the fairness and reasonableness of the Proposed Merger to Shareholders, we have considered RG 111, which provides specific guidance as to how an expert is to appraise transactions.
- 4.7 RG 111 provides specific guidance on how a transaction should be analysed if the transaction is a control transaction, whereby a person acquires, or increases a controlling stake in a company, achieved by a number of different legal mechanisms, or, involves a related party transaction requiring shareholder approval under Chapter 2E of the Corporations Act.
- 4.8 Where an issue of shares by a company otherwise prohibited under section 606 is approved under Section 611(7) and the effect on the company's shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 4.9 RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover bid, stating:
  - a takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
  - a takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.

- 4.10 In accordance with the guidance of RG 111, we have assessed whether the Proposed Merger is fair and reasonable by undertaking a separate assessment of whether the transaction is "fair" and "reasonable" to Shareholders.
- 4.11 Consistent with the guidelines in RG 111, we have considered whether the Proposed Merger is "fair and reasonable" to Shareholders by undertaking:
- a comparison of the Fair Market Value of a Share in AlexInvest on a controlling basis prior to the Proposed Merger with the Fair Market Value of the Consideration, in the assessment of fairness; and
  - a review of other significant factors which Shareholders might consider prior to approving the Proposed Merger, in our assessment to reasonableness.
- 4.12 The other significant factors to be considered include:
- the future prospects of the Company if the Proposed Merger does not proceed; and
  - any other commercial advantages and disadvantages to Shareholders as a consequence of the Proposed Merger proceeding.
- 4.13 Our assessment of the Proposed Merger is based on economic, market and other conditions prevailing at the date of this report.

## 5. Profile of AlexInvest

### Background

- 5.1 AlexInvest was established in May 2009.
- 5.2 AlexInvest operates a single Community Bank branch located in Goolwa, which first opened in May 2011. The Goolwa branch operates four days per week.
- 5.3 Four staff members are employed by AlexInvest and costs of the required management and sales staff are shared with Fleurieu through a collaboration agreement.
- 5.4 AlexInvest has approximately 1,700 customers, which increased after many customer transfers following the recent closure of ANZ in Goolwa.
- 5.5 AlexInvest has not made any distributions to Shareholders at the date of this Report.

### Directors and management

- 5.6 The directors of AlexInvest are:
  - Barry McHugh;
  - Emily Livingston;
  - Robert Van Der Kamp;
  - Elizabeth Williams;
  - Lauren McKee; and
  - Carol Gaston.

### Financial information

- 5.7 The information in the following section provides a summary of the financial performance and financial position of AlexInvest for the financial years ended 30 June 2018 ("FY18") and 30 June 2019 ("FY19"), and for the nine months ended 31 March 2020 ("YTD20"); extracted from the audited financial statements and management accounts, respectively.

## Financial performance

- 5.8 The following table sets out a summary of the financial performance of AlexInvest for FY18, FY19 and YTD20.

AlexInvest Community Services Limited			
Financial performance (\$)	FY18	FY19	YTD20
<b>Revenue from ordinary activities</b>	<b>356,698</b>	<b>414,274</b>	<b>339,373</b>
<b>Expenses</b>			
Employee benefits expense	(152,322)	(176,861)	(188,960)
General administration expenses	(72,921)	(74,789)	(71,245)
Depreciation and amortisation	(21,610)	(21,072)	(34,432)
Systems costs	(29,967)	(31,995)	(23,246)
Charitable donations, sponsorship, advertising and promotion	(31,905)	(13,878)	(10,227)
Interest expense	-	-	(8,533)
Occupancy and associated costs	(43,869)	(44,995)	(7,762)
<b>Total expenses</b>	<b>(352,594)</b>	<b>(363,590)</b>	<b>(344,405)</b>
<b>Profit/(loss) before tax</b>	<b>4,104</b>	<b>50,684</b>	<b>(5,032)</b>
<i>Profit margin (%)</i>	<i>1.2%</i>	<i>12.2%</i>	<i>-1.5%</i>

Source: FY19 financial statements and YTD20 management accounts

**Table 4: AlexInvest's financial performance**

- 5.9 The Company has generated revenue of \$339k in YTD20, after generating revenue of \$414k and \$357k in FY19 and FY18, respectively. Over the Historical Period, income comprised primarily of margin, commission and fee income.
- 5.10 Employee expenses were consistently the Company's largest expense over the Historical Period, being 43%, 49% and 55% of total expenses in FY18, FY19 and YTD20, respectively.
- 5.11 In FY19, the Company generated a net profit before tax of \$51k, following a net profit after tax of \$4k in FY18. For YTD20, the Company has generated a loss of \$5k before tax.

## Financial position

- 5.12 The table below sets out a summary of the financial position of AlexInvest as at 30 June 2018, 30 June 2019 and 31 March 2020.

AlexInvest Community Services Limited Financial position (\$)	As at 30-Jun-18	As at 30-Jun-19	As at 31-Mar-20
<b>Current assets</b>			
Cash and cash equivalents	478	746	559
Trade and other receivables	38,074	41,164	56,248
<b>Total current assets</b>	<b>38,552</b>	<b>41,910</b>	<b>56,807</b>
<b>Non-current assets</b>			
Property, plant & equipment	122,787	118,607	113,384
Right-of-use assets	-	-	156,305
Intangible assets	36,150	22,594	12,427
Deferred tax asset	-	299,233	325,737
<b>Total non-current assets</b>	<b>158,937</b>	<b>440,434</b>	<b>607,853</b>
<b>Total assets</b>	<b>197,489</b>	<b>482,344</b>	<b>664,660</b>
<b>Current liabilities</b>			
Trade and other payables	48,062	45,847	98,171
Borrowings	476,641	431,490	379,769
Employee Provisions	23,095	18,251	22,160
<b>Total current liabilities</b>	<b>547,798</b>	<b>495,588</b>	<b>500,100</b>
<b>Non-current liabilities</b>			
Trade and other payables	14,912	-	-
Employee provisions	3,388	5,448	5,901
Make good provision	-	-	18,692
Lease liability	-	-	221,028
<b>Total non-current liabilities</b>	<b>18,300</b>	<b>5,448</b>	<b>245,621</b>
<b>Total liabilities</b>	<b>566,098</b>	<b>501,036</b>	<b>745,721</b>
<b>Net assets</b>	<b>(368,609)</b>	<b>(18,692)</b>	<b>(81,061)</b>
<b>Equity</b>			
Issued capital	774,626	774,626	774,626
Accumulated losses	(1,143,235)	(793,318)	(855,686)
<b>Total equity</b>	<b>(368,609)</b>	<b>(18,692)</b>	<b>(81,061)</b>

Source: FY18 financial statements, FY19 financial statements and YTD20 management accounts

**Table 5: AlexInvest's financial position**

- 5.13 AlexInvest disclosed net liabilities of \$81k at 31 March 2020, compared to net liabilities of \$19k and \$369k at 30 June 2019 and 30 June 2018, respectively.
- 5.14 The substantial reduction in the net liability position during FY18 was the result of AlexInvest recognising a deferred tax asset for carried-forward tax losses.
- 5.15 Other intangible assets include capitalised franchise fees and renewal processing fees, which are being amortised over time. The book value of these assets was \$12k at 31 March 2020.

- 5.16 AlexInvest disclosed borrowings of \$380k, \$431k and \$477k as at 31 March 2020, 30 June 2019 and 30 June 2018, respectively. These borrowings are in the form of an overdraft facility with Bendigo Bank.

## Capital structure

- 5.17 AlexInvest currently has 790,477 ordinary shares on issue. The top 10 shareholders of AlexInvest at 18 March 2020 are set out below.

Shareholder	Number	%
EUROTIME NOMINEES PTY LTD <EUROTIME SUPER FUND A/C>	87,500	11.1%
HARTILL PTY LTD <HARTILL FAMILY TRUST A/C>	50,000	6.3%
CAROL FRANCES GASTON	21,000	2.7%
BARRY WILLIAM HILLS	20,000	2.5%
HERITAGE PARK WOODSIDE <THE FORISTAL FAMILY TRUST A/C>	20,000	2.5%
MARIO TICLI + JUDITH ANNE TICLI <MARJUD SUPERANNUATION FUND A/C>	20,000	2.5%
R B O'CALLAGHAN PTY LTD <R B O'CALLAGHAN FAMILY TRUST A/C>	20,000	2.5%
ROSEMARY ANNE SAGE + BRADLEY JOSEPH BRIGGS <SAGE SUPERANNUATION FUND A/C>	20,000	2.5%
ALICE MCCLEARY + BRIAN JOHN MCCLEARY <ALICE MCCLEARY SUPER A/C>	15,000	1.9%
BEVAN WILCKENS	15,000	1.9%
	<b>288,500</b>	<b>36.5%</b>
Other Shareholders	501,977	63.5%
<b>Total shares</b>	<b>790,477</b>	<b>100.0%</b>

Source: Company share registry

**Table 6: AlexInvest's capital structure**

## Share Trading History

- 5.18 The table below sets out AlexInvest's share trading history for the two-year period ending 18 March 2020.

AlexInvest Share Trading History			
Date	Type	Quantity	Price (\$)
21-Aug-19	Survivorship	500	-
05-Jul-19	Off market transfer	500	1.00
31-Oct-18	Off market transfer	500	-
06-Sep-18	Off market transfer	250	-
06-Sep-18	Off market transfer	500	-
06-Sep-18	Off market transfer	250	-
17-Apr-18	Off market transfer	20,000	1.00

Source: Management Information

**Table 7: AlexInvest's share trading history**

## 6. Profile of Fleurieu

### Background

- 6.1 Fleurieu was established in 2005 following the closure of the last remaining bank in Aldinga by Adelaide Bank.
- 6.2 In 2015, Fleurieu launched the first customer service centre in Willunga. This initiative permitted the provision of banking services with a single staff member in a shared retail premises.
- 6.3 In May 2018, established a cash-less, staff-less, site in a business co-working space in McLaren Vale.
- 6.4 Fleurieu operates all three of these locations at the date of this report.
- 6.5 Fleurieu employs seven staff members, being:
  - one Senior Manager;
  - two Customer Relationship Officers; and
  - four Customer Services Officers.
- 6.6 A Sales and Business Development Manager provided by Bendigo & Adelaide Bank is also available to assist at all Fleurieu sites.

### Board of Directors

- 6.7 The directors of Fleurieu are:
  - Ronald Leslie Logan;
  - Hazel Ann Wainwright;
  - Karyn Joy Thomas
  - Anita Jane Bailetti;
  - Charles Dominic Rodney Manning;
  - Daniel John Roach;
  - Marissa Anne Harvey;
  - Juan Edward Smith; and
  - Jordan Daniel Corfield-Higgins.

### Financial information

- 6.8 The information in the following section provides a summary of the financial performance and financial position of Fleurieu for FY18 and FY19 extracted from Fleurieu's audited financial statements and YTD20, extracted from management accounts provided by Fleurieu.

## Financial performance

The following table sets out a summary of the financial performance of Fleurieu for FY18, FY19 and YTD20.

<b>Fleurieu Community Enterprises Limited</b>			
<b>Financial performance (\$)</b>	<b>FY18</b>	<b>FY19</b>	<b>YTD20</b>
<b>Revenue from ordinary activities</b>	669,390	679,927	481,077
<b>Expenses</b>			
Employee benefits expense	(310,398)	(294,351)	(299,274)
General administration expenses	(81,344)	(94,193)	(79,496)
Occupancy and associated costs	(95,689)	(93,531)	(74,615)
Systems costs	(26,513)	(22,128)	(18,485)
Depreciation and amortisation	(27,005)	(27,366)	(29,348)
Charitable donations, sponsorship, advertising and promotion	(42,352)	(65,796)	(29,395)
Net Interest expense	(175)	-	(654)
<b>Total expenses</b>	<b>(583,476)</b>	<b>(597,365)</b>	<b>(531,267)</b>
<b>Profit/(loss) before tax</b>	<b>85,914</b>	<b>82,562</b>	<b>(50,190)</b>
<b>Profit margin (%)</b>	<b>12.8%</b>	<b>12.1%</b>	<b>-10.4%</b>

Source: FY18 financial statements, FY19 financial statements and YTD20 management accounts

**Table 8: Fleurieu's financial performance**

- 6.9 Fleurieu disclosed total income of \$680k for FY19 compared to \$669k in FY18, and \$481k in YTD20. Over the Historical Period, income comprised primarily of margin, commission and fee income.
- 6.10 Employee expenses were consistently Fleurieu's largest expense over the Historical Period, being 53%, 49% and 56% of total expenses in FY18, FY19 and YTD20, respectively.
- 6.11 In FY19, Fleurieu generated a net profit before tax of \$83k, following a net profit before tax of \$86k in FY18. For YTD20, Fleurieu has generated a loss of \$50k before tax considerations.

## Financial position

- 6.12 The table below sets out a summary of the financial position of Fleurieu as at 30 June 2018, 30 June 2019 and 31 March 2020.

Fleurieu Community Enterprises Limited Financial position (\$)	As at 30-Jun-18	As at 30-Jun-19	As at 31-Mar-20
<b>Current assets</b>			
Cash and cash equivalents	178,150	262,633	247,540
Trade and other receivables	74,820	61,983	66,464
<b>Total current assets</b>	<b>252,970</b>	<b>324,616</b>	<b>314,004</b>
<b>Non-current assets</b>			
Property, plant & equipment	156,129	143,939	133,412
Right-of-use assets	-	-	24,177
Intangible assets	38,053	24,623	14,550
Deferred tax asset	90,175	67,391	97,809
<b>Total non-current assets</b>	<b>284,357</b>	<b>235,953</b>	<b>269,949</b>
<b>Total assets</b>	<b>537,327</b>	<b>560,569</b>	<b>583,952</b>
<b>Current liabilities</b>			
Trade and other payables	53,477	64,815	70,693
Employee Provisions	20,997	15,280	29,339
<b>Total current liabilities</b>	<b>74,474</b>	<b>80,095</b>	<b>100,032</b>
<b>Non-current liabilities</b>			
Trade and other payables	15,016	-	-
Employee provisions	1,235	3,087	-
Make good provision	-	-	66,431
Lease liability	-	-	19,169
<b>Total non-current liabilities</b>	<b>16,251</b>	<b>3,087</b>	<b>85,600</b>
<b>Total liabilities</b>	<b>90,725</b>	<b>83,182</b>	<b>185,632</b>
<b>Net assets</b>	<b>446,602</b>	<b>477,387</b>	<b>398,320</b>
<b>Equity</b>			
Issued capital	724,815	724,815	724,815
Accumulated losses	(278,213)	(247,428)	(326,495)
<b>Total equity</b>	<b>446,602</b>	<b>477,387</b>	<b>398,320</b>

Source: FY18 financial statements, FY19 financial statements and YTD20 management accounts

**Table 9: Fleurieu's financial position**

- 6.13 Fleurieu disclosed net assets of \$398k at 31 March 2020 compared to \$477k and \$447k at 30 June 2019 and 30 June 2018, respectively.
- 6.14 Other intangible assets include capitalised franchise fees and renewal processing fees, which are being amortised over time. The book value of these assets is \$15k at 31 March 2020.

## Capital structure

- 6.15 Fleurieu has 724,815 ordinary shares on issue. The top 10 shareholders of Fleurieu as at 25 October 2019 are set out below.

Shareholder	Number	%
ASHFORD GROUP SUPER FUND	65,002	9.0%
DL & TZ GREENHAM SUPER FUND	50,000	6.9%
MR REX THOMSON	32,500	4.5%
RAINBOW ELECTRICAL PTY LTD <SUPER FUND A/C>	25,000	3.4%
PEKAHA EXECUTIVE SUPERANNUATION FUND	20,000	2.8%
T & J MANOLAKIS SUPER FUND	20,000	2.8%
MR MARK STEPHEN PICKARD	20,000	2.8%
WINPAR HOLDING LIMITED	19,500	2.7%
DA SMALLACOMBE PERSONAL SUPERANNUATION FUND	15,000	2.1%
MR PETER JOHN SMITH + MRS CHRISTINE ANN SMITH	10,002	1.4%
	<b>277,004</b>	<b>38.2%</b>
Other Shareholders	447,811	61.8%
<b>Total shares</b>	<b>724,815</b>	<b>100.0%</b>

Source: Company share registry

**Table 10: Fleurieu's capital structure**

## Share Trading History

- 6.16 The table below sets out Fleurieu's share trading history for the last 7 years.

Fleurieu Share Trading History (\$)		
Date	Quantity	Price (\$)
18-Jul-17	500	0.65
28-Jul-16	1,000	1.00
28-Apr-15	3,000	0.95
24-Feb-14	5,000	1.00
23-Jun-13	5,000	1.00

Source: Management Information

**Table 11: Fleurieu's share trading history**

## 7. Valuation approach

### Valuation methodologies

- 7.1 In assessing the Fair Market Value of an ordinary AlexInvest Share prior to the Proposed Merger and the Consideration, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
  - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
  - the amount which would be available for distribution on an orderly realisation of assets;
  - the quoted price for listed securities; and
  - any recent genuine offers received.
- 7.2 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

#### *Market based methods*

- 7.3 Market based methods estimate the Fair Market Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include:
- the quoted price for listed securities; and
  - industry specific methods.
- 7.4 The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.
- 7.5 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair market value of a company than other market-based valuation methods because they may not account for company specific risks and factors.

#### *Income based methods*

- 7.6 Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:
- discounted cash flow;
  - capitalisation of future maintainable earnings.
- 7.7 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company’s cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.
- 7.8 The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows

is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

#### *Asset based methods*

- 7.9 Asset based methodologies estimate the Fair Market Value of a company's securities based on the realisable value of its identifiable net tangible assets. Asset based methods include:
- orderly realisation of assets method;
  - liquidation of assets method; and
  - net tangible assets basis.
- 7.10 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.11 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 7.12 The net tangible assets method estimates the market values of the net tangible assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

### **Selection of valuation methodologies**

#### **Valuation of an AlexInvest Share prior to the Proposed Merger (controlling basis)**

- 7.13 We have assessed the Fair Market Value of an AlexInvest share using the net tangible assets on a going concern basis methodology and relied upon the net book value of tangible assets and liabilities as set out in AlexInvest's management accounts at 31 March 2020.
- 7.14 Income based methods are appropriate where earnings of the business are maintainable and sufficient to justify a value exceeding the value of the underlying assets.
- 7.15 AlexInvest has generated a relatively small net profit before tax of \$4k, \$51k and (\$5k) in FY18, FY19 and YTD20 respectively. The Company has a history of generating losses, with accumulated losses totalling \$856k at 31 March 2019. In addition, the Company's auditor in FY19, AFS & Associates, noted a material uncertainty related to the Company operating on a going concern basis.
- 7.16 On this basis, a level of future maintainable earnings cannot be estimated with a sufficient degree of certainty and we have relied on the net tangible assets on a going concern basis methodology.
- 7.17 We have also reviewed recent share trading undertaken by AlexInvest in our selection of our valuation methodology.
- 7.18 However, having regard to the overall depth of volume of shares traded in AlexInvest and the guidelines disclosed in RG 111, we have utilised the net tangible assets on a going concern basis to value AlexInvest in our assessment of the fairness of the Proposed Merger.

**Valuation of Shareholders' interests immediately following the Proposed Merger (non-controlling basis)**

- 7.19 Post the Proposed Merger, Shareholders will no longer hold shares in AlexInvest.
- 7.20 We have assessed Shareholders' interest in the Merged Entity (the Consideration) utilising the net tangible assets on a going concern basis methodology, on the basis that a level of future maintainable earnings cannot be estimated with a sufficient degree of certainty.

## 8. Valuation of AlexInvest prior to the Proposed Merger

- 8.1 As stated at paragraph 7.13 we have assessed the value of an AlexInvest share prior to the Proposed Merger using the net tangible assets on a going concern basis methodology.

### Primary valuation

- 8.2 We have valued AlexInvest shares on a net tangible assets on a going concern basis below:

\$	As at 31-Mar-20 Mgmt	Adjustments	As at 31-Mar-20 Adjusted Value
<b>Current assets</b>			
Cash and cash equivalents	559	-	559
Trade and other receivables	56,248	-	56,248
<b>Total current assets</b>	<b>56,807</b>	<b>-</b>	<b>56,807</b>
<b>Non-current assets</b>			
Property, plant & equipment	113,384	-	113,384
Right-of-use assets	156,305	(156,305)	-
Intangible assets	12,427	(12,427)	-
Deferred tax asset	325,737	(325,737)	-
<b>Total non-current assets</b>	<b>607,853</b>	<b>(494,469)</b>	<b>113,384</b>
<b>Total assets</b>	<b>664,660</b>	<b>(494,469)</b>	<b>170,191</b>
<b>Current liabilities</b>			
Trade and other payables	98,171	-	98,171
Borrowings	379,769	-	379,769
Employee Provisions	22,160	-	22,160
<b>Total current liabilities</b>	<b>500,100</b>	<b>-</b>	<b>500,100</b>
<b>Non-current liabilities</b>			
Employee Provisions	5,901	-	5,901
Lease liability	221,028	(221,028)	-
Make-good provision	18,692	-	18,692
<b>Total non-current liabilities</b>	<b>245,621</b>	<b>(221,028)</b>	<b>24,593</b>
<b>Total liabilities</b>	<b>745,721</b>	<b>(221,028)</b>	<b>524,693</b>
<b>Net tangible liabilities of ACS prior to the Proposed Merger</b>	<b>(81,061)</b>	<b>(273,441)</b>	<b>(354,502)</b>
Number of ordinary shares on issue			790,477
<b>Assessed Value per share (controlling basis)</b>			<b>\$Nil</b>

Source: YTD20 management accounts and RSM analysis

**Table 12: Valuation of AlexInvest Shares pre the Proposed Merger**

- 8.3 We have adjusted the value of the deferred tax assets in AlexInvest, as well as the capitalised franchise fees and renewal processing fees, to \$Nil.
- 8.4 We have also removed the lease liability and corresponding right-of-use assets from the net tangible liability position. We do not consider the right-of-use assets or lease liability reflected in the management accounts at 31 March 2020 to be reflective of the underlying value of the entity on a net tangible asset basis.
- 8.5 AlexInvest is in a net tangible liability position at 31 March 2020.
- 8.6 Therefore, in our opinion, the Fair Market Value of an AlexInvest Share prior to the Proposed Merger is \$Nil.

## 9. Valuation of the Consideration

- 9.1 The table below summarises our valuation of the Consideration, summarising the value on a controlling basis in Table 13 below.

	\$
<b>Net liabilities of AlexInvest prior to Proposed Merger</b>	<b>(81,061)</b>
<b>Net assets of Fleurieu prior to Proposed Merger</b>	<b>398,320</b>
Intangible assets - AlexInvest	(12,427)
Intangible assets - Fleurieu	(14,550)
Deferred tax asset - AlexInvest	(325,737)
Deferred tax asset - Fleurieu	(97,809)
Right-of-use assets - AlexInvest	(156,305)
Right-of-use assets - Fleurieu	(24,177)
Lease liability - AlexInvest	221,028
Lease liability - Fleurieu	19,169
Transaction Dividend - Fleurieu (\$0.08 x 724,815 shares)	(57,985)
<b>Net tangible liabilities of Fleurieu immediately after the Proposed Merger</b>	<b>(131,534)</b>
<b>Number of Fleurieu shares immediately after the Proposed Merger</b>	<b>988,307</b>
<b>Assessed value per Fleurieu share after the Proposed Merger</b>	<b>\$Nil</b>

Source: RSM analysis, Notice of Meeting

**Table 13: Valuation of a Fleurieu share post the Proposed-Merger (controlling basis)**

- 9.2 We have adjusted the value of the deferred tax assets in AlexInvest and Fleurieu, as well as the capitalised franchise fees and renewal processing fees, to \$Nil on the basis that these are not tangible assets.
- 9.3 We have also removed the lease liabilities and corresponding right-of-use assets from the combined net tangible liability position of the Merged Entity. We do not consider the right-of-use assets or lease liabilities reflected in the management accounts at 31 March 2020 to be reflective of the underlying value of the Merged Entity on a net tangible asset basis.
- 9.4 We have also adjusted for the Fleurieu Completion Dividend, on the basis that this will be deducted from the net assets of Fleurieu if the Proposed Merger proceeds.
- 9.5 After the adjustments described at paragraphs 9.2 to 9.4, the Merged Entity has a net tangible liability position post the Proposed Merger.
- 9.6 We consider that the Fair Market Value of the Consideration received by Shareholders for each Share held in AlexInvest prior to the Proposed Merger is \$Nil, on both a controlling and non-controlling basis.

## 10. Is the Proposed Merger Fair to Shareholders?

- 10.1 Our assessed value of an AlexInvest Share prior to the Proposed Merger and our assessed value of the Consideration received by Shareholders for each Share held in AlexInvest prior to the Proposed Merger are summarised in the table below.

	Low	High	Preferred
Fair Market Value per Share pre the Proposed Merger (controlling basis)	\$Nil	\$Nil	\$Nil
Fair Market Value of the Consideration per ACS Share (non-controlling basis)	\$Nil	\$Nil	\$Nil

Source: RSM analysis

**Table 14: Valuation summary**

- 10.2 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with section 611 of the Act, we consider the Proposed Merger to be **fair** to Shareholders as the Fair Market Value of the Consideration received by Shareholders for each share held in AlexInvest prior to the Proposed Merger is equal to the value of an AlexInvest Share pre the Proposed Merger.

## 11. Is the Proposed Merger Reasonable to Shareholders?

11.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Merger, we have given consideration to:

- the future prospects of AlexInvest if the Proposed Merger does not proceed; and
- other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Merger proceeding.

### Future prospects of AlexInvest if the Proposed Merger does not proceed

11.2 If the Proposed Merger does not proceed the board, AlexInvest intends to continue to operate its business and the position of AlexInvest shareholders will not change.

11.3 In signing off the financial statements for the year ended 30 June 2019, the Company's auditors, AFS & Associates, noted a material uncertainty related to the Company operating on a going concern basis. Therefore, if the Proposed Merger does not proceed, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

### Advantages and disadvantages

11.4 In assessing whether the Shareholders are likely to be better off if the Proposed Merger proceed, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Shareholders.

### Advantages of approving the Proposed Merger

11.5 The advantages of approving the Proposed Merger are:

- the Proposed Merger is **fair**;
- AlexInvest and Fleurieu may be able to realise cost saving synergies and, therefore, reduce expenditure as a result of the Proposed Merger. Examples of cost synergies determined by the directors of AlexInvest include ASIC registration fees, share registry fees, franchise fees, accounting fees and audit fees. These savings are estimated to total \$25,000;
- increasing the size of the business operation may strengthen its ability to withstand economic and industry transformation pressures. The larger business operation may also provide a greater marketing presence across the whole Fleurieu Peninsula;
- by combining workforces, the Merged Entity will be able to use staff in more specialised roles, which may enhance the businesses' service delivery;
- should the Proposed Merger proceed, six of the initial fifteen directors of the Merged Entity will be current directors of AlexInvest, representing 40% of the board by number;
- should the Proposed Merger proceed, the board of the Merged Entity will have a broader range of expertise and experience, which may assist in attracting and retaining directors in the future;
- should the Proposed Merger proceed, Bendigo Bank has agreed to contribute up to \$50,000 of AlexInvest's professional fees. This contribution will be deposited into the overdraft account and the residual overdraft debt of AlexInvest will be converted to two new term loans in the name of Fleurieu. These loans will be interest free and payable over 5 and 10 years respectively; and
- if the Proposed Merger does not proceed and the Company is unable to continue as a going concern, AlexInvest may incur significant costs in winding up the Company and in related administrative expenses.

## Disadvantages of approving the Proposed Merger

11.6 The disadvantages of approving the Proposed Merger are:

- Shareholders' interests in the Merged Entity will effectively be 26.7% post the Proposed Merger, substantially less than the 73.3% interest held by Fleurieu shareholders;
- Shareholders may not wish to acquire an interest in the Fleurieu business;
- there are operational and financial risks associated with increasing the scale of the Company's activities;
- the Proposed Merger may not deliver expected cost savings; and
- should the Proposed Merger proceed, the residual overdraft debt of AlexInvest (after a \$50,000 contribution by Bendigo Bank for AlexInvest's professional fees) will be converted to two new term loans in the name of Fleurieu. These loans will be payable over 5 and 10 years respectively and therefore the Merged Entity will need to generate sufficient cashflow to repay the debt.

## Conclusion on Reasonableness

11.7 In our opinion, the position of the Shareholders if the Proposed Merger is approved is equal to the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Merger is **reasonable** for the Shareholders of AlexInvest.

11.8 An individual Shareholder's decision in relation to the Proposed Merger may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

**RSM CORPORATE AUSTRALIA PTY LTD**



**Glyn Yates**  
Director



**Andrew Clifford**  
Director



APPENDICES

## A. DECLARATIONS AND DISCLAIMERS

### **Declarations and Disclosures**

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

### **Qualifications**

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Glyn Yates and Andrew Clifford are directors of RSM Corporate Australia Pty Ltd. Both Glyn Yates and Andrew Clifford are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

### **Reliance on this Report**

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Merger. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

### **Reliance on Information**

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of AlexInvest and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

### **Disclosure of Interest**

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Glyn Yates, Andrew Clifford, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Merger, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$17,500 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether AlexInvest receives Shareholder approval for the Proposed Merger, or otherwise.

### **Consents**

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of Extraordinary General Meeting and Explanatory Statement.

## B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the share sale agreement between AlexInvest and Fleurieu;
- Draft and final copies of the AlexInvest notice of meeting;
- Signed Transaction Agreement (including draft deed of amendment);
- AlexInvest franchise agreement;
- Audited financial statements for AlexInvest for the year ended 30 June 2018;
- Audited financial statements for AlexInvest for the year ended 30 June 2019;
- Management accounts for AlexInvest for the nine months ended 31 March 2020;
- Audited financial statements for Fleurieu for the year ended 30 June 2018;
- Audited financial statements for Fleurieu for the year ended 30 June 2019;
- Management accounts for Fleurieu for the nine months ended 31 March 2020;
- Budgeted FY20 financial performance for the Merged Entity;
- Fleurieu Business Plan post the Proposed Merger;
- Historical share trading information;
- Bendigo Bank website;
- Discussions with Management of AlexInvest; and
- IBISWorld.

## C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian dollar
AFCA	Australian Financial Complaints Authority
AlexInvest (or ACS)	AlexInvest Community Services Limited
Act or Corporations Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
Bendigo Bank	Bendigo and Adelaide Bank Limited
Community Banks	Bendigo Bank branches operating under a franchise agreement, which aim to return a percentage of profits to the local community
(the) Company	AlexInvest Community Services Limited
Consideration	the shares in Fleurieu received for AlexInvest Shares as part of the Proposed Merger
Control basis	An assessment of the Fair Market Value of an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
Directors	Directors of the Company
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Market Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
Fleurieu	Fleurieu Community Enterprises Limited
Fleurieu Completion Dividend	Dividend of 8c per share payable to Fleurieu shareholders at the time of the Fleurieu General Meeting to consider the Proposed Merger
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FY18	Financial Year 2018, or the twelve months ended 30 June 2018
FY19	Financial Year 2019, or the twelve months ended 30 June 2019
FY20	Financial Year 2020, or the twelve months ending 30 June 2020
Historical Period	FY18, FY19 and YTD20
Industry	The National and Regional Commercial Banks in Australia industry
k	Thousands

<b>Market Development Fund</b>	Bendigo Bank's fund which is distributed to Community Banks, to assist them with making contributions to the local community
<b>Merged Entity</b>	Fleurieu post the Proposed Merger, including its 100% investment in AlexInvest
<b>Notice</b>	The notice of meeting to vote on, inter alia, the Proposed Merger
<b>Proposed Merger</b>	The merger between AlexInvest and Fleurieu, as set out in Resolutions 1,2,3,4 and 6 of the Notice
<b>Report or IER</b>	This Independent Expert's Report prepared by RSM dated 22 July 2020
<b>Resolution</b>	The resolutions set out in the Notice
<b>RG 111</b>	ASIC Regulatory Guide 111 Content of Expert Reports
<b>RG 170</b>	ASIC Regulatory Guide 170 Prospective Financial Information
<b>RSM</b>	RSM Corporate Australia Pty Ltd
<b>Share or AlexInvest Share</b>	Ordinary fully paid share in the capital of the Company
<b>Shareholders</b>	Shareholders of AlexInvest not associated with the Proposed Merger
<b>Transaction Agreement</b>	Transaction Agreement detailing the terms of the Proposed Merger
<b>YTD20</b>	The nine months ended 31 March 2020

## D. INDUSTRY OVERVIEW

### **Background**

AlexInvest operates in the National and Regional Commercial Banks in Australia industry (“Industry”)<sup>1</sup>. National and regional banks primarily generate revenue through interest income on loans, incurring liabilities through accepting deposits and issuing consumer and commercial loans. Industry operators also generate revenue from investments, advances, fees and commission income.

The primary activities of the Industry comprise development bank operations, savings bank operations and trading bank operations. The major products and services in the Industry comprise home loans, business loans and personal lending. The largest businesses in the Industry are Commonwealth Bank, Westpac, NAB and ANZ Banking Group.

### **Key External Drivers**

- Cash rate – the interest on banks’ lending products is linked with the RBA’s cash rate. A higher cash rate typically leads to higher interest rates charged on outstanding balances of a bank’s lending portfolio. Therefore, higher interest incomes tend to be generated when the cash rate is higher.
- Number of housing transfers – The number of housing transfers indicates activity in the residential real estate market. More transfers generally indicate that more people are purchasing homes, driving demand for mortgages and increasing the size of a bank’s lending book. This trend positively affects industry revenue.
- Residential property yields – property investment returns influence investor confidence, affecting demand for banks’ lending products. Higher yields usually increase demand for banks’ lending products, leading to a rise in interest rate revenue. The property market is crucial to banks generating revenue, as mortgages make up a significant portion of banks’ loan books.
- Ratio of interest payments to disposable income – The proportion of disposable income used to meet interest repayments affects the ability of households servicing existing debt. Disposable income also limits individuals’ ability to take on new debt.
- Total capital expenditure – the Industry’s main activity is lending, which includes providing finance to business. While business may fund expansion or improvements with cash or equity, a large proportion of financing tends to be debt. A rise in capital expenditure typically drives greater borrowing, positively affecting industry revenue.

### **Industry Risk**

IBISWorld have rated the Industry as high risk for FY20 and FY21, primarily as a result of the low current cash rate and high level of competition in the Industry. Industry revenue is forecast to rise at an annualised 3.1% over the five years through 2023-24, to \$178.0 billion. However, intensifying competition threatens Industry profitability, despite the ongoing market dominance of the major banks. Higher capital adequacy requirements and a tighter regulatory environment, as a result of potential reforms from the Financial Services Royal Commission, are likely to curb any significant profitability growth.

### **Impact of COVID-19 on the Industry**

The RBA’s decision to lower the cash rate due to the risks posed by the COVID-19 outbreak to both domestic and economic growth is likely to affect the Finance subdivision of the Industry. Several other central banks and governments have also lowered interest rates and announced stimulus packages to protect their economies from the outbreak.

These decisions are anticipated to lower interest revenue earned by banks and other lenders as they pass on the rate cuts to borrowers. Furthermore, the profitability and net interest margins of lenders are likely to be squeezed.

<sup>1</sup> IBISWorld Industry Report K6221A – National and Regional Commercial Banks in Australia, April 2019 and IBISWorld Industry Risk Rating Report K6221A – National and Regional Commercial Banks in Australia, April 2020

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# **Fleurieu Community Enterprises Limited**

**(ACN 116 550 157)**

## **Proposed merger with AlexInvest Community Services Limited (ACN 143 552 363)**

# **Prospectus**

### **Important notice**

This Prospectus is dated 29 July 2020. A copy of this Prospectus has been lodged with the Australian Securities and Investments Commission ("ASIC"). ASIC takes no responsibility for the content of this Prospectus.

This Prospectus is an important document and requires your immediate attention. You should read the entirety of this Prospectus, especially the risk factors. You should carefully consider your own personal circumstances, including considering financial and tax issues. You should also get advice from your solicitor, accountant or other financial adviser.

*Important note: Bendigo and Adelaide Bank Limited ("Bendigo Bank") has a contractual relationship with Fleurieu Community Enterprises Limited, which is described in this Prospectus. However, Bendigo Bank does not own shares in or control Fleurieu Community Enterprises Limited, and does not guarantee the liabilities of Fleurieu Community Enterprises Limited or your investment in Fleurieu Community Enterprises Limited.*

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## Key dates

Event	Date *
General Meeting Fleurieu Community Enterprises Limited	18 September 2020
General Meeting of AlexInvest Community Services Limited	18 September 2020
Completion of the Proposed Merger	5 October 2020

*\*These dates are indicative only and are subject to change.*

## Other important information

Some words used in this Prospectus are capitalised as they have defined meanings. These are set out in the dictionary section towards the end of the Prospectus.

This Prospectus is issued by Fleurieu Community Enterprises Limited (**Fleurieu**). It is not an offer to subscribe for shares in Bendigo and Adelaide Bank Limited – it is an offer of Fleurieu Shares. It is not intended that the Fleurieu Shares will be quoted for trading on the Australian Securities Exchange or any other financial market.

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.

Any statements in this Prospectus about future matters are based on Fleurieu's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions. Many of these are outside the control of Fleurieu and the Board. They could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Prospectus. No person named in this Prospectus, nor any other person, guarantees the performance of Fleurieu or the repayment of capital or the payment of a return on the Fleurieu Shares.

This Offer is being made in Australia only.

All times are Adelaide time, unless otherwise stated.

# **Chairperson's letter**

**Fleurieu Community Enterprises Limited**

**(ACN 116 550 157)**

Dear Investor

**Proposed Merger between Fleurieu Community Enterprises Limited (Fleurieu) and AlexInvest Community Services Limited (AlexInvest)**

On 7 November 2019, Fleurieu and AlexInvest entered into a Transaction Agreement for the proposed merger of the two companies (the "Proposed Merger").

The fundamental goal of both the Fleurieu and AlexInvest Boards is to secure a business scale that makes it the bank of choice for all community minded businesses and customers across the Fleurieu Peninsula. This scale is essential to the longer term survival and financial strength of both companies given the low interest rate environment and increased competition from non traditional banking. The Proposed Merger is the first step in achieving this desired scale.

It is also expected that the Proposed Merger will create synergies and cost efficiencies that will be beneficial to the merged business of Fleurieu and AlexInvest.

The Proposed Merger will be implemented by cancelling the shares held by all shareholders of AlexInvest (other than the shares to be issued to Fleurieu). In consideration of having their shares cancelled, each shareholder of AlexInvest will receive 1 fully paid share in Fleurieu for every 3 shares in AlexInvest they currently own. An eight cent dividend, payable on completion of the merger will be made to those who hold Fleurieu shares as at date of the General Meeting of Fleurieu.

The Proposed Merger involves risks for shareholders of both AlexInvest and Fleurieu, details of which are contained in this Prospectus. However, the directors of Fleurieu unanimously recommend the Proposed Merger for the reasons stated above.

The Prospectus contains important information and I strongly encourage you to read the Prospectus in full.

On behalf of the Board of Fleurieu, I look forward to welcoming you as a shareholder of Fleurieu on the successful completion of the Proposed Merger.

Yours sincerely

Ron Logan  
Chairperson, Fleurieu Community Enterprises Limited

## Investment overview

Topic	Summary	Where to find more information
<b>A. The Proposed Merger and the Offer</b>		
<b>A1. What is the Proposed Merger?</b>	Fleurieu and AlexInvest are proposing to undertake a merger (as further described in section 1.1 of this Prospectus). In effect, this will mean that AlexInvest will become a wholly-owned subsidiary of Fleurieu and the current shareholders of AlexInvest will receive Fleurieu Shares in consideration of having their AlexInvest Shares cancelled.	See section 1.1 of this Prospectus and section 2.1 of the explanatory statement accompanying the AlexInvest Notice of Meeting
<b>A2. What are the reasons for the Proposed Merger?</b>	<ul style="list-style-type: none"> <li>The fundamental goal of both the Fleurieu and AlexInvest Boards is to secure a business scale that makes it the bank of choice for all community minded businesses and customers across the Fleurieu Peninsula. This scale is essential to the longer term survival and financial strength of both companies given the low interest rate environment and increased competition from non-traditional banking faced by both businesses.</li> </ul>	See section 1.2 of this Prospectus and section 2.2 of the explanatory statement accompanying the AlexInvest Notice of Meeting
<b>A3. What are the advantages and disadvantages of the Proposed Merger?</b>	<p>The advantages of the Proposed Merger include:</p> <ul style="list-style-type: none"> <li>Fleurieu shareholders (as at the Fleurieu Record Date) will receive the Fleurieu Dividend.</li> <li>AlexInvest and Fleurieu are appropriately matched to undergo a merger given that their businesses operate closely, both geographically and via the existing shared use of staff (including branch manager).</li> <li>There will be no change to the banking services offered to existing customers but</li> </ul>	See section 1.3 of this Prospectus and sections 2.2 and 2.3 of the explanatory statement accompanying the AlexInvest Notice of Meeting

Topic	Summary	Where to find more information
	<p>rather an expectation that such services will be enhanced.</p> <ul style="list-style-type: none"> <li>• Savings are expected to be achieved through the rationalisation of a number of support functions and services.</li> <li>• It is expected that efficiencies will be achieved through scale.</li> <li>• It is expected that the loan and deposit book of the Merged Entity will result in more revenue than Fleurieu will achieve on its own.</li> <li>• It is expected that the Proposed Merger will allow wider brand awareness and recognition across the Fleurieu area than Fleurieu and AlexInvest can achieve operating independently.</li> <li>• The Proposed Merger will broaden the range of expertise and experience of the board of the Merged Entity with all current directors of Fleurieu and AlexInvest becoming directors of the Merged Entity.</li> <li>• It is expected that employees will be given more location and career opportunities making it easier to recruit new staff.</li> </ul> <p>The disadvantages of the Proposed Merger include:</p> <ul style="list-style-type: none"> <li>• The opportunity to benefit from an alternative and possibly superior proposal is removed.</li> <li>• The costs of the transaction.</li> <li>• Fleurieu will assume AlexInvest's overdraft balance which will be converted into two loans.</li> <li>• The shareholding of Fleurieu's shareholders and AlexInvest's shareholders will be diluted.</li> </ul>	

Topic	Summary			Where to find more information
	<ul style="list-style-type: none"> <li>The proposed cost savings may not be achieved.</li> </ul>			
<b>A4. What are Fleurieu's intentions in respect of AlexInvest's business?</b>	Fleurieu intends to operate AlexInvest's business as a branch of Fleurieu.			See section 1.4 of this Prospectus and section 2.4 of the explanatory statement accompanying the AlexInvest Notice of Meeting
<b>A5. What is the purpose of this Prospectus and the Offer?</b>	This Prospectus is to enable Fleurieu to issue Fleurieu Shares to AlexInvest, which will in turn be distributed to AlexInvest's shareholders in consideration for their AlexInvest Shares being cancelled.			See sections 1.6 of this Prospectus
<b>A6. Is this Offer conditional?</b>	The Offer is conditional on the selective reduction of capital of AlexInvest becoming effective.			See section 1.8 of this Prospectus
<b>A7. What shareholder approvals are required to effect the Proposed Merger?</b>	A number of resolutions will need to be approved by the shareholders of each of Fleurieu and AlexInvest to effect the Proposed Merger. Meetings of the shareholders of Fleurieu and AlexInvest will be convened to consider these resolutions.			See section 1.9 of this Prospectus.
<b>A8. What are the key Offer statistics?</b>		<b>Number</b>	<b>% of shares in Fleurieu</b>	See section 1.12 of this Prospectus
	Fleurieu Shares on issue as at date of this Prospectus.	724,815	100%	
	Fleurieu Shares to be issued to AlexInvest	263,492	26.7%	

Topic	Summary			Where to find more information
	and distributed to current AlexInvest shareholders			
	Fleurieu Shares held by current Fleurieu shareholders after the Proposed Merger	724,815	73.3%	
	Total Fleurieu Shares on issue following the Proposed Merger.	988,307	100%	
	Number of shares in Fleurieu a shareholder of AlexInvest will receive for each share they currently hold in AlexInvest.	1 share for each 3 shares	Not applicable.	
<b>A9. Will the Consideration Shares be traded on a financial market (for example, the Australian Securities Exchange)?</b>	<p>No – it is not intended that the Consideration Shares will trade on the Australian Securities Exchange or any other financial market.</p> <p>Fleurieu conducts a 'low volume financial market' under the Corporations Act, however that does not guarantee that a shareholder of Fleurieu will be able to sell their Fleurieu Shares – see E10.</p>			See section 1.13 of this Prospectus
<b>A10. Do I need to apply for the Consideration Shares?</b>	<p>Shareholders of AlexInvest do not need to apply for the Consideration Shares under this Prospectus. If the Proposed Merger proceeds, the Consideration Shares will be transferred to AlexInvest and in turn distributed to the shareholders of AlexInvest in consideration of their AlexInvest Shares being cancelled.</p>			See section 1.14 of this Prospectus

Topic	Summary	Where to find more information
<b>B. Community banking</b>		
<b>B1. What is the purpose of community banking?</b>	<p>The aims of the Community Bank model are threefold.</p> <ul style="list-style-type: none"> <li>• First, to secure branch banking services for participating communities.</li> <li>• Secondly, to help these communities better manage locally generated capital and share in the potential growth of their local economy.</li> <li>• Thirdly, to enable participating communities to share in revenue generated from their Community Bank enterprise, as well as offering the potential for shareholders to receive dividends.</li> </ul>	See section 2.3.1 of this Prospectus
<b>B2. How does community banking work commercially?</b>	<p>The Community Bank model provides communities with the opportunity to set up a community-owned company that conducts one or more Bendigo Bank retail branch operations.</p> <p>Each branch operates as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the system of operations of Bendigo Bank. The Community Bank company is responsible for complying with the franchise agreement with Bendigo Bank. This includes promoting and selling products and services in compliance with Bendigo Bank and regulatory requirements and managing operational risk.</p> <p>By supporting their local branches, communities have the opportunity to generate revenue which may be able to be returned to support and develop the community through community projects, and provide returns to shareholders through dividends.</p> <p>The Community Bank company is responsible for its financial performance and for making decisions about community contributions.</p>	See section 2.3.2 of this Prospectus

Topic	Summary	Where to find more information
<b>B3. What does Bendigo Bank contribute to the business of community companies?</b>	<p>Bendigo Bank grants the Community Bank company a franchise for the retail branch operation conducted from the sites agreed with Bendigo Bank and makes the following key contributions.</p> <ul style="list-style-type: none"> <li>• Bendigo Bank is responsible for providing products and services to be offered to customers, branding, 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.</li> <li>• Bendigo Bank provides the infrastructure for the retail branch operations which are integrated into the Bendigo Bank system.</li> <li>• Bendigo Bank provides guidance about conducting a retail branch operation, including business and financial operations, recruitment and performance management, operational risk, community contributions and governance. It also provides operational and specialist support.</li> </ul>	<p>See section 6.1 of this Prospectus</p>
<b>B4. How does community banking work financially?</b>	<p><b><i>Financial return</i></b></p> <p>There are three primary sources of revenue. All are dependent on the franchise agreement with Bendigo Bank (see E2 below).</p> <ul style="list-style-type: none"> <li>• <i>Margin share</i></li> </ul> <p>Margin share is paid on “core banking products and services” and may be paid on some other products. “Core banking products and services” include margin loans, at call deposits, term deposits and home loans. For those</p>	<p>See section 2.3.5 of this Prospectus</p>

Topic	Summary	Where to find more information
	<p>products and services on which margin is paid, margin share is the Community Bank company's share of the margin earned by Bendigo Bank on those products and services which have been sold by the Community Bank company.</p> <p>Bendigo Bank can change the margin share, but cannot reduce the Community Bank company's share on core banking products and services when aggregated to less than 50% of Bendigo Bank's margin on core banking products and services that Bendigo Bank attributes to the Community Bank company's operations.</p> <ul style="list-style-type: none"> <li> <p><i>Commissions</i></p> <p>Commissions paid to the Community Bank company by Bendigo Bank on other Bendigo and Adelaide Group products and services and on other products and services made available by Bendigo Bank for the Community Bank company to sell, for example, leasing and Sandhurst Trustees Limited products.</p> <p>In limited circumstances, Bendigo Bank can change the revenue share from commission to margin or fees, or change the commissions paid. For example, Bendigo Bank can change the percentage of a commission paid if the contributions of the parties change, such as the amount of work or costs incurred.</p> </li> <li> <p><i>Fee income</i></p> <p>The Community Bank company's share of the fees paid by customers to Bendigo Bank.</p> <p>In limited circumstances, Bendigo Bank can change the revenue share from fees to commission or percentage of fees paid. For example, Bendigo Bank can change the percentage of fees paid if the</p> </li> </ul>	

Topic	Summary	Where to find more information
	<p>contributions of the parties change, such as the amount of work or costs incurred.</p> <p>In addition to the above, Bendigo Bank may make discretionary financial contributions to community companies.</p> <p><b>Expenses</b></p> <ul style="list-style-type: none"> <li>• <i>Ongoing costs</i></li> </ul> <p>The Community Bank company is responsible for ongoing operating costs, such as leases for sites, staff salaries, payroll services, cheque clearing services and computer software.</p> <ul style="list-style-type: none"> <li>• <i>Costs for renewal</i></li> </ul> <p>If a Community Bank company wants to renew the relationship at the end of the current or later term of the franchise agreement, it must also pay Bendigo Bank fees at that time.</p> <p>As at the date of this Prospectus, those fees per branch include a franchise fee of \$10,000 and process fee of \$50,000. These fees for an additional branch location can be paid in equal annual instalments.</p> <p>An annual fee is payable if a Community Bank company also operates its retail branch operation as a customer service centre location. These fees are escalated by CPI. See section 2.3.5(b)(ii) of this Prospectus for more information about renewal costs. See E2 about the term and renewal.</p>	
<p><b>B5. How is a Community Bank company managed?</b></p>	<p>At a corporate level the board oversees the Community Bank company and its financial performance.</p> <p>The board is responsible for promoting the Community Bank company, its business and the Community Bank model in the community.</p>	<p>See sections 4.1 and 4.4 of this Prospectus</p>

Topic	Summary	Where to find more information
	However, under the Community Bank model, the business is a franchise business and the board is not involved in the day-to-day operations nor expected to bring banking and financial services expertise. Banking and financial services expertise is provided by Bendigo Bank, the branch manager and staff.	
<b>C. Profile of companies</b>		
<b>Fleurieu</b>		
<b>C1. Where does Fleurieu operate?</b>	Fleurieu currently operates a Community Bank branch in Aldinga Beach, South Australia a customer service centre in Willunga, South Australia and a cashless business hub and meeting place in McLaren Vale, South Australia.	See section 3.1.1 of this Prospectus
<b>C2. Who are the directors and branch manager?</b>	<p>The current directors of Fleurieu are as follows.</p> <ul style="list-style-type: none"> <li>• Ronald Leslie Logan</li> <li>• Hazel Ann Wainwright</li> <li>• Charles Dominic Rodney Manning</li> <li>• Anita Jane Bailetti</li> <li>• Daniel John Roach</li> <li>• Karyn Joy Thomas</li> <li>• Juan Edward Smith</li> <li>• Jordan Daniel Corfield-Higgins, and</li> <li>• Marissa Anne Harvey</li> </ul> <p>The current branch manager of Fleurieu is Samantha Bitter.</p>	See section 3.1.3 of this Prospectus
<b>C3. What is the performance history of Fleurieu?</b>	Fleurieu has been operating its business since April 2006 with a branch in Aldinga Beach. Losses were made in the first four years as the business was building. In 2011 the first profit was made, which led to the first dividend paid of one cent per share.	See sections 3.1.2 and 3.1.4 of this Prospectus

<b>Topic</b>	<b>Summary</b>	<b>Where to find more information</b>
	<p>Dividends have been paid in every year since, except for 2015 and 2016, due to opening the Willunga Customer Service Centre in 2016.</p> <p>Over the course of the business and up to 2019, the business has reduced its accumulated losses to \$247,428.</p> <p>For the half financial year ended 31 December 2019 Fleurieu's financial performance was as follows:</p> <ul style="list-style-type: none"> <li>• <b>Net profit (after tax and community contributions):</b> (\$37,204).</li> <li>• <b>Community contributions:</b> \$27,909.</li> <li>• <b>Balance Sheet Retained Earnings:</b> (\$327,621)</li> </ul>	
<b>AlexInvest</b>		
<b>C4. Where does AlexInvest operate?</b>	AlexInvest currently operates a Community Bank branch in Goolwa, South Australia.	See section 3.2.1 of this Prospectus
<b>C5. Who are the directors and branch manager?</b>	<p>The current directors of AlexInvest are as follows.</p> <ul style="list-style-type: none"> <li>• Robert Joe Van Der Kamp</li> <li>• Emily Catherine Livingston</li> <li>• Barry Kym McHugh</li> <li>• Elizabeth Mary Williams</li> <li>• Lauren McKee, and</li> <li>• Carol Gaston.</li> </ul> <p>The current branch manager of AlexInvest is Samantha Bitter, on secondment from Fleurieu.</p>	See section 3.2.3 of this Prospectus
<b>C6. What is the performance history of AlexInvest?</b>	<p>AlexInvest has been operating since 6 May 2011 with a branch in Goolwa, South Australia.</p> <p>From commencement of operations, AlexInvest incurred net losses (after tax and community</p>	See sections 3.2.2 and 3.2.4 of this Prospectus

Topic	Summary	Where to find more information
	<p>contributions). In 2018, AlexInvest had its maiden net operating profit (after tax and community contributions) and in 2019 it again made a net operating profit (after tax and community contributions). AlexInvest has not paid any dividends to shareholders.</p> <p>For the half financial year ended 31 December 2019 AlexInvest's financial performance was as follows:</p> <ul style="list-style-type: none"> <li>• <b>Profit/(Loss) (after income tax credit):</b> (\$9,087)</li> <li>• <b>Community contributions:</b> \$9,048.</li> </ul>	
<b>Merged Entity</b>		
<p><b>C7. What does Fleurieu intend to happen to the business if the Proposed Merger proceeds?</b></p>	<p>If the Proposed Merger proceeds, Fleurieu intends to operate AlexInvest's business as a branch of Fleurieu.</p> <p>Fleurieu proposes to enter into a new franchise agreement with Bendigo Bank to cover the operations of both businesses. The new franchise agreement with Bendigo Bank is substantially to the same effect as the existing franchise agreement to which the Fleurieu is a party, except that the new franchise agreement provides as follows:</p> <ul style="list-style-type: none"> <li>• the new franchise agreement is conditional on completion of the merger of Fleurieu and AlexInvest.</li> <li>• Bendigo Bank must refund, on a pro rata basis, the franchise fee, process fee and training fee paid by Fleurieu and AlexInvest for the unexpired term of their existing franchise agreements.</li> <li>• Bendigo Bank gives any consents required under the existing franchise agreement to give effect to the obligations of Fleurieu under the transaction agreement between</li> </ul>	<p>See sections 1.4 and 6.1.2 of this Prospectus</p>

Topic	Summary	Where to find more information
	Fleurieu and the existing franchise agreements with each of Fleurieu and AlexInvest will end.	
<b>C8. Who will be the directors and branch manager?</b>	<p>It is intended that directors of the Merged Entity following implementation of the Proposed Merger will be a mix of current Fleurieu and AlexInvest directors as follows.</p> <ul style="list-style-type: none"> <li>• Ronald Leslie Logan</li> <li>• Hazel Ann Wainwright</li> <li>• Charles Dominic Rodney Manning</li> <li>• Anita Jane Bailetti</li> <li>• Daniel John Roach</li> <li>• Karyn Joy Thomas</li> <li>• Juan Edward Smith</li> <li>• Jordan Daniel Corfield-Higgins</li> <li>• Marissa Anne Harvey</li> <li>• Robert Joe Van Der Kamp</li> <li>• Emily Catherine Livingston</li> <li>• Barry Kym McHugh</li> <li>• Elizabeth Mary Williams</li> <li>• Lauren McKee, and</li> <li>• Carol Gaston.</li> </ul> <p>It is proposed that Samantha Bitter will be the branch manager of the Merged Entity.</p>	See section 4.2 of this Prospectus
<b>C9. What does the pro forma historical performance of the Merged Entity look like?</b>	<p>For the half financial year ended 31 December 2019 the pro forma results for the Merged Entity would have been as follows:</p> <ul style="list-style-type: none"> <li>• <b>Net profit/(loss) (after tax and community contributions):</b> (\$46,291).</li> <li>• <b>Community contributions:</b> \$36,957</li> </ul>	See section 3.3.3 of this Prospectus

Topic	Summary	Where to find more information
	However, this does not take into account any differences in operations or any synergies that may have existed if the operations had been combined.	
<b>C10. What costs are involved with the Proposed Merger?</b>	<p>Each of AlexInvest and Fleurieu will incur certain costs in undertaking the Proposed Merger. These costs include corporate costs, such as legal fees and accountant's fees, relating to the Proposed Merger.</p> <p>In addition, Fleurieu will incur fees under the new franchise agreement with Bendigo Bank. This includes a franchise fee, process fee and training fee. Bendigo Bank must reimburse any equivalent amounts paid to it by Fleurieu or AlexInvest on a pro rata basis under existing franchise agreements for any unexpired current term.</p> <p>Fleurieu will enter into a new loan with Bendigo Bank from Completion which will replace the existing overdraft facility between AlexInvest and Bendigo Bank. The new loan facility will be on interest free terms and repayable over ten years.</p>	See section 3.3.3 of this Prospectus
<b>C11. What are the key investment metrics?</b>	<p><b>Cost to income ratio:</b></p> <ul style="list-style-type: none"> <li>• Fleurieu:</li> <li>• 1.07 (\$345,886/ \$322,479) AlexInvest:</li> <li>• 1.02 (\$211,958/ \$208,471)</li> <li>• Pro forma as if Proposed Merger had completed:</li> </ul> <p>1.05 (\$557,844/ \$530,950)</p> <p>The cost-to-income ratio measures a company's operating costs in relation to its operating income. It is worked out as follows:</p> $\text{Cost to income ratio} = \frac{\text{operating expenses}}{\text{operating income}}$	See section 3.3.3 of this Prospectus

Topic	Summary	Where to find more information
	<p><b>Current ratio:</b></p> <ul style="list-style-type: none"> <li>Fleurieu: 3.22</li> <li>AlexInvest: 0.08</li> <li>Pro forma as if Proposed Merger had completed: 1.36</li> </ul> <p>The current ratio measures a company's ability to pay short-term obligations with its short term assets. It is worked out as follows:</p> $\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$ <p>These ratios have been calculated using the most recent financial results (ie to 31 December 2019). Community contributions have been excluded from operating expenses on the basis that they are discretionary and profit-distributing in nature.</p>	
<b>D. Investment</b>		
<b>D1. What are the limits for shareholding?</b>	<p>As the Community Bank model gives communities the opportunity to share in a community-owned company that conducts a branch, shareholders are required to have a “close connection” with the community or communities in which the Community Bank company predominantly carries on business.</p> <p>Broad-based ownership is encouraged. There is a restriction on any shareholder or closely related person or entity controlling or owning 10% or more of Fleurieu. There is also a requirement for</p>	See section 6.2.3 of this Prospectus

Topic	Summary	Where to find more information
	the number of shareholders to remain above a “base number”. This “base number” is 90% of the shareholders in Fleurieu after the issue of shares in Fleurieu under the first prospectus issued by Fleurieu. The base number for Fleurieu is 219.	
<b>D2. What are the voting rights attaching to Fleurieu Shares?</b>	Each shareholder of Fleurieu has one vote, regardless of the number of Fleurieu Shares held.	See section 6.2.2 of this Prospectus
<b>D3. What happens to revenue?</b>	<p>An aim of the Community Bank model is for communities to share in revenue generated by Fleurieu. The purpose of Fleurieu is not simply for shareholder return.</p> <p>After meeting costs and expenses, and taking into account future working capital needs of the business, the Board may decide to use funds to do either or both of the following.</p> <ul style="list-style-type: none"> <li>• For community or charitable projects decided by the Board.</li> <li>• In payment of dividends to shareholders. This is subject to the limit described below and in section 6.1.8 of this Prospectus.</li> </ul>	See sections 2.3.3 and 6.1.8 of this Prospectus
<b>D4. What are the limits on distributions to shareholders?</b>	<p>If profitable, unless Bendigo Bank approve otherwise, 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:</p> <ul style="list-style-type: none"> <li>• 20% of the profits of Fleurieu otherwise available for distribution to shareholders in the financial year; and</li> <li>• 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</li> </ul>	See section 6.1.8 of this Prospectus

Topic	Summary	Where to find more information
	Fleurieu's share capital at the end of that financial year.	
<b>D5. Is this investment guaranteed by Bendigo Bank?</b>	No. This is an offer for Fleurieu Shares by Fleurieu. It is not an offer by Bendigo Bank and it is not for shares in Bendigo Bank. Bendigo Bank does not own shares in or control Fleurieu, and does not guarantee the liabilities of Fleurieu or your investment in Fleurieu.	See section 5.1 of this Prospectus
<b>E. Risks</b>		
Some key risks relating to the Proposed Merger and an investment in Fleurieu include those set out below. These and other risks are addressed in more detail in section 5 of this Prospectus.		
<b>E1. Risks arising from Proposed Merger</b>	<ul style="list-style-type: none"> <li>• There are a number of risks that may prevent the Proposed Merger from proceeding. These include the following risks:</li> <li>• The Transaction Agreement provides that the Proposed Merger is subject to several conditions which must be satisfied or waived. If these conditions are not satisfied or waived, the Proposed Merger will not proceed.</li> <li>• Each of Fleurieu and AlexInvest has the right to end the Transaction Agreement in certain circumstances. There is no certainty that the Transaction Agreement will not be ended by either party.</li> <li>• If the Proposed Merger proceeds, there are also risks arising from the merger. These include the following risks:</li> <li>• There is a risk that the proposed benefits are not realised. This can be accommodated to a reasonable extent through cost management and reduced Community Investment.</li> </ul>	See section 5.2 (items 1 to 5) of this Prospectus

Topic	Summary	Where to find more information
	<ul style="list-style-type: none"> <li>• There is a risk of loss of local customers due to loss of local brand in each town. This is less likely given the intention to increase brand presence in locations albeit with a focus on more innovative and cost-effective outlet solutions in the medium term. Existing sites will be retained along with all current Directors.</li> <li>• There is a risk that the disadvantages of the Proposed Merger result in an adverse impact on the merged business operated by Fleurieu.</li> <li>• There is a risk for AlexInvest shareholders that Fleurieu has been overvalued and the ratio of shares received is too low.</li> <li>• There is a risk for Fleurieu shareholders that AlexInvest has been overvalued and the ratio of shares issued is too high.</li> <li>• See also E3 below.</li> </ul>	
<b>E2. Franchise agreement with Bendigo Bank</b>	<p>Fleurieu has entered into a new franchise agreement with Bendigo Bank that will start when the Proposed Merger becomes effective. This will replace the existing franchise agreement that Fleurieu has for the branch and community service centre it operates and the existing franchise agreement that AlexInvest has for the branch it operates. This agreement will enable Fleurieu to operate both branches and the community service centre.</p> <p>As the only business of Fleurieu is the operation of a retail branch operation under a franchise agreement, this is a key dependency and risk.</p> <p>Specific risks relating to the franchise agreement entered into by Fleurieu include the following.</p> <ul style="list-style-type: none"> <li>• Fleurieu's activities are limited to conducting the retail branch operations.</li> </ul>	<p>See section 5.2 (items 6 to 11) of this Prospectus</p>

Topic	Summary	Where to find more information
	<ul style="list-style-type: none"> <li>• Fleurieu must not do anything else unless Bendigo Bank agrees.</li> <li>• In limited cases, Bendigo Bank may change the financial return that Fleurieu receives, with the result being that Fleurieu's revenue may decrease. For example, Bendigo Bank can change the percentage of a commission paid if the contributions of the parties change, such as the amount of work or costs incurred.</li> <li>• Fleurieu is responsible for a broad range of losses. In some cases, this will be even where Fleurieu has little control over the likelihood of the loss occurring. For example, loss arising from fire or loss of cash (although in both of these examples Fleurieu must have insurance cover).</li> <li>• The term of the franchise agreement is 5 years starting from Completion. The franchise agreement may be renewed for 2 additional terms of 5 years each if the conditions for renewal are met. However, there is a risk that Fleurieu may not meet the renewal conditions for either or both of these renewal terms (in which case the franchise agreement may not be renewed). See C3 about the costs of renewal.</li> <li>• Bendigo Bank has the right to end the franchise agreement in the cases set out in the agreement. Examples include if Fleurieu is insolvent, engages in fraudulent conduct or conducts the business in a way that endangers public health or safety, and if Fleurieu breaches the agreement and the breach is a material breach.</li> <li>• If the franchise agreement ends (including if it is not renewed), all rights given to Fleurieu end for the retail branch operations.</li> </ul>	

Topic	Summary	Where to find more information
<b>E3. Effectiveness of Fleurieu</b>	<p>There is a risk that Fleurieu will not achieve the business volume to generate sufficient revenue to make a profit. The revenue generated is dependent on business volumes and the financial return from Bendigo Bank. Business volume is dependent on a number of factors including the following.</p> <ul style="list-style-type: none"> <li>• The extent to which business generated by Fleurieu's existing operations or AlexInvest's existing operations varies from business generated in the past. Fleurieu's performance may be impacted by the Proposed Merger.</li> <li>• The effectiveness of branch staff, including the branch manager. There is a risk that the branch manager and staff are not effective or successful in servicing or developing Fleurieu's business.</li> <li>• The promotional activities of the Board. There is a risk that the Board is not effective or successful in promoting Fleurieu, its business and the Community Bank model in the community.</li> </ul> <p>If Fleurieu does not generate sufficient revenue it may not be able to make community contributions or pay or provide for dividends – see D3, D4, E4 and E5.</p>	See section 5.2 (item 12) of this Prospectus
<b>E4. Insufficient revenue to make community contributions</b>	<p>As the ability of the Board to make community contributions is dependent on the ongoing success of Fleurieu, there is a risk that community contributions will not be made. This may adversely impact on the reputation of Fleurieu and its community objectives.</p> <p>Community contributions have been made by Fleurieu and AlexInvest in the past, but there is a risk that they may not continue to be made by Fleurieu.</p>	See section 5.2 (item 15) of this Prospectus

Topic	Summary	Where to find more information
<b>E5. Insufficient revenue to pay dividends</b>	<p>There is a risk that Fleurieu will not pay dividends.</p> <p>The ability of Fleurieu to pay dividends depends on the profitability of Fleurieu. In addition, as explained above (see D3), the purpose of Fleurieu is not simply for shareholder return and there is a limit on the profits that can be distributed to shareholders, including through dividends.</p> <p>Dividends have been paid by Fleurieu in the past, but there is a risk that they may not continue to be paid by Fleurieu.</p>	See section 5.2 (item 16) of this Prospectus
<b>E6. Sufficiency of working capital</b>	<p>The Board anticipates that Fleurieu's existing level of working capital will be enough for Fleurieu to meet the operating costs of the merged businesses of Fleurieu and AlexInvest. There is a risk that Fleurieu's existing level of working capital will not be sufficient in order for Fleurieu to operate the merged business. In that case, in order to continue operating, Fleurieu would need to access additional working capital. If that is not possible, Fleurieu could not continue to operate and, on a winding up, shareholders may not get back all or any of the money invested.</p> <p>Fleurieu currently has a \$250,000 overdraft facility with Bendigo Bank that has not been utilised in recent years. This overdraft facility will be reduced to \$100,000 following the merger.</p> <p>AlexInvest has an overdraft debt of \$380,805 (as at 30 April 2020) with Bendigo Bank. On completion of the Proposed Merger, this will be converted to a new 10-year, interest-free loan.</p>	See section 5.2 (item 14) of this Prospectus
<b>E7. Loan facility with Bendigo Bank</b>	<p>Fleurieu will enter into a new loan with Bendigo Bank from Completion which will replace the existing overdraft facility between AlexInvest and Bendigo Bank. The new loan facility will be on interest free terms and repayable over ten years.</p>	See section 5.2 (item 14) of this Prospectus

Topic	Summary	Where to find more information
<b>E8. Sites</b>	<p>The sites are a key component in the success of Fleurieu. There is a risk that a site will not be or remain suitable and this can have a significant adverse impact on the ability of Fleurieu to generate business.</p>	<p>See section 5.2 (item 17) of this Prospectus</p>
<b>E9. Economic and local conditions</b>	<p>There is a risk that changes in economic conditions and the competitive landscape could adversely affect the financial performance of Bendigo Bank and Fleurieu. Examples include changes in inflation and interest rates.</p> <p>These factors may adversely affect the financial return to Bendigo Bank and Fleurieu, including Fleurieu's share of margin, the commissions paid to Fleurieu and Fleurieu's share of fee income.</p> <p>Also, the level of banking business conducted through the branches will be affected by general economic conditions, which may adversely affect Fleurieu's financial performance.</p> <p>Further, changes in local community conditions or the local environment could adversely affect Fleurieu's financial performance as they can significantly impact on business volumes and local economic activity.</p> <p>Also, it is uncertain how the development and spread of Coronavirus (COVID-19) in Australia and the imposition of Federal Government restrictions will impact on the Australian economy and the Merged Entity.</p>	<p>See section 5.2 (item 19) of this Prospectus</p>
<b>E10. Increased Competition faced by Fleurieu</b>	<p>There are already several bank branches on the Fleurieu Peninsula. There is a risk that these established branches will adversely impact on the level of banking business the Board hopes to achieve.</p> <p>The main risk of competition is from other financial service providers. The franchise</p>	<p>See section 5.2 (item 21) of this Prospectus</p>

Topic	Summary	Where to find more information
	<p>agreement with Bendigo Bank is not exclusive, so competition may be from Bendigo Bank or other franchisees. It may also be from other service providers who deliver services through electronic or other means.</p>	
<p><b>E11. Ability to sell Consideration Shares</b></p>	<p>Because of the community based nature of Fleurieu, it is envisaged that there will not be much trading in its shares. There is a risk that shareholders will not be able to sell their Fleurieu Shares when they want to, at all or at a price they want.</p> <ul style="list-style-type: none"> <li>• Fleurieu is not listed on a securities exchange. Fleurieu conducts a 'low volume financial market' under the Corporations Act, however that does not guarantee that a shareholder will be able to sell their Fleurieu Shares.</li> <li>• There are restrictions on who can be a shareholder and the number of Fleurieu Shares that a person can hold. See D1 above.</li> </ul> <p>The share trading history for Fleurieu has been one trade in the last three years and fourteen trades from 2010 to 2016. There are currently twenty-four registered sellers and two registered buyers.</p> <p>The share trading history for AlexInvest has been zero trades in the last three years. There were four trades from 2013 to 2016 and there are currently 28 registered sellers and zero registered buyers</p>	<p>See section 5.2 (item 23) of this Prospectus</p>
<p><b>E12. Are there any other risks?</b></p>	<p>Yes. Some other risks are discussed in section 5 of this Prospectus.</p>	<p>See section 5 of this Prospectus</p>

# **1. The Proposed Merger and the Offer**

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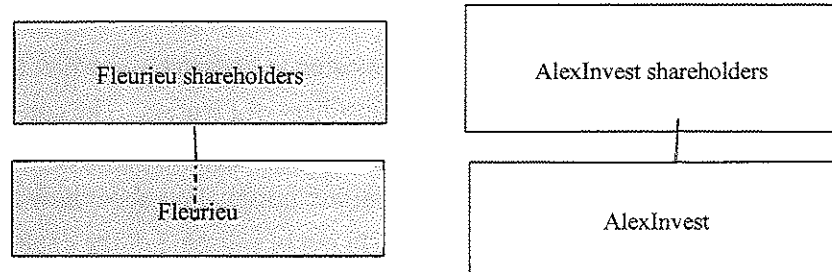
## **1.1 Background**

Fleurieu and AlexInvest are proposing to undertake a merger such that AlexInvest will become a wholly-owned subsidiary of Fleurieu. The current shareholders of AlexInvest will receive Fleurieu Shares in consideration of having their AlexInvest Shares cancelled. Further information about how the Proposed Merger will be implemented is set out in section 2 of the explanatory statement accompanying the AlexInvest Notice of Meeting.

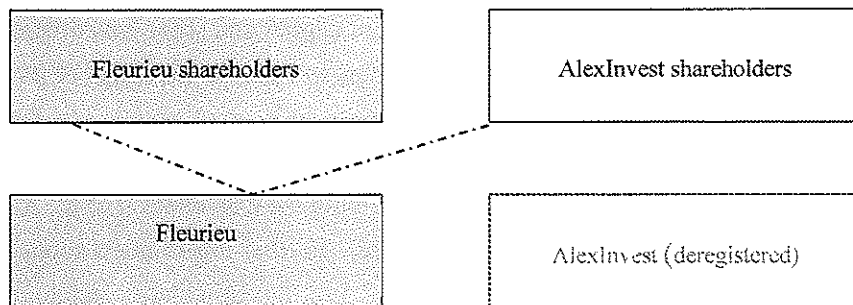
On 7 November 2019, Fleurieu and AlexInvest entered into the Transaction Agreement. Under the Transaction Agreement, among other things, AlexInvest is required to convene meetings of its shareholders to consider and, if thought fit, approve the selective reduction of capital and share cancellation by AlexInvest. Fleurieu is required, among things, to convene meetings of its shareholders to consider and, if thought fit, approve an issue of shares. The Proposed Merger is to be implemented by way of an issue of shares by AlexInvest to Fleurieu and a selective capital reduction (involving the cancellation of all AlexInvest Shares other than those held by Fleurieu). Further information about the Transaction Agreement is set out in section 2.5 of the explanatory statement accompanying the AlexInvest Notice of Meeting.

The following diagrams provide an overview of the current corporate structure and the corporate structure following the Proposed Merger.

***Structure of Fleurieu and AlexInvest before the Proposed Merger***



***Structure of Fleurieu and AlexInvest after the Proposed Merger***



## **1.2 Reasons for the Proposed Merger**

The fundamental goal of both the Fleurieu and AlexInvest Boards is to secure a business scale that makes it the bank of choice for all community minded businesses and customers across the Fleurieu Peninsula, allows leverage for growth and the opportunity to be a competitor in the region that can withstand the further economic and industry transformation pressures of the short to medium term. Fleurieu and AlexInvest have considered the options and are of the view that a merger of the companies will lead to achievement of that goal. Scale is essential to the longer term survival and financial strength of both entities due to increased competition from non-traditional banking companies and low interest rate environment.

The Board considers that without the merger in the current banking climate, the current standalone business is not viable to continue in the long term and organic growth is too slow. In addition, the board considers that aggressive marketing will not be cost effective or produce benefits in the short term.

The businesses operated by Fleurieu and AlexInvest are adjacent in geographic terms which will see an increase in the overall footings. This is important as revenue is primarily driven off footings.

Cost efficiencies will be achieved through the rationalisation of a number of support functions and services. This includes moving to one share registrar, accountant and auditor and consolidation of the current Franchise Agreements which should result in an annual saving.

The Proposed Merger will enhance the management, deployment, career development and training of the merged business's employees.

It is also expected that the merged business will broaden the experience and expertise of the Merged Entity's board and assist in retaining and attracting new directors.

## **1.3 Advantages and Disadvantages of the Proposed Merger**

The Directors believe that the Proposed Merger has the following advantages:

- Fleurieu shareholders have not received a dividend since the financial year ending 30 June 2019. Under the Proposed Merger, holders of Fleurieu shares immediately prior to the General Meeting will receive a dividend of \$0.08 per share on completion of the transaction. The Proposed Merger provides Fleurieu shareholders with an opportunity to receive an immediate return on their investment while continuing to hold shares in the Merged Entity.

- AlexInvest and Fleurieu are appropriately matched to undergo a merger given that their businesses operate closely, both geographically and via the existing shared use of staff (including branch manager).
- Savings of around \$25,000 are expected to be achieved through the rationalisation of a number of support functions and services, including accounting, audit, share registry and ASIC fees.
- The Proposed Merger will build on the past informal arrangements where AlexInvest and Fleurieu have shared marketing initiatives and resources.
- As the revenue earned by Fleurieu under the franchise agreement is dependent on the business it generates, it is expected that the increase in size of the loan and deposit book of the Merged Entity, compared to the size of the loan and deposit books of Fleurieu and AlexInvest on their own, will result in an increase in business and an increase in revenue.
- The Board expects that having operations across the whole of the Fleurieu Peninsula will provide the Merged Entity with a greater marketing presence in the region than would be available to Fleurieu and AlexInvest operating independently. It is expected this will result in an increase in the number of loans processed and the deposit base which will enable the Merged Entity to spread its fixed costs over a greater revenue base.
- Employees will be given more location and career opportunities which is expected to improve staff retention and also make the business more attractive to recruit new staff.
- The Proposed Merger will broaden the range of expertise and experience of the board of the Merged Entity with all current directors of Fleurieu and AlexInvest becoming directors of the Merged Entity.
- There will be no change to the banking services that AlexInvest and Fleurieu each offer existing customers with potentially enhanced services and products available to customers of the Merged Entity due to increased scale.

The Directors believe that the Proposed Merger has the following disadvantages:

- The interest of the Fleurieu shareholders will be diluted because, in aggregate, they will hold 73.3% of the shares in the Merged Entity.

- the cost of the transaction.
- Fleurieu will assume AlexInvest's overdraft balance which will be converted into two separate interest-free loans from Bendigo Bank, repayable over a period of five and ten years respectively. Unless the Merged Entity is able to grow its revenue base to a sufficient level, the requirement to repay the loans may reduce the Merged Entity's available funds for working capital and reduce its ability to pay future dividends.
- Fleurieu shareholders may consider that a superior proposal relating to their interests in Fleurieu exists and the implementation of the Proposed Merger would remove the opportunity to benefit from any such superior proposal. At the date of this prospectus, the Fleurieu directors have not received, nor are they aware of, any superior proposal.
- The proposed costs savings may not be achieved.

## **1.4 Intentions following the Proposed Merger**

It is intended that, following the Proposed Merger, the assets and business of AlexInvest will be transferred to Fleurieu, and Fleurieu will:

- continue to operate its existing branch in Aldinga Beach, South Australia and the customer service centre in Willunga, South Australia and the cashless office in McLaren Vale, South Australia; and
- operate the branch currently operated by AlexInvest in Goolwa, South Australia as a branch of Fleurieu.
- offer employment to AlexInvest's current employees.

Fleurieu intends to arrange for the deregistration of AlexInvest as soon as feasible, to save corporate and administration costs and the need to maintain an additional board.

## **1.5 Independent Expert's Report**

The directors of AlexInvest have commissioned an independent expert, being RSM Australia, to prepare a report to ascertain whether the Proposed Merger is fair and reasonable.

The independent expert has concluded that the Proposed Merger is fair and reasonable to the shareholders of AlexInvest.

The independent expert's report forms part of the AlexInvest Notice of Meeting.

The directors of Fleurieu have commissioned an independent expert, being ShineWing Australia, to prepare a report to ascertain whether the Proposed Merger is fair and reasonable.

The independent expert has concluded that the Proposed Merger is not fair but is reasonable to the shareholders of Fleurieu.

The independent expert's report forms part of the Fleurieu Notice of Meeting.

## **1.6 Purpose of this Prospectus and Offer**

The purpose of the Offer is to give effect to the merger between Fleurieu and AlexInvest. Fleurieu will not raise any funds as part of the Offer.

Under this Prospectus, Fleurieu proposes to issue the Consideration Shares to AlexInvest, which will in turn be distributed to AlexInvest's shareholders in consideration for their AlexInvest Shares being cancelled.

The offer by Fleurieu to issue the Consideration Shares to AlexInvest and the subsequent distribution of the Consideration Shares to AlexInvest's shareholders will require a disclosure document under the Corporations Act.

Accordingly, Fleurieu has prepared and lodged with ASIC this Prospectus under Chapter 6D of the Corporations Act in order to satisfy the Corporations Act requirements.

No Fleurieu Shares will be issued or distributed on the basis of this Prospectus after implementation of the Proposed Merger, which will occur no later than 13 months after the date of this Prospectus. It is currently expected that the Proposed Merger will be implemented on 5 October 2020.

## **1.7 What AlexInvest shareholders will receive**

On the cancellation of their AlexInvest Shares, each shareholder of AlexInvest will receive 1 Fleurieu Share for every 3 AlexInvest Shares they hold. AlexInvest shareholders will hold 26.7% of the shares in Fleurieu. This conversion rate has been agreed by the directors of each of Fleurieu and AlexInvest, having regard to valuations of the two companies completed over the last 12 months.

AlexInvest shareholders will not receive the Fleurieu Dividend.

Information about Fleurieu and its business is set out in section 3.1 of this Prospectus, and information about the rights attaching to Fleurieu Shares is set out in section 6.2.2 of this Prospectus.

## **1.8 Condition of the Offer**

The Offer is conditional on the completion of the selective capital reduction of AlexInvest becoming effective.

## 1.9 Shareholder resolutions to effect the Proposed Merger

A number of resolutions will need to be approved by the shareholders of each of Fleurieu and AlexInvest to effect the Proposed Merger. Meetings of the shareholders of Fleurieu and AlexInvest have been convened to consider these resolutions (the dates are set out in section 1.11 of this Prospectus).

Details of these resolutions, together with the majorities needed to approve these resolutions, are set out below.

No.	Resolution	Required majority
<b>Fleurieu</b>		
1.	That the Proposed Merger between Fleurieu and AlexInvest be approved.	A majority of votes cast by Fleurieu shareholders entitled to vote on the resolution.
2.	That the issue of 263,492 ordinary shares in Fleurieu to AlexInvest be approved.	A majority of votes cast by Fleurieu shareholders entitled to vote on the resolution.
3.	That the Constitution of Fleurieu be altered in the manner specified in the notice of general meeting of Fleurieu, as required to effect the Proposed Merger.	At least 75% of votes cast by Fleurieu shareholders entitled to vote on the resolution.
4.	That the number of Directors determined under Rule 51 of the Constitution be increased from ten to fifteen.	A majority of votes cast by Fleurieu shareholders entitled to vote on the resolution.
<b>AlexInvest</b>		
1.	That the Proposed Merger between Fleurieu and AlexInvest be approved.	A majority of votes cast by AlexInvest shareholders entitled to vote on the resolution.
2.	That the share capital of AlexInvest be reduced by cancelling and extinguishing the shares in AlexInvest held by the shareholders of AlexInvest on the register of members immediately before the start of the general meeting.	At least 75% of votes cast by AlexInvest shareholders entitled to vote on the resolution.

3.	That the issue of 790,477 ordinary shares in AlexInvest to Fleurieu be approved.	A majority of votes cast by AlexInvest shareholders entitled to vote on the resolution.
4.	That the Constitution of AlexInvest be altered in the manner specified in the notice of general meeting of AlexInvest, as required to effect the Proposed Merger.	At least 75% of votes cast by AlexInvest shareholders entitled to vote on the resolution.
5.	That the number of Directors determined under Rule 51 of the Constitution be increased from ten to fifteen.	A majority of votes cast by AlexInvest shareholders entitled to vote on the resolution.
6.	That the selective capital reduction be approved.	At least 75% of votes cast by AlexInvest shareholders entitled to vote on the resolution.  (Note that all votes cast in favour of this resolution by AlexInvest shareholders other than Fleurieu (who will be registered holder of shares in AlexInvest at the time this resolution is considered) will be disregarded in accordance with the requirements of the Corporations Act).

## 1.10 Withdrawal

Fleurieu may withdraw this Offer at any time after the Transaction Agreement ending.

## 1.11 Key dates

An indicative timetable for the Offer is set out below.

<b>Event</b>	<b>Date*</b>
<b>Fleurieu Record Date</b> (for the purposes of determining the identity of Fleurieu shareholders and to determine their entitlements to the Fleurieu Dividend )	The time immediately before the general meeting of Fleurieu's shareholders
<b>General Meeting of the shareholders of Fleurieu</b> (to, among other things, consider and, if thought fit, approve the issue of the Consideration Shares to AlexInvest)	18 September 2020
<b>Record Date</b> (for the purposes of determining the identity of AlexInvest shareholders and to determine their entitlements to Fleurieu Shares)	The time immediately before the general meeting of AlexInvest's shareholders
<b>General Meeting of the shareholders of AlexInvest</b> (to, among other things, consider and, if thought fit, approve the selective capital reduction)	18 September 2020
<b>Completion of the Proposed Merger</b>	5 October 2020

*\*These dates are indicative only and are subject to change.*

## 1.12 Capital structure

Details of the share structure of Fleurieu before and after the Proposed Merger are set out below:

	<b>Number</b>	<b>Percentage of shares in Fleurieu</b>
Shares on issue in Fleurieu as at the date of this Prospectus	724,815	100%
Shares to be issued to AlexInvest, and in turn distributed to the AlexInvest shareholders (as at the Record Date) under the Proposed Merger	263,492	26.7%
Shares held by Fleurieu shareholders after the Proposed Merger	724,815	73.3%
Total shares in Fleurieu after	988,307	100%

### 1.13 No listing or quotation

Fleurieu does not intend to seek listing, or to have the shares quoted, on any financial market. Fleurieu conducts a “low volume financial market” in Fleurieu Shares (see section 5.2 (item 23) of this Prospectus).

### 1.14 How the Offer is accepted

If you are a shareholder of AlexInvest as at the Record Date, you do not need to do anything to receive the Consideration Shares.

If shareholder approval is obtained for the selective capital reduction to be undertaken by AlexInvest, the AlexInvest Shares held by the shareholders of AlexInvest as at the Record Date will be cancelled, and each shareholder of AlexInvest as at the Record Date will receive 1 Consideration Share for every 3 AlexInvest Shares they presently own.

Shareholders of AlexInvest will be requested to consider and, if thought fit, approve amendments to the constitution of AlexInvest that will allow AlexInvest to do each of the following.

- (a) Distribute the Consideration Shares to each shareholder of AlexInvest.
- (b) Agree, on behalf of each shareholder of AlexInvest, to become a shareholder of Fleurieu.
- (c) Execute, on behalf of each shareholder of AlexInvest, the share transfer forms for the Consideration Shares to be distributed to the shareholders of AlexInvest.

A prospectus is normally required to include an application form for shares. However, ASIC has granted relief from this requirement in ASIC Corporations (Application Form Requirements) Instrument 2017/241 in the circumstances that apply to this Prospectus, so that an application form is not required to be included with this Prospectus.

### 1.15 Investment advice

You should seek your own financial advice.

The Offer contained in this Prospectus does not take into account your personal investment objectives, financial situation and particular needs. In considering the prospects of Fleurieu, it is important that you consider the risk factors that could affect the financial performance of Fleurieu, some of which are set out in section 5 of this Prospectus. 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 adviser before deciding how to vote on the resolutions to be considered at the general meeting of AlexInvest shareholders necessary to effect the Proposed Merger.

## **1.16 Questions**

If you have any questions about the Offer please contact the Fleurieu Company Secretary on (08) 8557 8166.

## **2. About community banking**

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### **2.1 Introduction**

Fleurieu and AlexInvest are each Community Bank companies. Information about Bendigo Bank and community banking is set out below.

### **2.2 Bendigo Bank**

The Bendigo and Adelaide Group provides access to a wide range of products including home loans, commercial mortgages, unsecured loans, investment products, insurance and superannuation.

Bendigo Bank operates approximately 486 branches. This includes branches it operates itself and branches operated through franchisees, but does not include agencies.

As at 31 December 2019, the Bendigo and Adelaide Group had an asset base of \$74.6 billion. Bendigo Bank declared a statutory profit after tax of \$145.8 million for the 6 month period ending 31 December 2019. It is listed on the Australian Securities Exchange.

### **2.3 Development of community banking and how it works**

#### **2.3.1 Development of community banking**

Bendigo Bank developed the Community Bank model in 1998 in response to the continuing closure of bank branches across Australia, and the subsequent effects on disenfranchised communities.

The first Community Bank branch opened in 1998. There are now more than 320 Community Bank branches, located in rural and metropolitan communities across Australia, operated by more than 230 community companies, with over \$37 billion in banking business. In the past 3 years, 12 new branches have opened for business. The network is supported by more than 1,900 directors (the majority of whom act on a voluntary basis), more than 75,000 local shareholders and more than 1,500 staff members.

#### **2.3.2 How community banking works commercially**

A Community Bank branch is a means by which communities with the will and enthusiasm can enhance their future prospects by securing access 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 share in the potential growth of their local economy.

The availability of local banking facilities helps promote investment in communities. This includes through stimulating commercial activity, creating local employment opportunities and increasing the confidence of local businesses.

- To enable participating communities to share in revenue generated from their Community Bank enterprise, as well as offering the potential for shareholders to receive dividends.

Traditionally communities had no say in where the profits generated from local bank branches went. This is not the case with Community Bank branches. The board of a Community Bank company comprises representatives of the local community. It decides how the company's share of the revenue generated by the branch is used.

The essence of the Community Bank model is shared reward for shared effort between the community and Bendigo Bank for conducting a retail branch operation.

### **2.3.3 Community effort and reward**

Under the Community Bank model, communities have the opportunity to set up a community-owned company to conduct a branch of Bendigo Bank. The model is based on the assumption that ownership of this 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.

Communities provide start-up capital for the business, and through the community-owned company, they are responsible for operating the branch. The company is responsible for promoting the branch, the costs of the branch (for example, the costs of staff and leasing the branch location) and managing operational risk.

By supporting their local branch, communities have the opportunity to generate financial return. This may be used to support and develop the community through community projects, and provide returns to shareholders through dividends. The board of the Community Bank company decides how revenue generated is used. Typically community organisations can apply for funding for community projects. Funding has included, for example, contributions towards local medical facilities, aged care facilities and sporting facilities, as well as a variety of other forms of

community assistance, such as a community bus, firefighting equipment and youth development programs. Contributions by Fleurieu and AlexInvest are discussed in sections 3.1.4 and 3.2.4 below.

#### **2.3.4 Bendigo Bank effort and reward**

Each franchisee conducts its Community Bank branches on behalf of Bendigo Bank, operating a franchise of Bendigo Bank, using the name “Bendigo Bank” and the system of operations of Bendigo Bank. All transactions with customers conducted through a Community Bank branch are between the customers and the service provider or product issuer.

Accordingly, Bendigo Bank provides a nationally recognised brand, products and services and the systems for operation. It is also responsible for holding and maintaining all regulatory licences for offering products and services. As well it provides guidance to the Community Bank company about a variety of matters including developing customer relations, operational efficiency and profitability, staff recruitment and performance management and operational risk management.

Community banking has enabled Bendigo Bank to build its distribution network substantially and enhanced its brand. Bendigo Bank benefits from the Community Bank company taking responsibility for operating the branch and the associated costs. Bendigo Bank receives fees from the Community Bank company including franchise fees and establishment fees, as explained in section 2.3.5(b)(ii). It receives revenue from the products and services offered through the Community Bank branches. This is shared with the Community Bank company, as explained in section 2.3.5(a).

#### **2.3.5 How community banking works financially**

##### **(a) Financial return**

##### **(i) General**

The franchise agreement provides that three forms of revenue may be earned by Fleurieu – margin, commission and fee income. The form of financial return depends on the products and services and their categorisation by Bendigo Bank. Bendigo Bank has some limited discretions to change the form of return for particular products and services – see section 2.3.5(a)(vii) of this Prospectus.

The revenue earned by Fleurieu is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates. For further information, see the risk factors in section 5 of this Prospectus.

Following a review of the Community Bank model, changes to the financial return for Community Bank companies were introduced as of 1 July 2016 as follows.

- A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.
- All revenue paid on core banking products is through margin share.
- Margin on core banking products is shared on a 50/50 basis.

**(ii) Core banking products**

Bendigo Bank has identified some Bendigo Bank products and services as “core banking products”. These include margin loans and Bendigo Bank branded home loans, term deposits and at call deposits.

**(iii) Margin**

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits,

*plus* any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,

*Note: In very simplified terms, this means the cost for Bendigo Bank to borrow the money in the market.*

*minus* any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

*Note: In very simplified terms, this means the cost for Bendigo Bank to borrow the money in the market.*

Fleurieu is entitled to a share of the margin earned by Bendigo Bank (i.e. income adjusted for Bendigo Bank’s interest expense and interest income return). However, if this reflects a loss, Fleurieu incurs a share of that loss. Margin is paid on all core banking products and services. Bendigo Bank can change the margin share, but cannot reduce Fleurieu’s share on core banking products and services when aggregated to less than 50% of Bendigo Bank’s margin on core banking products and services that Bendigo Bank attributes to Fleurieu’s operations.

**(iv) Commission**

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. For example, at the date of this Prospectus, a commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which

ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. In limited circumstances, Bendigo Bank can change the commission paid to Fleurieu – see section 2.3.5(a)(vii) of this Prospectus.

(v) ***Fee income***

Fee income is a share of what is commonly referred to as “bank fees and charges” charged to customers by Bendigo Bank. At the date of this Prospectus, examples include fees for loan applications and account transactions. In limited circumstances, Bendigo Bank can change the fees paid to Fleurieu – see section 2.3.5(a)(vii) of this Prospectus.

(vi) ***Discretionary financial contributions***

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made discretionary financial contributions to Community Bank companies. The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary contributions is to assist with local marketing and development activities of Community Bank companies, including in some cases their community contributions. It is for each board to decide how to use these financial contributions from Bendigo Bank.

From 1 July 2016 Bendigo Bank changed the discretionary financial contributions to focus greater support for new branches with less banking business and less support for branches with more banking business.

Fleurieu may receive discretionary contributions from Bendigo Bank. However, any financial contributions from Bendigo Bank are discretionary and Bendigo Bank may change contributions or stop making contributions at any time.

In addition, during the 12 month period following completion of the Proposed Merger, Fleurieu will receive a one-off payment of \$20,000 from Bendigo Bank for the purpose of assisting with local marketing and development activities. To receive the payment, Fleurieu must apply to Bendigo Bank for the payment setting out proposed marketing and development activities. As with other discretionary contributions, any payment is at the discretion of Bendigo Bank and Bendigo Bank may not approve the payment.

(vii) ***Changing the financial return***

*Ability to change financial return*

Under the franchise agreement, there are limited circumstances in which Bendigo Bank may make changes to the financial return. Bendigo Bank must give 30 days' notice of any change.

**Core banking products and services:** If Bendigo Bank makes a change to the margin on core banking products and services, it must not reduce the margin Fleurieu receives on core banking products and services Bendigo Bank attributes to Fleurieu to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time.

**Other products and services:** For products that are not core banking products, a distinction is made between Bendigo Bank branded loan and deposit products and other products.

- **Bendigo Bank branded loan and deposit products:** For Bendigo Bank branded loan and deposit products, if the contributions by Fleurieu or Bendigo Bank change (such as the amount of work or the costs incurred):
  - Bendigo Bank may change the form of financial return from commission to margin.
  - *In the case of commission*, Bendigo Bank may change the percentage of commission that is paid.
  - *In the case of margin*, Bendigo Bank may change the share of margin Bendigo Bank attributes to Fleurieu's retail branch operation.
- **Other products and services:** Bendigo Bank may change the form of financial return between commission and fees, but only if this arises from an external change, such as a change in regulation or a change in industry practice.
  - *In the case of fees*, Bendigo Bank may change the percentage of fees that are paid, but only if the contributions by Fleurieu and Bendigo Bank change, such as the amount of work or costs incurred.
  - *In the case of commissions that are a percentage of what Bendigo Bank receives*, Bendigo Bank can change the percentage of the commission, but only if the contributions of Fleurieu and Bendigo Bank change, such as the amount of work or costs incurred.

- *In the case of other commissions*, Bendigo Bank may reduce the commission if the contributions by Fleurieu or Bendigo Bank change, such as the amount of work or contributions, or if the amount received by Bendigo Bank for the product or service is reduced. In the latter case, the reduction in commission must be no greater in proportion than the proportional reduction in what Bendigo Bank receives.

This may affect the amount of revenue Fleurieu receives on a particular product or service. The effect of the change on the revenue earned by Fleurieu is entirely dependent on the change.

*Changes made to financial return*

Bendigo Bank monitors the distribution of financial return between Community Bank companies and Bendigo Bank on an ongoing basis.

Overall, Bendigo Bank has made it clear that the Community Bank model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo Bank's margin. However, for a number of years the Community Bank network received more than 50% of Bendigo Bank's margin on core banking products and services, on an aggregate basis.

Bendigo Bank introduced changes relating to financial return from 1 July 2016 as follows.

- A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.
- All revenue paid on core banking products is through margin share.
- Margin on core banking products is shared on a 50/50 basis.

The Board considered the implications of these changes when deciding to enter into the current franchise agreement with Bendigo Bank.

**(b) Expenses**

**(i) Ongoing costs**

Examples of the ongoing costs for the retail branch operations and corporate costs are set out below.

- Costs relating to occupying the sites, including the cost of any leases, fitout and maintenance.
- Staff costs, including employment and training costs.

- Costs of items and services Fleurieu gets from Bendigo Bank, including cheque clearing services, transport for cash and internal mail, automatic teller machines, computer software and hardware, security services and transport services for cash, payroll services, uniforms, stationery and forms for customers and signs.
- Marketing and promotional materials specific to the branches or campaign.
- Insurance costs.
- Corporate costs, such as accountant's fees, auditor fees, ASIC fees and share registry fees.

**(ii) *Costs for renewal***

Under the franchise agreement, if Fleurieu wants to renew the relationship at the end of a term (five years), it must pay the following fees to Bendigo Bank in relation to each of its branches, together with goods and services tax. It must also pay an amount set by Bendigo Bank to cover its reasonable out-of-pocket expenses to renew the relationship. This includes legal and other adviser fees.

- A franchise fee of \$10,000.
- A process fee of \$50,000.
- Current training fees for staff.

The franchise fee and process fee required for renewal are to be escalated based on the CPI – i.e. Consumer Price Index All Groups, Weighted Average of Eight Capital Cities, Index Numbers, published by the Australian Bureau of Statistics.

On renewal, fees for an additional branch location can be paid in instalments.

For an additional site that is a customer service centre location, the fees are annual fees.

## 3. Profile of companies

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### 3.1 Profile of Fleurieu

#### 3.1.1 Overview

Fleurieu was incorporated on 6 October 2005. It was formed to operate a branch at Aldinga Beach, South Australia under a franchise agreement with Bendigo Bank.

#### 3.1.2 Operations

Fleurieu opened the Aldinga Community Bank branch in April 2006 and Fleurieu has conducted the retail branch operation since the branch opened.

Fleurieu opened its customer service centre at Willunga in April 2015 and has conducted the customer service centre since it opened.

It has 7 employees and its loan and deposit book as at 30 April 2020 is \$116 million.

#### 3.1.3 Board and management

The names of the current directors of Fleurieu and the shares they currently hold in Fleurieu is set out below.

Name of director	Shares in Fleurieu
Ronald Leslie Logan	10,000
Hazel Ann Wainwright	nil
Charles Dominic Rodney Manning	nil
Anita Jane Bailetti	nil
Daniel John Roach	nil
Karyn Joy Thomas	3,000
Juan Edward Smith	nil
Jordan Daniel Corfield-Higgins	nil
Marissa Anne Harvey	nil

The current branch manager is Samantha Bitter.

#### 3.1.4 Financial information

Fleurieu has been operating since April 2006.

Fleurieu has been operating its business since April 2006 with a branch in Aldinga Beach. Losses were made in the first four years as the business was building. In 2011 the first profit was made, which led to the first

dividend paid of one cent per share. Dividends have been paid in every year since, except for 2015 and 2016, due to opening the Willunga Customer Service Centre in 2015.

Over the course of the business and up to 2019, the business has reduced its accumulated losses to \$247,428.

As explained in section 2.3.5(a)(vi) of this Prospectus, Bendigo Bank may make discretionary financial contributions. Since starting operation Fleurieu has received discretionary financial contributions from Bendigo Bank totalling approximately \$552,000.

For the half financial year ended 31 December 2019 Fleurieu's financial performance was as follows:

- Net profit (loss) after tax and community contributions: (\$37,204)
- Community contributions: \$27,909

More detailed financial information is available in section 3.3.3.

## **3.2 Profile of AlexInvest**

### **3.2.1 Overview**

AlexInvest was incorporated on 10 May 2010. It was formed to operate a branch at Goolwa, South Australia under a franchise agreement with Bendigo Bank.

### **3.2.2 Operations**

AlexInvest opened the Goolwa Community Bank branch on 6 May 2011 and AlexInvest has conducted the retail branch operation since the branch opened.

It has 4 employees and its loan and deposit book as at 31 December 2019 is \$69.7 million.

### **3.2.3 Board and management**

The names of the current directors of AlexInvest, the shares they currently hold in AlexInvest and the shares they will receive in Fleurieu under the Proposed Merger (in consideration for the cancellation of their shares in AlexInvest) is set out below.

<b>Name of director</b>	<b>Shares in AlexInvest</b>	<b>Shares the director will receive in Fleurieu</b>
Robert Joe Van Der Kamp	90,000	30,000
Emily Catherine	-	-

Livingston		
Barry Kym McHugh	5,000	1,667
Elizabeth Mary Williams	-	-
Lauren McKee	-	-
Carol Gaston	21,000	7,000

The current branch manager is Samantha Bitter, on secondment from Fleurieu.

### **3.2.4 Financial information**

AlexInvest has been operating since 6 May 2011.

AlexInvest started operations in 2011 and made net losses (after tax and community contributions) in each year until 2018, in which it made a maiden net operating profit (after tax and community contributions).

As explained in section 2.3.5(a)(vi) of this Prospectus, Bendigo Bank may make discretionary financial contributions. Since starting operation AlexInvest has received discretionary financial contributions from Bendigo Bank totalling approximately \$325,000 (as at 31 December 2019).

For the half financial year ended 31 December 2019 AlexInvest's financial performance was as follows:

- Net profit (loss) after tax and community contributions: (\$9,087)
- Community contributions: \$9,048

More detailed financial information is available in section 3.3.3.

## **3.3 Profile of Merged Entity**

### **3.3.1 Overview**

As discussed in section 1.4, if the Proposed Merger occurs, Fleurieu will conduct the business currently operated by AlexInvest as an additional branch.

Fleurieu intends that when community contributions are made, they will be made in both communities in which Fleurieu and AlexInvest currently operate.

### **3.3.2 Board and management**

Information about the directors of Fleurieu on completion of the Proposed Merger is contained in section 4.2.

Information about the branch manager following completion is contained in section 4.4.

Additional information about directors and the branch manager is contained in section 4.

### **3.3.3 Financial information**

#### **(a) Introduction**

As explained above (section 2.3.5(a)(vii)), changes to the financial return for Community Bank companies were introduced as of 1 July 2016.

This impacted on the following revenue items.

**Margin:**

A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

All revenue paid on core banking products is through margin share. Core banking products now include additional products, namely fixed rate housing loans (as well as variable rate housing loans), term deposit accounts over 90 days (as well as those under 90 days), and margin loans (as well as other personal loans).

Margin on core banking products is shared on a 50/50 basis.

**Commission:** These products no longer include those that have been categorised as core banking products, but include some additional products, such as foreign currency loans.

**Discretionary financial contributions:** As explained above (section 2.3.5(a)(vi)), in addition to margin, commission and fee income, Bendigo Bank may make discretionary financial contributions. Bendigo Bank has changed these to focus on greater support for new branches with less banking business and less support for branches with more banking business.

The impact of the changes for Community Bank companies has varied.

Accordingly, the historical and pro forma historical results most likely would have been different if these changes had been introduced at the time.

In signing off the financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019, AlexInvest's auditors, AFS & Associates, noted a material uncertainty related to AlexInvest's ability to continue as a going concern and that AlexInvest may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after considering a number of factors, AlexInvest directors have a reasonable expectation that AlexInvest has

adequate resources to continue in operational existence for the foreseeable future, and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**(b) Balance sheet**

The following are set out in the table below:

- the reviewed balance sheet of Fleurieu for the half financial year ended 31 December 2019;
- the reviewed balance sheet of AlexInvest for the half financial year ended 31 December 2019; and
- the pro-forma unaudited consolidated balance sheet of Fleurieu assuming implementation of the Proposed Merger on the balance sheet date.

	Actual reviewed balance sheet for Fleurieu as at 31 December 2019	Actual reviewed balance sheet for AlexInvest as at 31 December 2019	Adjustments	Pro forma unaudited balance sheet for Fleurieu assuming Proposed Merger completes
	\$	\$		\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash assets	232,004	601		232,605
Trade and other receivables	71,090	39,996		111,086
<b>Total current assets</b>	<b>303,094</b>	<b>40,597</b>		<b>343,691</b>
<b>Non-current assets</b>				
Property, plant and equipment	136,921	115,125		252,046
Right of use assets	24,177	162,517		186,694
Intangible assets	17,908	15,816		33,724
Deferred tax asset	97,809	325,737		423,546
<b>Total non- current assets</b>	<b>276,815</b>	<b>619,195</b>		<b>896,010</b>
<b>Total assets</b>	<b>579,909</b>	<b>659,792</b>		<b>1,239,701</b>
<b>LIABILITIES</b>				

<b>Current liabilities</b>				
Trade and other payables	65,686	70,133		135,819
Lease Liabilities	8,266	28,675		36,941
Borrowings	-	404,226	(363,803)	40,423
Provisions	20,284	20,125		40,409
<b>Total current liabilities</b>	<b>94,236</b>	<b>523,159</b>		<b>253,592</b>
<b>Non-current liabilities</b>				
Lease Liabilities	10,903	199,142		210,045
Borrowings	-	-	363,803	363,803
Provisions	77,576	26,054		103,630
<b>Total non-current liabilities</b>	<b>88,479</b>	<b>225,196</b>		<b>677,478</b>
<b>Total liabilities</b>	<b>182,715</b>	<b>748,355</b>		<b>931,070</b>
<b>Net assets</b>	<b>397,194</b>	<b>(88,563)</b>		<b>308,631</b>
<b>EQUITY</b>				
Issued capital ordinary shares of \$1 each	724,815	774,626		1,499,441
Accumulated losses	(327,621)	(863,189)		(1,190,810)
<b>Total equity</b>	<b>397,194</b>	<b>(88,563)</b>		<b>308,631</b>

Notes:

- It is assumed that as a part of the Proposed Merger, the existing overdraft facility AlexInvest has with Bendigo Bank will be replaced by a term loan.
- It is expected that the loan mentioned above is interest free and repayable over 10 years.
- In the HY20 financial report, AlexInvest has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16:Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019

(in the amount of \$60,784). Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

**(c) Net profit (after tax and community contributions)**

The following are set out in the tables below:

- the audited profit and loss statement of Fleurieu for the 3 financial years preceding the date of this Prospectus;
- the audited profit and loss statement of AlexInvest for the 3 financial years preceding the date of this Prospectus; and
- the pro-forma unaudited consolidated profit and loss statement of Fleurieu for the 3 financial years preceding the date of this Prospectus assuming implementation of the Proposed Merger as at the beginning of each financial year.

## Financial Year Income Statements

### Audited Fleurieu, audited AlexInvest and unaudited Fleurieu (assuming Proposed Merger implemented at beginning of each financial year

	2019					2018					2017				
	Fleurieu	AlexInvest	Adjustments	Proforma		Fleurieu	AlexInvest	Adjustments	Proforma		Fleurieu	AlexInvest	Adjustments	Proforma	
	\$	\$	\$	\$		\$	\$	\$	\$		\$	\$	\$	\$	
Revenue from ordinary activities	679,927	414,274		1,094,201		669,390	356,698		1,026,088		673,556	369,855		1,043,411	
Salaries and employee benefits expense	(294,351)	(176,861)		(471,212)		(310,398)	(152,322)		(462,720)		(369,006)	(247,723)		(616,729)	
Charitable donations, sponsorship s, advertising and promotion	(65,796)	(13,878)		(79,674)		(42,352)	(31,905)		(74,257)		(36,750)	(17,858)		(54,608)	
Occupancy and associated costs	(93,531)	(44,995)		(138,526)		(95,689)	(43,869)		(139,558)		(90,086)	(41,421)		(131,507)	
Depreciatio	(27,366)	(21,072)		(48,438)		(27,005)	(21,610)		(48,615)		(31,505)	(22,647)		(54,152)	

	2019				2018				2017			
	Fleurieu	AlexInve st	Adjust- ments	Proform a	Fleurieu	AlexInve st	Adjust- ments	Proform a	Fleurieu	AlexInve st	Adjust- ments	Proform a
n and amortisation expense												
Systems costs	(22,128)	(31,995)		(54,123)	(26,513)	(29,967)		(56,480)	(31,541)	(29,827)		(61,368)
Finance costs	-	-		-	(175)	-		(175)	-	(85)		(85)
General and administrati on expenses	(94,193)	(74,789)		(168,982)	(81,344)	(72,921)		(154,265)	(80,570)	(72,636)		(153,206)
Profit (Loss) before income tax expense	82,562	50,684		133,246	85,914	4,104		90,018	34,098	(62,342)		(28,244)
Income tax credit (expense)	(22,784)	299,233		276,449	(23,610)	-		(23,610)	113,785	-		113,785
Profit (Loss) after income tax credit (expense)	59,778	349,917		409,695	62,304	4,104		66,408	147,883	(62,342)		85,541
Earnings per share	c	c	c	c	c	c	c	c	c	c	c	c

	2019					2018					2017				
	Fleurieu	AlexInve st	Adjust- ments	Proforma		Fleurieu	AlexInve st	Adjust- ments	Proforma		Fleurieu	AlexInve st	Adjust- ments	Proforma	
Earnings per share for the period (cents)	8.25	44.27		41.45		8.60	0.52		6.72		20.40	(7.89)		8.66	
Dividends paid or provided for	28,993	-		28,993		28,993	-		28,993		-	-		-	

The following are set out in the tables below:

- the reviewed profit and loss statement of Fleurieu for the half years ended 31 December 2019 and 31 December 2018;
- the reviewed profit and loss statement of AlexInvest for the half years ended 31 December 2019 and 31 December 2018;
- the pro-forma unaudited consolidated profit and loss statement of Fleurieu for the half years ended 31 December 2019 and 31 December 2018 assuming implementation of the Proposed Merger as at the beginning of each financial year.

## Half-year Income Statements

### Reviewed Fleurieu, reviewed AlexInvest and unaudited Fleurieu (assuming Proposed Merger implemented at beginning of each financial year

	Half Year to 31 December 2019					Half Year to 31 December 2018				
	Fleurieu	AlexInvest	Adjustments	Proforma		Fleurieu	AlexInvest	Adjustments	Proforma	
	\$	\$	\$	\$		\$	\$	\$	\$	\$
Revenue from ordinary activities	322,479	208,471		530,950		342,765	192,214		534,979	
Salaries and employee benefits expense	(223,815)	(131,961)		(355,776)		(138,414)	(78,368)		(216,782)	
Charitable donations, sponsorships, advertising and promotion	(27,909)	(9,048)		(36,957)		(35,024)	(2,418)		(37,442)	
Occupancy and associated costs	(46,908)	(3,270)		(50,178)		(44,389)	(22,199)		(66,588)	
Depreciation and amortisation expense	(19,106)	(23,090)		(42,196)		(13,746)	(10,478)		(24,224)	
Systems costs	(12,334)	(15,592)		(27,926)		(11,097)	(16,117)		(27,214)	
Finance costs	(1,257)	(6,268)		(7,525)		-	-		-	
General and administration expenses	(42,466)	(31,777)		(74,243)		(51,634)	(39,031)		(90,665)	
<b>Profit (Loss) before income tax expense</b>	<b>(51,316)</b>	<b>(12,535)</b>		<b>(63,851)</b>		<b>48,461</b>	<b>23,603</b>		<b>72,064</b>	
Income tax credit (expense)	14,112	3,448		17,560		(13,406)	306,771		293,365	

	Half Year to 31 December 2019				Half Year to 31 December 2018			
	Fleurieu	AlexInvest	Adjustments	Proforma	Fleurieu	AlexInvest	Adjustments	Proforma
Profit (Loss) after income tax credit (expense)	(37,204)	(9,087)		(46,291)	35,055	330,374		365,429
Earnings per share	c	c	c	c	c	c	c	c
Earnings per share for the period (cents)	(5.13)	(1.15)		(4.68)	4.84	41.79		36.98
Dividends paid or provided for	-				28,993	-		28,993

**(d) Cash flow statements**

The following are set out in the tables below:

- the audited cash flow statement of Fleurieu for the 3 financial years preceding the date of this Prospectus;
- the audited cash flow statement of AlexInvest for the 3 financial years preceding the date of this Prospectus; and
- the pro-forma unaudited consolidated cash flow statement of Fleurieu for the 3 financial years preceding the date of this Prospectus assuming implementation of the Proposed Merger at the beginning of each financial year.

# Financial Year Cash flow Statements

Audited Fleurieu, audited AlexInvest and unaudited Fleurieu (assuming Proposed Merger implemented at beginning of each financial year

	2019				2018				2017			
	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjust-ments	Proforma
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash flow from operating activities												
Receipts from customers	756,179	447,045		1,203,224	732,174	401,989		1,134,163	727,333	401,739		1,129,072
Payment to suppliers and employees	(628,187)	(384,734)		(1,012,921)	(627,759)	(357,237)		(984,996)	(662,869)	(449,908)		(1,112,777)
Interest received	881	-		881	392	-		392	2,691	-		2,691
Interest/(paid)	-	-		-	(175)	-		(175)	-	(85)		(85)
Net cash provided by operating activities	128,873	62,311		191,184	104,632	44,752		149,384	67,155	(48,254)		18,901
Cash flows from investing												

	2019					2018					2017				
	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjust-ments
activities															
Payments for property, plant and equipment	(1,746)	(3,336)		(5,082)	-	(1,202)		(1,202)	-	-		-	-	-	
Payments for intangible assets	(13,651)	(13,556)		(27,207)	(13,651)	(13,556)		(27,207)	(36,301)	(13,556)			(36,301)	(13,556)	(49,857)
Net cash used in investing activities	(15,397)	(16,892)		(32,289)	(13,651)	(14,758)		(28,409)	(36,301)	(13,556)			(36,301)	(13,556)	(49,857)
Cash flows from financing activities															
Dividends paid	(28,993)	-		(28,993)	(28,993)	-		(28,993)	-	-			-	-	
Net cash used in financing activities	(28,993)	-		(28,993)	(28,993)	-		(28,993)	-	-			-	-	
Net increase in cash held	84,483	45,419		129,902	61,988	29,994		91,982	30,854	(61,810)			30,854	(61,810)	(30,956)
Cash and cash equivalents at	178,150	(476,163)		(298,013)	116,162	(506,157)		(389,995)	85,308	(444,347)			85,308	(444,347)	(359,039)

	2019					2018					2017				
	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjust-ments
the beginning of the financial year															
Cash and cash equivalents at the end of the financial year	262,633	(430,744)		(168,111)	178,150	(476,163)		(298,013)	116,162	(506,157)		(389,995)			

The following are set out in the tables below:

- the reviewed cash flow statement of Fleurieu for the half years ended 31 December 2019 and 31 December 2018;
- the reviewed cash flow statement of AlexInvest for the half years ended 31 December 2019 and 31 December 2018;
- the pro-forma unaudited consolidated cash flow statement of Fleurieu for the half years ended 31 December 2019 and 31 December 2018 assuming implementation of the Proposed Merger at the beginning of each financial year.

## Half-year Year Cash flow Statements

Reviewed Fleurieu, reviewed AlexInvest and unaudited Fleurieu (assuming Proposed Merger implemented at beginning of each financial year

	Half Year ended 31 December 2019				Half Year ended 31 December 2018			
	Fleurieu	AlexInvest	Adjust-ments	Proforma	Fleurieu	AlexInvest	Adjust-ments	Proforma
	\$	\$	\$	\$	\$	\$	\$	\$
Cash flow from operating activities								
Receipts from customers	339,620	208,732		548,352	374,732	190,286		565,018
Payment to suppliers and employees	(366,771)	(162,445)		(529,216)	(319,579)	(152,348)		(471,927)
Lease payments (interest component)	(515)	(5,643)		(6,158)	-	-		-
Interest received	1,024	(188)		836	407	-		407
Net cash provided by operating activities	(26,642)	40,456		13,814	55,560	37,938		93,498
Cash flows from investing activities								
Payments for property, plant and equipment	-	-		-	(1,746)	(1,747)		(3,493)
Net cash used in investing activities	-	-		-	(1,746)	(1,747)		(3,493)

	Half Year ended 31 December 2019					Half Year ended 31 December 2018				
	Fleurieu	AlexInvest	Adjust-ments	Proforma		Fleurieu	AlexInvest	Adjust-ments	Proforma	
Cash flows from financing activities										
Lease payments (principal component)	(3,987)	(13,337)		(17,324)		-	-			
Dividends paid	-	-		-		(28,993)	-		(28,993)	
Net cash used in financing activities	(3,987)	(13,337)		(17,324)		(28,993)	-		(28,993)	
Net increase in cash held	(30,629)	27,119		(3,510)		24,821	36,191		61,012	
Cash and cash equivalents at the beginning of the financial year	262,633	(430,744)		(168,111)		178,150	(476,163)		(298,013)	
Cash and cash equivalents at the end of the half-year	232,004	(403,625)		(171,621)		202,971	(439,972)		(237,001)	

(e) **Costs of Proposed Merger**

*Transaction costs*

The following gives an overview of the transaction costs of undertaking the Proposed Merger that will need to be met out of Merged Entity funds.

- **Legal, accounting and other advisory costs:** \$69,650
- **Prospectus and Notice of Meeting production costs:** \$1,300
- **ASIC lodgements:** \$4,008.00

*Costs of entering into new franchise agreement*

As part of the Proposed Merger, Fleurieu has entered into a new franchise agreement with Bendigo Bank. This covers the retail branch operations in Aldinga Beach and Goolwa and the Willunga Customer Service Centre. It also restarts the franchise terms, at five years with two renewal options for Fleurieu of five years each. Providing for 15 years in total on implementation of the Proposed Merger, rather than continuing existing terms which would have less than 15 years remaining, recognises the costs involved in the Proposed Merger.

Under the new franchise agreement, the following fees are payable.

<b>Fee</b>	<b>Fleurieu branch and customer service centre</b>	<b>AlexInvest branch</b>
Franchise fee	\$10,000	\$5,000
Process fee	\$50,000	\$25,000
Training fee	\$7,700	\$4,400
Annual fee (customer service centre)	\$4,500	N/A

The fees may be paid upfront or in instalments. Fleurieu is proposing to pay by annual instalments. The fee for the Willunga Customer Service Centre is currently an annual fee.

Bendigo Bank is required to repay Fleurieu the amounts paid by Fleurieu and AlexInvest for the unexpired current term of the existing franchise agreements with Fleurieu and AlexInvest on a pro rata basis. Assuming

implementation of the Proposed Merger takes place on 5 October 2020 , this totals \$19,515.83.

**(f) Debt facility with Bendigo Bank**

AlexInvest has an overdraft facility with Bendigo Bank. Fleurieu will assume responsibility for this and will enter into a new loan facility with Bendigo Bank.

**(g) Working capital**

The Board anticipates that following the Proposed Merger, the level of working capital will be sufficient for Fleurieu to meet the operating costs of both its existing business and AlexInvest's business for the short to medium term. Accordingly, based on its estimates of working capital requirements, the Board does not anticipate the need to incur any material debt in the short to medium term to meet the operating costs. However, the Board will keep this under review.

**(h) Ratios**

The following ratios have been calculated using the most recent financial results (ie to 31 December 2019).

***Cost to income ratio***

- Fleurieu 1.07
- AlexInvest 1.02
- Pro forma as if Proposed Merger had completed: 1.05

The cost-to-income ratio measures a company's operating costs in relation to its operating income. It is worked out as follows:

$$\text{Cost to income ratio} = \frac{\text{operating expenses}}{\text{operating income}}$$

Note: community contributions have been excluded from operating expenses on the basis that they are discretionary and profit-distributing in nature.

***Current ratio***

- Fleurieu: 3.22 .
- AlexInvest: 0.08.
- Pro forma as if Proposed Merger had completed: 1.36 .

The current ratio measures a company's ability to pay short-term obligations with its short term assets. It is worked out as follows:

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

**(i) Community contributions**

***Fleurieu***

Fleurieu has made community contributions since its first year of operation.

Contributions totalling \$373,338 have been distributed to local community organisations, events, sporting groups and other local projects and development initiatives.

For the financial year ended 30 June 2019 Fleurieu made community contributions of \$55,435.82.

***AlexInvest***

AlexInvest has made community contributions in each year since its first year of operation.

Contributions totalling \$199,169 have been distributed to many local community organisations, events, sporting groups and other local projects and development initiatives (from the financial year ended 30 June 2011 to the half-year ended 31 December 2019).

All of this amount was paid from discretionary financial contributions received by AlexInvest from Bendigo Bank.

For the financial year ended 30 June 2019 AlexInvest made community contributions of \$13,878.

**Dividends**

Fleurieu has paid dividends to shareholders every year since 2011, except for 2015 and 2016 due to opening the Willunga CSC in 2016. The total amount paid in dividends since incorporation is \$130,466, which on a cumulative per share basis is \$0.18 per Fleurieu Share. For the financial year ended 30 June 2019 Fleurieu paid dividends totalling \$28,993, or \$0.04c per Fleurieu share.

AlexInvest has paid no dividends to shareholders since incorporation.

**(j) Goods and services tax**

The impact of the Goods and Services Tax (*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 cannot charge GST on these "financial supplies" and cannot 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.

Fleurieu 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 revenue.

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

**(k) Financial reporting standards**

Fleurieu must comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards, issued by the Australian Accounting Standards Board.

The financial information included in this section 3.3.3 has been prepared in accordance with the measurement and recognition principles prescribed in Australian Accounting Standards.

## 4. Governance

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### 4.1 The role of the Board

The management and control of the business and affairs of Fleurieu is the responsibility of Fleurieu's Board. The Board makes decisions about strategy and budget and monitors the financial position of Fleurieu. The Board is responsible for deciding community contributions and dividends.

Under the Community Bank model, the business is a franchise business and the Board is not involved in the day-to-day operations nor expected to bring banking and financial services expertise. Banking and financial services expertise is provided by Bendigo Bank, the branch managers and staff. See section 4.4 below in relation to branch managers.

Directors have the following specific obligations under an agreement that each Director is required to enter into with Bendigo Bank.

- Promoting Fleurieu and its business and the Community Bank model.
- Using best endeavours to make sure that Fleurieu performs its obligations under the franchise agreement.
- Complying with the conflict of interest provisions in the franchise agreement that apply to staff as if they apply to the Director.
- Adopting Bendigo Bank's corporate values and complying with any other standards of conduct that Bendigo Bank gives Fleurieu.

Directors are not involved in offering products and services and do not have access to information about individual customers.

### 4.2 The Board

#### 4.2.1 Board composition

The current directors of AlexInvest and Fleurieu are listed below:

<b>Existing directors of AlexInvest</b>	Robert Joe Van Der Kamp
	Emily Catherine Livingston
	Barry Kym McHugh
	Elizabeth Mary Williams
	Lauren McKee

	Carol Gaston
<b>Existing directors of Fleurieu</b>	Ronald Leslie Logan
	Hazel Ann Wainwright
	Charles Dominic Rodney Manning
	Anita Jane Bailetti
	Daniel John Roach
	Karyn Joy Thomas
	Juan Edward Smith
	Jordan Daniel Corfield-Higgins
	Marissa Anne Harvey

Following the Proposed Merger, the board of the Merged Entity will consist of all members of the current AlexInvest and Fleurieu boards. Information about each proposed director of the Merged Entity following the Proposed Merger, and their qualifications and experience, is set out in section 4.2.3 of this Prospectus.

#### **4.2.2 Provisions in Fleurieu's constitution about Directors**

##### **(a) Appointment and retirement**

There are various rules in the constitution of Fleurieu to make sure that shareholders regularly have the opportunity to vote on the Directors. In particular, under the constitution the following requirements apply.

- One third of the Directors (other than an 'exempt' managing director – if any) are required to retire at each annual general meeting.
- A Director who would, if not re-elected, hold office for in excess of a continuous period of three years or three annual general meetings (whichever is longer) since last elected must retire.
- Anyone appointed as a Director by the Board must retire at the next annual general meeting.
- An employee who is a Director stops being a director if they stop being an employee.

A Director who retires or stops being a Director under any of these provisions is eligible for re-election.

##### **(b) Probity check**

Under the constitution of Fleurieu, each Director is required to undergo a probity check as a condition of their appointment as a Director. The

probity check is primarily a national criminal record check. This rule requires that a Director is checked before their appointment as a Director. Directors can be required to consent to a further check every 12 months.

**(c) Indemnity**

Under Fleurieu's constitution, Fleurieu indemnifies its current and former officers against liability to third parties arising out of the conduct of the business of Fleurieu or in the discharge of their duties as officers of Fleurieu. Also, Fleurieu is permitted to pay premiums for insurance policies insuring its Directors against liability to third parties arising out of the conduct of the business of Fleurieu or in the discharge of their duties as Directors.

**4.2.3 Directors**

**(a) Individual information**

*Experience, qualifications and expertise etc*

Information about each Director following the Proposed Merger, their qualifications and experience, and the shares they will hold in Fleurieu upon completion of the Proposed Merger is set out below:

<b>Director</b>	<b>Date of birth</b>	<b>Resides</b>	<b>Number of shares in Fleurieu held (Legal/ beneficial interest?)</b>	<b>Experience, qualifications and expertise</b>
<b>Ronald Leslie Logan (Chair)</b>	3/3/1957	Sellicks Hill SA	10,000	Occupation: Company director  Qualifications, experience and expertise: Retired senior executive and Director with HSBC, CBA, Colonial and TSB (UK). Has worked in UK, Australia, Vietnam and the Philippines. Currently operates an aviation and private investment company.
<b>Hazel Ann Wainwright</b>	25/8/1958	Sellicks Beach SA	-	Occupation: Funeral Celebrant  Qualifications, experience and expertise: Chair of Friends of Sellicks , assistant Treasurer of the Southern Vales View Club , member of the Sellicks and Aldinga Alliance, volunteer for Fred's Van, mentor of local primary school children at Aldinga and past Councillor with the Onkaparinga Council.
<b>Charles Dominic Rodney Manning</b>	20/6/1965	McLaren Flat SA	-	Occupation: Management consultant  Qualifications, experience and expertise: Corporate team coach and facilitator, developer of leaders and managers, in major corporations and government, Masters in Applied Science

					(RMIT), past employee Commonwealth Department of Finance and Department of Defence.
<b>Anita Jane Bailetti</b>	20/5/1985	Old Reynella SA	-		<p>Occupation: Management consultant</p> <p>Qualifications, experience and expertise: Past owner and manager at Doc Adams Wines, Bachelor of Management, Bachelor of Commerce, Member of the Institute of Chartered Accountants.</p>
<b>Daniel John Roach</b>	12/10/1982	Hackham West SA	-		<p>Occupation: Lawyer</p> <p>Qualifications, experience and expertise: Bachelor of Laws and Legal Practise and a Bachelor of Biotechnology. Previously worked for a mid-tier commercial law firm for banking and finance providers and as in-house counsel for a state government agency and a venture capital fund.</p>
<b>Karyn Joy Thomas</b>	6/10/1975	Marino SA	3,000		<p>Occupation: Business consultant</p> <p>Qualifications, experience and expertise : Graduate of Australian Institute of Company Directors (GAICD), Bachelor of Information Technology (Business Computing &amp; HR, Master of Business Administration (MBA) at University of Adelaide. Business consultant providing advisory services on data management, data governance, business strategy and business development. Past owner of Breeze IT, with 24 years of business and IT experience. Has business development experience including starting a Software</p>

					Distribution business with successful sale/dissolution. Past Tour Down Under Co-ordinator for Willunga Business and Tourism Association.
<b>Juan Edward Smith</b>	3/9/1968	Port Willunga SA			Occupation: Architectural draftsman  Qualifications, experience and expertise : Masters in Project Management, Professional Management Certificate, past experience in Space Management, Project Management, Architectural Drafting and as a tutor in CAD design, member Toastmasters and Southern Men's Gathering .
<b>Jordan Daniel Corfield-Higgins</b>	28/1/1999	Aldinga Beach SA	-		Occupation: Console operator  Qualifications, experience and expertise : volunteer for the Onkaparinga Youth committee, Onkaparinga Australia Day awards committee and the Fleurieu Folk Festival.
<b>Marissa Anne Harvey</b>	25/02/1992	Aldinga Beach, SA			Occupation: Book keeper and business services provider  Qualifications, experience and expertise : Diploma of Accounting, Diploma of Financial Planning, Member of Association of Accounting Technicians. Member of a local community sporting organisation and community programs.

<b>Robert Joe Van Der Kamp</b>	10/03/1965	Goolwa, SA	30,000	Occupation: Service manager  Qualifications, expertise and experience: Senior Management role in marine and automotive private companies, and Director of private companies.
<b>Emily Catherine Livingston</b>	13/02/1995	Goolwa, SA	-	Occupation: Graduate solicitor  Qualifications, expertise and experience: Bachelor of Law and Bachelor of Environmental Policy and Management from University of Adelaide. Graduate Diploma of Legal Practice. Full time Solicitor at Sothern Coast Legal.
<b>Barry Kym McHugh</b>	12/07/1952	Victor Harbor SA	1,667	Occupation: Presiding member and/or member of many Local Government / State Government and National Bodies and committees. Former Mayor of Alexandrina Council for 19.5 years.
<b>Elizabeth Mary Williams</b>	20/08/1980	Goolwa, SA	-	Occupation; Accountant  Qualifications, expertise and experience: Certified Practising Accountant (CPA), Master of Business (Accountancy), current senior management role in local government
<b>Lauren McKee</b>	17/04/1982	Goolwa, SA	-	Occupation:

					Qualifications, expertise and experience: Bachelor of Business (Administrative Management), Graduate and Member of Australian Institute of Company Directors, Secretary of Alexandrina Inc, career in operations and business management.
<b>Carol Gaston</b>	13/01/1947	Goolwa North, SA	7,000	Occupation: Director	Qualifications, expertise and experience: B. App.Sc, B. Ed (Admin), Grad Dip Env Studies, FAICD, retired Director ECH, retired Director ACHA, provision Audit & Risk Committee, provision of health services and planning consultation at state, national and international level.

Other than as set out above, no Director has, or has held at any time during the last two years, any interest in the formation or promotion of Fleurieu, in property acquired or proposed to be acquired by Fleurieu in connection with its formation or promotion or in connection with the Offer of the Fleurieu Shares, or in the Offer of the Fleurieu Shares.

***Legal or disciplinary action, bankruptcy***

No person who will be a Director following the Proposed Merger has been bankrupt, the subject of any legal or disciplinary action, or the director of a company subject to any legal or disciplinary action, that is less than 10 years old and relevant to being a Director of Fleurieu or the investment decision of an investor.

***Involvement in insolvent companies***

No person who will be a Director following the Proposed Merger 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.

**(b) Other benefits**

No amounts have been paid or agreed to be paid (and no benefits have been given or agreed to be given) to a person who is proposed to be a Director following the Proposed Merger to induce them to become, or to qualify as, a Director, or for services in connection with the formation or promotion of Fleurieu or the Offer.

**(c) Remuneration**

Directors are not paid remuneration.

## **4.3 Board committees**

The Board may form committees to assist in the discharge of its responsibilities.

The Board has formed the following committees and may form others.

- Due Diligence Committee: this was to assist the Board in the preparation of this Prospectus and the due diligence process to make sure that the Prospectus complies with the Corporations Act.
- Board Committees include Finance & Audit, Risk & Governance, Human Resources, Community Investments, and Strategy.

## 4.4 Branch managers

Under the Community Bank model, the business is a franchise business and the Board is not involved in the day-to-day operations nor expected to bring banking and financial services expertise. Banking and financial services expertise is provided by Bendigo Bank, the branch manager and staff.

The branch manager is important to the success of a branch. The current branch manager of Fleurieu's branch located at Aldinga Beach is Samantha Bitter. Samantha also manages and oversees Fleurieu's customer service centre at Willunga and is the current branch manager of AlexInvest's branch located at Goolwa, on secondment from Fleurieu.

Following the proposed merger, the Branch Manager will remain unchanged. Samantha Bitter has 20 years' experience in the banking industry, including 15 with Bendigo and Adelaide Bank in a variety of roles from Branch Manager, Insurance and Investments to Sales Lead roles, coaching and mentoring customer facing staff to execute sales strategies and develop high performing teams. This includes exposure to a number of key roles within Retail Banking from Regional Manager, Retail Operations Manager and Change Management. Following a period of secondment to the Fleurieu, Samantha is now employed by Fleurieu Community Enterprises Ltd and oversees all locations across the Fleurieu operated by Fleurieu and AlexInvest, with a total staff of 11. Samantha works closely with both boards and directors.

## 4.5 Policies

The Board currently does not have a policy framework to make sure that it has appropriate internal controls, risk management and corporate governance..

## 4.6 Continuous disclosure

Under the continuous disclosure obligations of the Corporations Act, Fleurieu is required to make material information concerning it available to investors as soon as practicable after becoming aware of it.

Companies that comply with the good practice guidance issued by ASIC in *ASIC Regulatory Guide 198 Unlisted disclosing entities: Continuous disclosure obligations*, are permitted to meet their continuous disclosure obligations by making material information available to investors on their websites rather than lodge that information with ASIC. Fleurieu does this as follows.

**(a) All material information is included on the website**

Fleurieu places all material information on its website at [www.bendigobank.com.au/branch/sa/aldinga-beach-community-bank-branch](http://www.bendigobank.com.au/branch/sa/aldinga-beach-community-bank-branch).

**(b) Investors can find material information easily and work out its significance for them**

Material information is accessible by clicking the “Investors and Shareholders” link on the website homepage.

Shareholders of Fleurieu can elect to receive an e-mail alert when material information is updated.

**(c) Any new material information is included on the website as soon as practicable**

Fleurieu publishes material information on its website as soon as practicable after becoming aware of the information.

**(d) Information is kept on the website for as long as it is material to investors and appropriate records of website disclosures are kept**

Fleurieu retains material information on its website for so long as it is material to a reasonable person's determination of the price or value of Fleurieu's securities. In addition, Fleurieu maintains records of its website disclosures as part of its normal record keeping practices.

## **5. Risk factors**

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### **5.1 Introduction**

You should consider the risks of an investment in Fleurieu carefully. An investment in Fleurieu is not guaranteed by Bendigo Bank. This section describes some of the potential risks associated with the Proposed Merger and an investment in Fleurieu.

You should note that this Prospectus does not list every risk Fleurieu may have now or in the future. Further, whether some of the risks described occur or not and the consequences of the risks occurring is outside the control of Fleurieu and the Board.

- Interest rates or other financial conditions may reduce the viability of business operations

- The competition from other financial services institutions offering or introducing novel and electronic products
- The inability to retain directors or attract new directors
- The Proposed Merger does not achieve the synergies or cost efficiencies expected
- The loss of major customers

After due consideration, Fleurieu has made enquiries and given consideration to the risks to make sure that all material risks are properly disclosed, and the Board believes all material risks have been disclosed.

## 5.2 Risks

No	Type of risk	Description of risk
<b>Risks of Proposed Merger</b> Items 1 to 5 below discuss the risks that may prevent the Proposed Merger from proceeding or may mean that anticipated benefits are not realised.		
1.	<b>Completion of the Proposed Merger is subject to several conditions that must be met or waived</b>	<p>Under the Transaction Agreement, completion of the Proposed Merger is subject to a number of conditions, as summarised in section 2.5 of the explanatory statement accompanying the AlexInvest Notice of Meeting. There is no certainty that these conditions will be met or, if permitted, waived. In addition, there are a number of conditions to the Proposed Merger which are outside the control of Fleurieu. This includes approval of the selective capital reduction by AlexInvest shareholders.</p> <p>If the conditions are not satisfied or waived, the Proposed Merger will not proceed.</p>
2.	<b>Transaction Agreement may be ended in certain circumstances</b>	<p>Each of Fleurieu and AlexInvest has the right to end the Transaction Agreement in certain circumstances. These include the following.</p> <ul style="list-style-type: none"> <li>• where the conditions to Proposed Merger are not satisfied or waived by a stated end date; and</li> <li>• where either party is in material breach of the Transaction Agreement and the breach is not remedied or cured following notice from the other party.</li> </ul> <p>Accordingly, there is no certainty that the Transaction Agreement will not be ended by either Fleurieu or AlexInvest before completion of the Proposed Merger.</p> <p>If this happens, both Fleurieu will have incurred transaction costs that are payable even though the Proposed Merger does not proceed.</p>

No	Type of risk	Description of risk
		Fleurieu costs are approximately \$74,960.
3.	<b>Benefits of Proposed Merger are not realised</b>	As set out in section 1.3 of this Prospectus, there are a number of advantages in undertaking the Proposed Merger. There is no certainty that these advantages will be realised. Failure to realise these advantages may negatively impact the performance of Fleurieu following the Proposed Merger.
4.	<b>Disadvantages of Proposed Merger</b>	<p>As set out in section 1.3 of this Prospectus, there are a number of disadvantages in the Proposed Merger.</p> <ul style="list-style-type: none"> <li>• The interest of the Fleurieu shareholders will be diluted because, in aggregate, they will hold 73.3% of the shares in the Merged Entity.</li> <li>• the cost of the transaction.</li> <li>• Fleurieu will assume AlexInvest's overdraft balance which will be converted into two separate interest-free loans from Bendigo Bank, repayable over a period of five and ten years respectively. Unless the Merged Entity is able to grow its revenue base to a sufficient level, the requirement to repay the loans may reduce the Merged Entity's available funds for working capital and reduce its ability to pay future dividends.</li> <li>• Fleurieu shareholders may consider that a superior proposal relating to their interests in Fleurieu exists and the implementation of the Proposed Merger would remove the opportunity to benefit from any such superior proposal. At the date of this prospectus, the Fleurieu directors have not received, nor are they aware of, any superior proposal.</li> <li>• The proposed costs savings may not be achieved.</li> </ul>
5.	<b>Overvaluation of Fleurieu or AlexInvest</b>	<p>There is a risk for AlexInvest shareholders that Fleurieu has been overvalued relative to AlexInvest and the ratio of shares received is too low.</p> <p>There is a risk for Fleurieu shareholders that AlexInvest has been overvalued relative to Fleurieu and the ratio of shares received is too high.</p>
<b>Franchise agreement with Bendigo Bank</b>  As explained in section 6.1.2, Fleurieu has entered into the franchise agreement, which is the foundation of Fleurieu's business. There are a number of potential risks relating to the franchise agreement, as discussed in items 6 to 11 below.		
6.	<b>Single purpose entity</b>	Fleurieu's only business will be conducting retail branch operations that are offering and selling products and services offered by a Bendigo and Adelaide Group entity or other products and services made available by Bendigo Bank.

No	Type of risk	Description of risk
		<p>It may not do anything else unless Bendigo Bank agrees. For example, Fleurieu must not own or lease any assets or incur any liability unless Bendigo Bank agrees (except for assets and liabilities relating to the conduct of the branches at Aldinga and Goolwa and the customer service centre at Willunga or management of Fleurieu). Fleurieu must not enter into any agreement with a term of 3 years or more or a value of over \$100,000 unless Bendigo Bank agrees.</p> <p>In addition, it is unlikely that Fleurieu will be able to earn revenue outside the operation of its existing Community Bank branches and so Fleurieu's success will be dependent on those operations.</p> <p>Further, many of Fleurieu's business decisions are subject to the approval of Bendigo Bank. This includes the products and services made available by Fleurieu, and the annual budgets and the credit business generated through the branches.</p> <p>It is clear that Fleurieu and Bendigo Bank have a common interest in the success of Fleurieu. For this reason, communication between Fleurieu and Bendigo Bank will be critical to making sure that Bendigo Bank understands the particular circumstances of Fleurieu and that it has this information in making decisions about Fleurieu.</p>
7.	<b>Financial return</b>	<p>As discussed above, the franchise agreement sets out three forms of revenue that may be earned by Fleurieu (see section 2.3.5(a) of this Prospectus). These are margin, commission and fee income. There are limited circumstances in which Bendigo Bank can make a change to financial return (see section 2.3.5(a)(vii) of this Prospectus).</p>
8.	<b>Limited term of franchise</b>	<p>The franchise agreement is for a term of five years starting on completion of the Proposed Merger. Fleurieu may elect to renew the relationship for two additional terms of five years each, if Fleurieu meets the conditions for renewal. Fleurieu may not qualify for a renewal term. In these circumstances, the franchise will not be renewed and Fleurieu will no longer have a right to conduct its sole operation, unless Bendigo Bank agrees to waive the relevant condition.</p> <p>After the maximum possible term of 15 years, Fleurieu will have no right to conduct its operations, unless Bendigo Bank agrees to renew the relationship. Bendigo Bank may choose not to agree, or to agree on conditions.</p>
9.	<b>Ending the franchise agreement</b>	<p>Bendigo Bank has the right to end the franchise agreement in the cases set out in the franchise agreement. Examples include if Fleurieu is insolvent, fraudulent, conducts the business in a way that endangers public health or safety, or if Fleurieu breaches the</p>

No	Type of risk	Description of risk
		<p>franchise agreement and the breach is a material breach.</p> <p>The franchise agreement sets out the relevant timeframes and notice requirements that apply in different cases where Bendigo Bank may end the agreement.</p> <p>In some cases the franchise agreement may continue for some sites but not others.</p> <p>At the date of this Prospectus, Bendigo Bank has not ended the franchise relationship with a Community Bank company under these provisions.</p>
10.	<b>Effect of franchise agreement ending (including if it is not renewed)</b>	<p>When the franchise agreement ends, all rights given to Fleurieu end. Fleurieu must leave the sites occupied by it and give Bendigo Bank possession of all sites. However, in some cases, the franchise agreement may end for some sites and not others. In that case, rights in relation to the sites staying open continue.</p> <p>Fleurieu is not entitled to a refund for money spent or to any compensation for goodwill in relation to the Community Bank branches. If Bendigo Bank chooses to buy any equipment and fittings, it must pay Fleurieu the written down value of the item in Fleurieu accounts.</p> <p>If Fleurieu asks to renew the franchise relationship for some, but not all, sites, the rights given to Fleurieu in respect of the sites not renewed end. The consequences set out above apply equally to those sites which Fleurieu has chosen not to renew. The franchise agreement continues to apply for the renewed sites.</p>
11.	<b>Losses and claims</b>	<p>Fleurieu is responsible for losses incurred by Fleurieu, Bendigo Bank and other companies in the Bendigo and Adelaide Group as well as claims made against them in the circumstances set out in the franchise agreement. For example, Fleurieu is responsible for claims made against Bendigo Bank that arise naturally from a breach of the franchise agreement, misconduct, exercise of discretion and conduct and promotion of Fleurieu's Community Bank branches by Fleurieu.</p> <p>While no guarantee can be given, the Board believes that Fleurieu has put in place appropriate safeguards and procedures to minimise the risk of it breaching the franchise agreement, triggering other rights of Bendigo Bank to claim against it, or incurring a loss itself. Fleurieu has a Risk and Governance Committee primarily for the purpose of assessing the business's risks and recommending the implementation of mitigating activities and procedures. Directors are encouraged to undertake ongoing education that is provided by Bendigo Bank and / or a peak body such as Governance Institute of Australia. The Board aims to ensure that it comprises a good mix of skills and experience. However, there are some risks where,</p>

No	Type of risk	Description of risk
		depending on the circumstances, Fleurieu may not be able to have much influence, for example the risk of fire or loss of cash. In both those examples, Fleurieu is required to have insurance cover.
<b>Effectiveness of Fleurieu and branches</b> The success of Fleurieu and its branches will depend on a number of factors, as discussed in items 12 to 14 below.		
12.	Revenue	<p>The effect of the margin sharing, fees and commission arrangements (as described in section 2.3.5) is that Fleurieu bears the risk of generating sufficient revenue from the banking business to make a profit. The revenue generated is dependent on business volume and the financial return from Bendigo Bank. Whether Fleurieu achieves sufficient business volume will depend on a number of factors, including those discussed below. The financial return is dependent on the arrangements with Bendigo Bank (see section 2.3.5).</p> <ul style="list-style-type: none"> <li>• <b>(Business performance of Fleurieu)</b> There is no guarantee that Fleurieu will continue to achieve the level of business experienced in the past in respect of its existing business.  In addition, there is no guarantee that Fleurieu will achieve the level of business experienced in the past in respect of the business acquired from AlexInvest.</li> <li>• <b>(Effectiveness of branch staff)</b> Like any small business, the branch manager and staff have a key role in the success of the branch in which they work. The branch manager and staff are responsible for promoting that branch, and providing a level of service and support that will result in ongoing relationships with customers. The ability of the branch manager to communicate effectively with representatives of Bendigo Bank, and represent the interests of their branch, will also be critical to the smooth operation of the branch.  The branch manager of Fleurieu, and their relevant experience, is set out in section 4.4.  If a branch manager leaves, or branch staff are not effective or successful in developing the business, Fleurieu may not achieve the business volume to generate the revenue anticipated.</li> <li>• <b>(Promotional activities of the Board)</b> The success of the business is also dependent on the efforts of the Directors, who are responsible for promoting Fleurieu, its business and the Community Bank model. If the promotional activities of the Board are not effective or successful, Fleurieu may not achieve the business volumes to generate revenue anticipated.</li> </ul>
13.	Expenses	There is a risk that Fleurieu's profitability will be impacted by

No	Type of risk	Description of risk
		higher expenses than budgeted, for example, if unexpected expenses are incurred or Fleurieu does not manage its expenses adequately.
14.	<b>Sufficiency of working capital</b>	<p>As outlined in section 3.3.3(g), the Board anticipates Fleurieu's level of working capital will be enough for Fleurieu to meet operating costs of its existing business and that of AlexInvest, which will be acquired as part of the Proposed Merger, for the short to medium term.</p> <p>On completion of the proposed merger Fleurieu's overdraft facility with Bendigo Bank will reduce from \$250,000 to \$100,000. The outstanding balance of the overdraft facility that accompanies AlexInvest's business will be converted to a ten year loan on interest free terms.</p> <p>There is a risk that the working capital will not be sufficient in order for Fleurieu to operate both businesses. In that case, in order to continue operating, Fleurieu would need to access additional working capital. Bendigo Bank has made working capital facilities and other support available to Community Bank companies in some cases, but makes no commitment to do so in the future, and whether it does will depend on all the circumstances at the time. Accordingly, if Fleurieu needs to access additional working capital and Bendigo Bank does not provide this support, Fleurieu would need to access additional working capital from another source.</p> <p>If that is not possible, Fleurieu could not continue to operate and, on a winding up, shareholders may not get back all or any of the money invested in either Fleurieu or AlexInvest.</p>
<b>Insufficient revenue to make community contributions</b>		

No	Type of risk	Description of risk
15.	<b>Community contributions may not be made</b>	<p>The community contributions made by Fleurieu and AlexInvest are set out in section 3.3.3(i) of this Prospectus.</p> <p>The ability of the Board to make community contributions is dependent on the ongoing success of Fleurieu. If Fleurieu is not able to generate sufficient revenue and the discretionary financial contributions by Bendigo Bank end or significantly reduce, it will not be able to make community contributions or any contributions made will be minimal. If Fleurieu is not able to make community contributions, or the level of contributions is minimal, this may impact on its reputation and standing in the community, which may in turn impact on its ability to generate business.</p> <p>Before companies become profitable, these contributions are generally reliant on the discretionary contributions that Bendigo Bank makes to Community Bank companies, explained further in section 2.3.5(a)(vi) of this Prospectus.</p>
<b>Insufficient revenue to pay dividends</b>		
16.	<b>Dividends may not be paid</b>	<p>The Board intends to pay dividends to shareholders if the financial position of Fleurieu permits, after making community contributions. As noted above, a key purpose of a Community Bank company is for local communities to share in revenue generated by Fleurieu and not simply for shareholder return (see section 2.3 of this Prospectus). This is reflected across the network by a higher proportion of Community Bank companies making community contributions than paying or providing for dividends.</p> <p>The timing and payment of dividends is dependent on many factors which affect future profits and the financial position of Fleurieu. There is no guarantee that any dividends will be able to be paid. Dividends will be decided by the Board based on actual results, financial position, capital requirements, operating costs and economic conditions at the time, and any restrictions in the Corporations Act on the amount that can be paid.</p>

No	Type of risk	Description of risk
		<p>In addition, as explained in section 6.2.2 of this Prospectus, the purpose of Fleurieu is not simply for shareholder return and there is a limit on the profits that can be distributed to shareholders, including through dividends. Accordingly, there will also be an assessment by the Board of the needs of any worthwhile community projects, as well as working capital needs of Fleurieu.</p> <p>For information on the dividend history of Fleurieu and AlexInvest see section 3.3.30 of this Prospectus.</p>
<b>Suitable site</b>		
17.	<b>Sites are not or do not remain suitable</b>	<p>The branch location is a key component in the success of a Community Bank branch.</p> <p>Fleurieu's existing Community Bank branch is located in the main shopping strip for Aldinga, at Shop 32, 1 Pridham Boulevard, Aldinga Beach, South Australia. Its customer service centre is located on the main street of Willunga, at 9 High Street, Willunga, South Australia. It also utilises a site in a shared multi-business environment at The Meeting Place, 162 Main Street McLaren Vale, South Australia.</p> <p>AlexInvest's existing Community Bank branch is located in the main shopping centre for Goolwa at Goolwa Shopping Centre, Hutchison Street, Goolwa, South Australia. This branch will remain.</p> <p>There is a risk that the sites from which Fleurieu will operate will not be or remain suitable and this can have a significant adverse impact on the ability of Fleurieu to generate business. For example, there may be a change in the character of the area where a branch is located and such a branch could possibly be closed or downsized.</p>

Security risks		
18.	Security risks	<p>The risk of robbery is inherent in the nature of Fleurieu's business.</p> <p>Under the franchise agreement, Fleurieu must make sure that it follows Bendigo Bank's requirements for security and controls for the transport of cash. Fleurieu must get security and cash transport services from Bendigo Bank. It may be required to change the fitout of its sites or incur other security-related expenses that are not known at the date of this Prospectus. Fleurieu is responsible for any loss or destruction of cash. It is responsible for getting insurance for loss or destruction of cash.</p>
Economic and local conditions		
19.	Risks arising from economic and local conditions	<p>Fleurieu's business will be affected by changes in economic conditions and the competitive landscape both directly and indirectly through the effect those changes may have on Bendigo Bank. Bendigo Bank's financial performance and financial position are primarily influenced by economic conditions in Australia. This is the key factor that influences 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.</p> <p>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, including those set out below, could materially adversely affect the financial performance and financial position of Bendigo Bank and Fleurieu.</p> <ul style="list-style-type: none"> <li>• Changes in inflation and interest rates. In particular this may reduce the net interest margin achieved in Bendigo Bank's banking operations or impact the demand for loans, in particular housing loans.</li> <li>• Increasing unemployment. This is a key driver of loan defaults and declining asset growth.</li> <li>• Declines in aggregate investment and economic output in Australia or in key offshore regions.</li> <li>• Decline in asset prices, in particular housing prices, which could cause loan defaults.</li> <li>• The dislocation in credit and capital markets during the global financial crisis significantly impacted global economic activity including the Australian economy. This</li> </ul>

		<p>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.</p> <p>All of these factors impact on the financial return of Bendigo Bank and Fleurieu. This includes Fleurieu's share of margin, the commissions paid to Fleurieu and Fleurieu's share of fee income.</p> <p>Also, changes in local community conditions or the local environment could adversely affect Fleurieu's financial performance as they can significantly impact on business volumes and local economic activity.</p> <p>In addition, the development and spread of Coronavirus (COVID-19) throughout Australia has resulted in Federal Government imposed restrictions. It is uncertain how long these measures will remain in place. It is also uncertain what impact COVID-19 will have on the Australian economy and the likelihood of an economic recession or downturn, and the financial impact this will have on the Merged Entity.</p>
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<b>Success of Bendigo Bank</b>		
<b>20.</b>	<b>Risk to the Bendigo Bank business and brand</b>	<p>Fleurieu will continue to operate under the Bendigo Bank name and will only provide Bendigo and Adelaide Group products and services, and other products and services made available by Bendigo Bank. Accordingly, the success of Fleurieu is, to a significant degree, dependent on the standing and success of Bendigo Bank.</p> <p>The products and services provided through Fleurieu, and the revenue that Bendigo Bank (and, accordingly, Fleurieu) 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 and local conditions and other factors on the business of Bendigo Bank. The effect of economic and local conditions on Bendigo Bank is discussed further under item 19 above ("Economic and local conditions").</p> <p>Bendigo Bank and Fleurieu are also subject to a risk that some incident beyond the control of Bendigo Bank could occur which would have the effect of reducing consumer confidence or preference for the Bendigo Bank brand, such as the occurrence of a major information security incident. The consequences of such an incident could be very significant for both Bendigo Bank and Fleurieu, including reduced revenue and loss of consumer confidence in Bendigo Bank's products and services.</p>
<b>Competition</b>		
<b>21.</b>	<b>Competition from other financial service providers, Bendigo Bank and other Bendigo Bank franchises</b>	<p>Fleurieu will face competition from other financial service providers whether located in the communities in which Fleurieu operates, or in nearby communities or from other providers that are able to deliver services remotely (for example, through the internet or over the phone). This may include competition from other branches and franchises of Bendigo Bank.</p> <p>It is also possible that, in the future, other financial service outlets (or Bendigo Bank branches or franchises) could seek to open in the same communities as Fleurieu, particularly if Fleurieu's Community Bank branches are successful. Competition from other service providers may have a material adverse impact on Fleurieu's revenue.</p>

Regulatory environment		
22.	<b>Regulatory risks</b>	<p>Although Fleurieu will not carry on a banking business, by managing a Community Bank branch of Bendigo Bank, it will be subject to the regulatory environment in which Bendigo Bank operates. In particular, decisions of the Australian Prudential and Regulatory Authority that affect Bendigo Bank may also have an impact on the business conducted by Fleurieu.</p> <p>In addition, as part of the franchise arrangement, Fleurieu has been appointed as an “authorised representative” and a “credit representative” of Bendigo Bank for the purposes of carrying out the franchise operations (see section 6.1.10 of this Prospectus). This brings additional compliance obligations and procedures that Fleurieu must comply with.</p> <p>Fleurieu's business may also be affected by changes to government policies, including those relating to prudential supervision, taxation and regulation of financial services industries. These changes may affect Fleurieu directly or indirectly as a result of their impact on Bendigo Bank.</p>
Ability to sell Fleurieu Shares		
23.	<b>Risk that shareholders may not be able to sell Fleurieu Shares</b>	<p>Fleurieu provides members of the community with the opportunity to share in the risks and rewards of its Community Bank branch. The community nature of Fleurieu is reflected in restrictions in its constitution about who can be a shareholder and the number of shares in Fleurieu that a person can hold (see section 6.2.3 of this Prospectus). Shareholders are required to have a “close connection” with the communities in which Fleurieu predominantly carries on business, and any shareholder or closely related person or entity must not control or own more than 10% of Fleurieu.</p> <p>As a result, there is a risk that shareholders will not be able to sell their Fleurieu Shares when they want to, at all or at a price they want.</p> <p>Fleurieu is not listed on a securities exchange. Fleurieu conducts a “low volume financial market” in its shares under the Corporations Act. A “low volume financial market” is not a licensed market. It only provides a means for those interested in buying or selling Fleurieu Shares to be brought into contact with each other. Fleurieu can inform potential sellers and buyers of the number of Fleurieu Shares participants are interested in buying or selling, and the price at which they are interested in buying or selling.</p> <p>There is no mechanism for the formation of contracts between buyers and sellers, and Fleurieu will not provide a settlement</p>

		<p>service. It will be the responsibility of those buying and selling Fleurieu Shares to arrange settlement.</p> <p>Fleurieu as the operator of the market gives unconditional permission for Fleurieu Shares to participate in the “low volume financial market” from the date they are issued.</p> <p>As this market is exempt from the licensed market provisions, Fleurieu as operator is not subject to the usual legal obligations that apply to the operator of a licensed market. This includes an exemption from the requirement, to the extent that it is reasonably practicable to do so, to do all things necessary to make sure that the market is a fair, orderly and transparent market.</p> <p>It is envisaged that there will not be much trading in Fleurieu Shares because of the community based nature of Fleurieu.</p>
<b>Ability to keep shares and right to vote and dividends</b>		
<b>24.</b>	<b>Risks arising from restrictions on shareholdings</b>	<p>As noted above, the community nature of Fleurieu is reflected in restrictions in its constitution about who can be a shareholder and the number of Fleurieu Shares that a person can hold (see section 6.2.3 of this Prospectus). Shareholders are required to have a “close connection” with the communities in which Fleurieu predominantly carries on its business. As explained in section 6.2.3 of this Prospectus, it is possible that circumstances may change, for example, an existing shareholder who was a resident in the relevant community may move to another area. If the Board becomes aware of the change in circumstance, it will need to assess whether the person retains a sufficient connection and the Board may ask the shareholder for information to assess that. If the Board forms the opinion that a person does not have a close connection, the person will have a prohibited shareholding interest.</p> <p>In that case, voting and dividend rights attaching to the person’s shares are suspended. Also the Board must require the disposal of the shares. This is explained in section 6.2.3 of this Prospectus.</p>

## 6. Additional information

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### 6.1 Franchising

#### 6.1.1 Regulation of franchising

The relationship between Bendigo Bank (as franchisor) and Fleurieu (as franchisee) is governed by the Franchising Code of Conduct.

This code is a mandatory industry code of conduct for the purposes of section 51AE of the *Competition and Consumer Act 2010* (Cth). Section 51AD of the *Competition and Consumer Act 2010* (Cth) says that a corporation must not contravene an industry code.

The Franchising Code of Conduct requires a franchisor to give a prospective franchisee a “disclosure document”, to enable the prospective franchisee to make a reasonably informed decision about entering into the franchise agreement. The Franchising Code of Conduct prescribes the information that must be included in the disclosure document. Bendigo Bank has provided the required disclosure document to Fleurieu and Fleurieu has confirmed that it understands the disclosure document and the Franchising Code of Conduct.

#### 6.1.2 Franchise agreement

The franchise agreement establishes the relationship between Fleurieu and Bendigo Bank, and sets out the parameters within which Fleurieu must operate. The franchise agreement defines the business that will be conducted by Fleurieu, requirements for conducting the business and requirements about Fleurieu. Accordingly, it is critical to an assessment of Fleurieu.

Each of Fleurieu and AlexInvest currently conduct its retail branch operation under a franchise agreement with Bendigo Bank.

Fleurieu has entered into a new franchise agreement with Bendigo Bank that will start when the Proposed Merger becomes effective. This will replace the existing franchise agreement that Fleurieu has for the branch and the customer service centre it operates and the existing franchise agreement that AlexInvest for the branch it operates. The purpose of this new franchise agreement is to enable Fleurieu to operate both branches and the customer service centre. Fleurieu must not do anything else unless Bendigo Bank agrees. Accordingly, the franchise agreement with Bendigo Bank is the foundation of Fleurieu’s business.

This new franchise agreement is to substantially the same effect as the existing franchise agreement to which Fleurieu is a party, except that the new franchise agreement provides as follows.

- the new franchise agreement is conditional on completion of the merger of Fleurieu and AlexInvest.
- Bendigo Bank must refund, on a pro rata basis, the franchise fee, process fee and training fee paid by Fleurieu for the unexpired term of its existing franchise agreement.
- Bendigo Bank gives any consents required under the existing franchise agreement to give effect to the obligations of Fleurieu under the transaction agreement between Fleurieu and AlexInvest.

An overview of the key provisions of the franchise agreement is set out below.

### **6.1.3 Grant and extent of franchise**

The following explains the operation of the new franchise agreement with Bendigo Bank. It comes into effect on implementation of the Proposed Merger. If implementation of the Proposed Merger does not occur, you will not receive Consideration Shares, and so the terms of the new franchise agreement are not relevant.

#### **(a) Franchise**

Under the franchise agreement, Bendigo Bank has granted Fleurieu the right to conduct a retail branch operation from Shop 32, Aldinga Shopping Centre, 1 Pridham Boulevard Aldinga, South Australia, a customer service centre from 9 High Street, Willunga, South Australia and a retail branch from Goolwa Shopping Centre, Hutchison Street, Goolwa, South Australia and to market and enter into transactions with customers anywhere in Australia, using Bendigo Bank intellectual property. This includes the name “Bendigo Bank”. Fleurieu promotes and sells products and services as agent or sub-agent for the relevant Bendigo and Adelaide Group entity or other issuer.

#### **(b) Sole purpose company**

Fleurieu must not do anything except conduct the retail branch operation, unless Bendigo Bank agrees. For example, it must not own or lease any assets, incur any liabilities, or enter into any agreements other than those required to conduct the retail branch operation.

**(c) Non-exclusive**

The franchise agreement is non-exclusive. Bendigo Bank may grant others the right to conduct retail branch operations anywhere and Bendigo Bank may conduct retail branch operations anywhere. This includes marketing and facilitating transactions with customers anywhere.

**(d) Term**

Under the franchise agreement, Bendigo Bank has granted Fleurieu the franchisee rights to conduct the retail branch operation at Shop 32, Aldinga Shopping Centre, 1 Pridham Boulevard Aldinga, South Australia, a customer service centre from 9 High Street, Willunga, South Australia and a retail branch from Goolwa Shopping Centre, Hutchison Street, Goolwa, South Australia for an initial term of five years starting on the date the Proposed Merger is implemented.

Before the end of the initial five year term, subject to the conditions of renewal set out in the franchise agreement being met, Bendigo Bank must offer Fleurieu the right to request a renewal of the relationship for an additional term of five years. The same process applies at the end of that second five year period. Bendigo Bank has no obligation to renew the relationship after that (i.e. for more than 15 years).

Fleurieu's request to extend the term of the franchise agreement must be made between 3 and 6 months before the end of the then existing term. Fleurieu can request to renew the franchise relationship for all sites or only some sites. The conditions of renewal include the following.

- Fleurieu is not in breach of the franchise agreement in any material respect.
- Fleurieu has a lease for its branch location (and any additional sites for which renewal has been requested). The lease, including any options to renew, ends not less than 15 years from the date the retail branch operation started.
- Fleurieu makes any changes needed to meet Bendigo Bank's current fitout requirements by the end of the current term.
- If it chooses to enter into a new agreement, Fleurieu gives Bendigo Bank a written statement that it has either received accounting and business advice about the new agreement or has been told to seek such advice but decided not to do so.

- Fleurieu has paid the renewal invoice for the branch location (and any additional sites). This includes franchise fees, process fees, training fees and an amount to cover Bendigo Bank's reasonable out-of-pocket expenses to renew the relationship. Fleurieu may elect to pay the franchise fees, process fees and training fees in instalments over five years.

These conditions must be met before the end of the current term in which renewal is requested. If they are not met before the end of the current five year term, the franchise agreement will end after the current five years. If the franchise agreement is renewed, but Fleurieu does not meet the renewal conditions before the end of the next five year term, the franchise agreement will end 10 years after it started.

#### **6.1.4 Help from Bendigo Bank**

Bendigo Bank must give Fleurieu guidance about conducting a retail branch operation. This includes guidance about business and financial operations, recruitment and performance management, operational risk, community contributions and governance. It is Fleurieu's responsibility to make its own assessment about these matters and get advice if it is needed.

#### **6.1.5 Staff**

Fleurieu must have enough qualified individuals to conduct the retail branch operation effectively, including a branch manager for each branch location. All staff members with customer contact must first be approved by Bendigo Bank, but Bendigo Bank may not unreasonably withhold or delay its agreement. In some circumstances, Bendigo Bank may require that a member of staff stop being involved in the operations of the retail branch operation (for example, if training has not been completed or if the person does not perform their duties as required, and in either case, this is not remedied to the satisfaction of Bendigo Bank). Staff may be employed by Fleurieu or seconded from the Bendigo and Adelaide Group to Fleurieu. In either case staff are Fleurieu's responsibility.

#### **6.1.6 Promoting and conducting the retail branch operation**

##### **(a) Promoting the retail branch operation**

Fleurieu must promote the retail branch operation, including Bendigo and Adelaide Group products and services and other products and services Bendigo Bank makes available.

Fleurieu will have the benefit of general advertising and promotions conducted by Bendigo Bank.

**(b) Financial products and services**

Bendigo Bank must make available Bendigo and Adelaide Group financial products and services to Fleurieu to promote and sell.

Bendigo Bank may decide which of the products and services it makes available. Bendigo Bank may make different products and services available to different Community Bank companies and at different sites.

Fleurieu may only sell Bendigo and Adelaide Group products and services and other products and services made available to it by Bendigo Bank.

The products and services may include the following.

- Savings and transaction products, for example, “Everyday” accounts, term deposits, “Easysaver” 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.
- Cash and cheque facilities, delivered through electronic means and ATM services.

All deposits are made with Bendigo Bank.<sup>1</sup> As deposits are with Bendigo Bank, at the date of this Prospectus, they have the benefit of the Commonwealth Government’s deposit guarantee facility.<sup>2</sup> The guarantee applies automatically to deposits with an ADI (Authorised Deposit Taking Institution) of \$250,000 or less.

All transactions for Bendigo and Adelaide Group products are with the relevant Bendigo and Adelaide Group entity, as principal, and the customer. If Bendigo Bank makes available other products and services, the transactions are between the service provider or product issuer and the

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<sup>1</sup> If agribusiness products are offered, agribusiness deposits are with Rural Bank Limited, a wholly-owned subsidiary of Bendigo Bank.

<sup>2</sup> The deposit guarantee facility also applies to deposits with Rural Bank Limited.

customer. Fleurieu promotes and sells the products and services, but is not a party to the transaction.

For credit transactions between a customer and a Bendigo and Adelaide Group member, as long as Fleurieu has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit, the credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Group entity to bear.

**(c) Conducting the retail branch operation**

Bendigo Bank must give Fleurieu access to the operational manuals and Fleurieu must comply with the manuals. Bendigo Bank must give operational and specialist support and provide infrastructure for the network. Bendigo Bank has a discretion about the nature and extent of that support and infrastructure. Fleurieu is responsible for operational risk management for its retail branch operation.

Fleurieu has agreed that it will receive a number of services from Bendigo Bank such as the following.

- Training for staff, for example branch operations and procedures.
- Payroll services.
- Cheque clearing services.

**6.1.7 Sites**

**(a) Aldinga branch and Willunga customer service centre**

Fleurieu's existing branch location is at Shop 32, Aldinga Shopping Centre, 1 Pridham Boulevard, Aldinga Beach, South Australia and its customer service centre is at 9 High Street, Willunga, South Australia. Fleurieu must comply with the requirements set by Bendigo Bank for the fitout and maintenance of the branch location and the customer service centre, and any changes Bendigo Bank tells Fleurieu to make.

Fleurieu must keep this branch location and the customer service centre open for business at the times Bendigo Bank reasonably sets and must not open the branch location or the customer service centre at other times unless Bendigo Bank agrees. At present, the Aldinga branch is open from 9.30am to 5.00pm on Monday to Friday and the customer service centre is open from 10.00am to 4.30pm Monday to Friday (excluding public holidays).

Fleurieu may operate the retail branch operation or the customer service centre from a replacement site if Bendigo Bank agrees.

**(b) Goolwa branch**

AlexInvest currently conducts a retail branch operation at Shop 3A, 33 Hutchison Street, Goolwa, South Australia. Following the Proposed Merger, Fleurieu Community Services Limited will continue to operate this branch as a retail branch. At present the Goolwa branch is open Monday, Tuesday, Thursday and Friday from 9.30am to 5.00pm (excluding public holidays).

**(c) Additional sites**

Fleurieu may conduct a retail branch operation from an additional site if it meets the conditions for opening an additional site. Forms of additional site include an additional branch location and a customer service centre location (with another business or businesses). Each form of additional site has its own conditions that must be met. Fleurieu must pay additional fees to operate from an additional site.

**6.1.8 Limit on dividends**

In recognition of the aims of Fleurieu to deliver social and economic benefits to the community, the franchise agreement with Bendigo Bank contains a limit on dividends that can be paid by Fleurieu.

The limit on dividends and other distributions is the higher of the amount worked out under Steps 1 and 2 below, unless otherwise approved by Bendigo Bank. However, if that number is more than the amount permitted to be distributed under the Corporations Act, the limit is the amount permitted to be distributed under the Corporations Act.

Step 1: 20% of the profit of Fleurieu otherwise available for distribution to shareholders in that 12 month period. For this purpose, profit is worked out as follows.

- Work out the profit before tax for the financial year under accounting standards under the Corporations Act.
- Add any accumulated profit from the previous financial year.
- Add back any community contributions shown in the profit and loss statement for the financial year.

Step 2: Work out Fleurieu's rate of return multiplied by Fleurieu's share capital at the end of the financial year. For this purpose, the rate of return is the weighted average interest rate on 90 day bank bills over the financial year plus 5%.

Of course, the actual amounts distributed to shareholders may be less than this upper limit.

### **6.1.9 Information and meetings**

#### **(a) Confidential information**

Fleurieu must keep certain information confidential, including information about the retail branch operation and all information about customers. Directors are not entitled to information about customers unless the customer consents or the information is given in aggregate form only so that the customer identity is not revealed.

#### **(b) Creating and keeping information**

Fleurieu is required to create and keep records about Fleurieu and its retail branch operation, including any records to comply with legal and regulatory requirements.

#### **(c) Meetings and exchange of information**

Fleurieu is required to attend meetings with Bendigo Bank and may be required to attend meetings with representatives of businesses conducting other retail branch operations.

Fleurieu is required to give Bendigo Bank regular and detailed reports. Bendigo Bank also has the right to get other information from Fleurieu, come into the sites, including branch locations, and access and audit any information.

#### **(d) Public communications**

Fleurieu must comply with any guidelines and directions Bendigo Bank gives it about public communications. This includes communications using social media.

### **6.1.10 General compliance**

Fleurieu must comply with its constitution, the franchise agreement and legal and regulatory requirements.

Bendigo Bank must comply with legal and regulatory requirements that apply to products and services made available by Bendigo Bank in order for Fleurieu to conduct a retail branch operation.

Bendigo Bank holds an Authorised Deposit Taking Licence, Australian Financial Services Licence (*AFSL*) and Australian Credit Licence (*ACL*). Bendigo Bank has appointed Fleurieu, for AFSL purposes, as an "authorised representative" of Bendigo Bank under a separate appointment, and for ACL purposes, as a "credit representative" of Bendigo Bank, also under a separate appointment.

Under the AFSL authorised representative appointment, Bendigo Bank has authorised Fleurieu to provide financial services advice in relation to,

and deal in, various classes of financial products on behalf of Bendigo Bank. Under the ACL credit representative appointment, Bendigo Bank authorises Fleurieu to engage in credit activities on behalf of Bendigo Bank.

#### **6.1.11 Corporate matters**

##### **(a) Corporate manuals**

Bendigo Bank has given Fleurieu access to corporate manuals, which may include requirements in relation to matters such as corporate governance, staff training, occupational health and safety and environmental reporting. Fleurieu must comply with the corporate manuals.

##### **(b) Activities of Fleurieu**

Fleurieu must not do any of the following during the term of the franchise.

- Conduct an activity itself, have an interest in a business that conducts an activity, or have a financial interest in the conduct of the activity, if the activity is a business that competes with any of the following: Fleurieu, an entity in the Bendigo and Adelaide Group, another Bendigo Bank franchisee, or any other banking or financial services business that an entity in the Bendigo and Adelaide Group conducts.
- Seek to entice any banking or financial services customers from a Bendigo and Adelaide Group entity.
- Otherwise interfere with the business being conducted by Bendigo Bank or any of its franchisees.

In addition, for the term of the franchise, and for one year after the end of the franchise, Fleurieu must not entice any employee of a Bendigo and Adelaide Group entity, franchisee or agency.

Staff with customer contact and Directors of Fleurieu must not take part in activities in conflict with the interests of Bendigo Bank. This includes working for, owning, or having any other interest in a business which competes with identified entities. Those entities are Fleurieu, an entity in the Bendigo and Adelaide Group, another Bendigo Bank franchisee, or any other banking or financial services business that an entity in the Bendigo and Adelaide Group conducts. This does not prevent staff and Directors from owning shares in a listed entity that takes part in activities which conflict with Bendigo Bank's interests.

**(c) Insurance**

Fleurieu must maintain the insurances set out in the franchise agreement. This includes professional indemnity, public and product liability, directors and officers, workers' compensation and bankers' comprehensive crime insurance.

**(d) Intellectual property**

Bendigo Bank has granted Fleurieu the right to use intellectual property including the use of the name "Bendigo Bank" and information about how to conduct the branch operation. Bendigo Bank may tell Fleurieu about changes or additions to intellectual property. Fleurieu must use the changed or additional intellectual property within the timeframe set by Bendigo Bank, which must be at least 30 days from when Bendigo Bank tells Fleurieu.

**6.1.12 Change of parties to agreement or other transfer of interest**

**(a) Transfer by Bendigo Bank**

Bendigo Bank may transfer any interest in the franchise agreement, including by novation or assignment, to any of the following. Bendigo Bank must tell Fleurieu within 14 days of the change.

- Another company in the Bendigo and Adelaide Group.
- Anyone whose business includes the provision of financial services and who it is reasonable to expect will be able to comply with obligations that it assumes under the franchise agreement.
- Anyone else who has entered into arrangements so as to make it reasonable to expect the person will be able to comply with the obligations it assumes under the franchise agreement.

The person would have to continue to perform Bendigo Bank's obligations under the agreement.

**(b) Transfer by Fleurieu**

Fleurieu may not transfer or propose to transfer any interest in the franchise agreement without first getting the agreement of Bendigo Bank. The franchise agreement sets out a procedure for asking for agreement. It also sets out a number of circumstances in which agreement may be withheld, including if the proposed acquirer does not meet the Bendigo Bank selection criteria for appointment as a franchisee (for example, minimum number of members, close connection of members to the community or communities in which the franchisee predominantly carries on business, etc) and if Bendigo Bank exercises its right of first refusal (ie to take the transfer instead of the proposed acquirer).

### 6.1.13 Liability

Fleurieu agrees that it is liable to each entity in the Bendigo and Adelaide Group for loss of revenue and loss of profit, damage to goodwill, reasonable costs and expenses and third party claims incurred as a result of any of the following.

- A breach of the franchise agreement by Fleurieu or a director's deed by a Director.
- A breach of representation given by Fleurieu to Bendigo Bank.
- Serious misconduct by Fleurieu, its staff or Directors. This includes theft or fraud.
- Inaccurate or incomplete information given to Bendigo Bank by Fleurieu.
- Fleurieu conducting or promoting its business. This includes exercising a discretion.
- Anything Fleurieu, its staff, Directors, or anyone who acts on Fleurieu's behalf does or fails to do.
- Anyone claiming through or in relation to Fleurieu in relation to the retail branch operation or Fleurieu's relationship with Bendigo Bank.

Bendigo Bank agrees it is liable to Fleurieu for loss of revenue and loss of profit, reasonable costs and expenses and third party claims incurred as a result of any of the following.

- Bendigo Bank breaching the franchise agreement.
- A misleading or deceptive statement or omission in any Bendigo and Adelaide Group products and services, operational or corporate manuals, or Bendigo and Adelaide Group promotional material.
- A breach of certain representations given by Bendigo Bank before entering into the franchise agreement.
- A breach of law by Bendigo Bank in relation to the franchise agreement.
- Credit risk in a particular case, if Fleurieu has followed the requirements in the operational manuals for giving or extending credit in that case. However, this does not apply if Fleurieu exercised any discretion in that case.

#### **6.1.14 Ending the franchise agreement**

Bendigo Bank may end the franchise agreement in certain circumstances including if any of the following apply.

- Fleurieu breaches the franchise agreement, the breach is a material breach and Fleurieu does not correct the breach within 30 days of notice to do so.
- Fleurieu no longer holds a licence it needs to conduct the retail branch operation.
- Fleurieu becomes insolvent.
- Fleurieu voluntarily abandons the retail branch operation or the franchise relationship.
- Fleurieu is convicted of a serious offence (as defined under the Franchising Code of Conduct).
- Fleurieu is fraudulent in connection with the retail branch operation.
- Fleurieu operates the retail branch operation in a way that endangers public health or safety.
- Fleurieu agrees to end the franchise agreement.

In some cases the franchise agreement may end for all sites, but if the circumstances are limited to a particular site, the agreement may only end for the particular site.

If Fleurieu breaches the franchise agreement and the breach relates to occupational health and safety, physical or electronic security issues or abandonment of the franchise business, the right to carry on the franchise may be suspended in relation to one or more sites until the breach is fixed or the franchise agreement ends.

Fleurieu may end the franchise agreement if Bendigo Bank is insolvent, no longer holds a licence that is needed for the franchised business or is in breach of the franchise agreement and the breach is material.

The procedures for Bendigo Bank or Fleurieu to end the franchise agreement are set out in the franchise agreement.

## **6.2 Constitution**

### **6.2.1 Introduction**

An overview of some key provisions in Fleurieu's constitution is set out below. Fleurieu must not propose a change to its constitution (or name) unless Bendigo Bank agrees.

### **6.2.2 Rights attaching to Fleurieu Shares**

The main rights attaching to Fleurieu Shares to be issued to AlexInvest and subsequently distributed by AlexInvest to its shareholders (being the Consideration Shares) are set out below. It is noted that these rights are the same as the rights currently attaching to the AlexInvest Shares.

#### **(a) Voting rights**

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

The purpose of giving each shareholder of Fleurieu only one vote, regardless of the number of ordinary shares held, is to reflect the nature of Fleurieu as a community based company, by giving all members equal voting power.

#### **(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 agreement contains a limit on the level of profits or funds that may be distributed to shareholders of Fleurieu. See section 6.1.8 of this Prospectus for a description of this limit. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (for example, by breaching the 10% share ownership limit) (see section 6.2.3 of this Prospectus).

#### **(c) Transfer of ordinary shares**

Generally, Fleurieu Shares are freely transferable by a proper transfer that complies with Fleurieu's constitution and the Corporations Act.

However, the Board has a discretion to refuse to register a transfer of Fleurieu Shares. Further, the Board must refuse to register a transfer of Fleurieu Shares if, to its knowledge, the registration would result in a shareholder having a prohibited shareholding interest, or registration would increase the holding of a shareholder with an existing prohibited shareholding interest (see section 6.2.3 of this Prospectus).

**(d) Winding up**

If Fleurieu is wound up, shareholders are generally entitled to participate in any surplus assets of Fleurieu in proportion to the capital paid up on their Fleurieu Shares when the winding up starts. This may be in cash or in other assets or a combination.

**6.2.3 Prohibited shareholding interest**

Fleurieu's constitution says that a person must not have a "prohibited shareholding interest".

**(a) Types of prohibited shareholding interest**

The ways in which a prohibited shareholding interest may arise are set out in Fleurieu's constitution and are summarised below. References to shares below include ordinary shares and other types of shares Fleurieu may issue.

***10% or more of the shares***

A person who controls or owns 10% or more of the shares has a prohibited shareholding interest. A person also has a prohibited shareholding interest if they can control the casting of 10% or more of the votes in Fleurieu.

The purpose of this shareholding limit is to reflect the community based nature of Fleurieu, by making sure that the Board can prevent ownership of Fleurieu being concentrated in the hands of a small number of shareholders.

A person will be deemed to own the shares in Fleurieu 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 meanings given in the Corporations Act, subject to some modifications as set out in Fleurieu's constitution. For example, the constitution defines a person's immediate family to be associates. A person's "immediate family" is defined to include a person's spouse, de facto spouse, parent, son, daughter, brother or sister or a spouse or de facto spouse of any of those persons.

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.

The following are some examples of the effect of these definitions.

- If the aggregate of the shares in Fleurieu owned (legally or beneficially) by a person plus the shares in Fleurieu owned (legally or beneficially) by members of the person's immediate family, equal or exceed 10% of the shares in Fleurieu, the person has a prohibited shareholding interest.
- If the votes a person can control casting 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.

#### ***No close connection***

In addition, in keeping with the community based nature of Fleurieu, a person will also be deemed to have a prohibited shareholding interest if they have voting power in Fleurieu and, in the opinion of the Board, they do not have a close connection to the community or communities in which Fleurieu predominately carries on business.

For example, individuals who are residents in the communities in which Fleurieu predominately carries on business, and their immediate family members, would ordinarily be considered to have a close connection. Similarly, a company whose registered office is in either of the communities in which Fleurieu predominately carries on business and that is owned and controlled by residents and their immediate family members would ordinarily be considered to have a close connection. However, these are illustrative examples only. Ultimately, in each case, the Board will need to assess whether there is a close connection to the community. The Board will usually make this decision when a person applies for shares or gives Fleurieu a transfer of shares for registration.

However, it is possible that circumstances may change, for example, an existing shareholder who was a resident in a community in which Fleurieu predominately carries on business may move to another area. If the Board becomes aware of the change in circumstance, they may ask the shareholder for information to decide if the person has a close connection or not. If the Board forms the opinion that a person does not have a close connection, the person will have a prohibited shareholding

interest. As at the date of this prospectus, the Board has not formed this opinion about any existing shareholder.

***Less than base number***

Further, a person is also deemed to have a prohibited shareholding interest if after the transfer of Fleurieu Shares to that person, the number of shareholders in Fleurieu would be less than the “base number” of shareholders.

This base number is 90% of the shareholders in Fleurieu after the issue of Fleurieu Shares under the first prospectus issued by Fleurieu. The base number is 219. The current number of shareholders in Fleurieu is 227.

The purpose of this base number restriction, together with the requirement of a close community connection, is to seek to make sure that Fleurieu has broad based local ownership.

**(b) Consequences of prohibited shareholding interest**

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares 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 Fleurieu, 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 Fleurieu.

**(c) Board powers**

The Board has the power to request information from a person who has, or the Board suspects has, a legal or beneficial interest in any shares or any voting power in Fleurieu, 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 the notice within the period set by the Board (that must be between three and six months), the Board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

Furthermore, as noted above in section 6.2.3 of this Prospectus, the Board must refuse to register a transfer of shares if, to their knowledge, it would result in a person having, or if it would be to a person who has, a prohibited shareholding interest.

In Fleurieu's constitution, shareholders acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, but that this result may be necessary to enforce the prohibition.

#### **6.2.4 Issue of new shares**

The Board has power to issue new shares in the future and to set the issue price. This may be to raise new capital at a price above or below \$1.00 per share (being the price at which shares were issued by Fleurieu under its last prospectus). The exercise of this power may dilute your economic interest in Fleurieu.

### **6.3 Taxation implications - shareholders**

#### **6.3.1 Introduction**

The tax implications for AlexInvest shareholders of receiving Fleurieu shares in exchange for the cancellation of AlexInvest shares is explained in the letter from PKF Melbourne Pty Ltd in the Notice of Meeting. The taxation implications of investing in Fleurieu 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 Fleurieu relevant to their own particular circumstances.

#### **6.3.2 Dividends**

Investors who are resident individual shareholders or a resident superannuation fund who receive dividends from Fleurieu 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 either a public AlexInvest for tax purposes or a private AlexInvest for tax purposes, is entitled to a rebate of tax only to the extent of the franked portion (if any) of any dividends received. Unlike resident individual shareholders, any excess rebate over and above the total tax payable cannot be refunded to resident corporate shareholders.

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

## **6.4 Taxation implications for Fleurieu**

The carry forward tax losses as at 1 July, 2019 in AlexInvest were \$1,062,051. These tax losses are carried forward to future years until they can be applied to assessable income.

Under current tax law there is no time limit for the use of company tax losses. Losses may be claimed in future years provided the company continues to satisfy either the “continuity of ownership”, the “same business”, or the “similar business” test. All three tests are onerous and require review to ensure compliance prior to claiming these losses.

Given the proposed change in ownership of 100% of shares in AlexInvest and the proposed de-registration of AlexInvest after the completion of the merger, it is possible that some or all of these losses may be lost as a result of the merger and therefore may not be available to Fleurieu. It is envisaged that Fleurieu will seek advice prior to the de-registration of AlexInvest and the preparation of its tax returns to ensure the optimal use of these tax losses, if they are available.

## **6.5 Disclosure of interests**

Other than as set out below, no 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 promoter of Fleurieu has, or has held at any time during the last two years, any interest in the formation or promotion of Fleurieu, in property acquired or proposed to be acquired by Fleurieu in connection with its formation or promotion or in connection with the Offer, or in the Offer.

The amounts paid, or agreed to be paid, and the nature and value of any benefits given or agreed to be given, to a person named in this Prospectus as described above, for services provided in connection with the formation or promotion of Fleurieu or in connection with the Offer are as follows.

- Christie & Associates has provided legal services to Fleurieu in connection with the Offer and for those services will be paid a fee of \$35,000.
- MGI South Queensland has provided financial advice, and for their services will be paid a fee of \$6,500.
- ShineWing Australia Corporate Finance Pty Ltd has provided independent expert advice, and for their services have been paid a fee of \$28,120.

## 6.6 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) Christie & Associates has given and has not, before lodgement of this Prospectus, withdrawn its written consent to be named as solicitors to Fleurieu in the form and context in which it is named in this Prospectus.
- (b) MGI South Queensland has given and has not, before lodgement of this Prospectus, withdrawn its written consent to be named as accountants to Fleurieu in the form and context in which it is named in this Prospectus.
- (c) ShineWing Australia Corporate Finance Pty Ltd has given and has not, before lodgement of this Prospectus, withdrawn its written consent to be named as independent expert to Fleurieu in the form and context in which it is named in this Prospectus.
- (d) Bendigo Bank has given and has not, before lodgement of this Prospectus, withdrawn its written consent to the inclusion in the Prospectus of the following statements in the form and context in which it is included and to being named in the Prospectus in the form and context in which it is named.
  - In the Investment Summary, all the statements in B1 and B2, and the eighth paragraph in section B4.
  - The second, fourth and fifth sentences in section 2.2, all of section 2.3.1, all of section 2.3.5(a)(vi), all of section 3.3.3(a) other than the last paragraph, the second paragraph in section 4.1, the first paragraph in section 4.4, the last sentence of item 9 in section 5.2, the third sentence of the third paragraph of item 14 in section 5.2 and the third sentence of item 16 in section 5.2.
- (e) AlexInvest has given and has not, before lodgement of this Prospectus, withdrawn its written consent to the inclusion in the Prospectus of the following statements in the form and context in which it is included and to being named in the Prospectus in the form and context in which it is named.
  - In the Investment Summary, in sections C4, C5, C6 and the third paragraph of E6.

- The first three paragraphs in section 1.5, items 1 to 6 on the table titled “AlexInvest” in section 1.9, section 3.2, the reviewed balance sheet of AlexInvest for the half financial year ended 31 December 2019 in section 3.3.3(b), the audited profit and loss statement of AlexInvest for the 3 financial years preceding the date of this Prospectus in section 3.3.3(c), the reviewed profit and loss statement of AlexInvest for the half years ended 31 December 2019 and 31 December 2018 in section 3.3.3(c), the audited cash flow statement of AlexInvest for the 3 financial years preceding the date of this Prospectus in section 3.3.3(d), the first sentence of section 3.3.3(f), the paragraphs in section 3.3.3(i) under the subheading “AlexInvest”, the last sentence in section 3.3.3(j), section 6.1.7(b) and section 6.3.1.

## 6.7 Privacy collection statement

### (a) Introduction

If the Proposed Merger is implemented, you will give personal information to Fleurieu.

### (b) Collecting, holding, use and disclosure for purposes related to your application and your investment

The Fleurieu collects, holds and uses your personal information for the purposes related to your application and your investment. Some of the information collected is provided for taxation and Corporations Act purposes. This may include the following.

- Assessing and processing your application.
- Administering your investment.
- Giving you information related to your investment and any other products, facilities and services which you request.

If you do not give the information requested, it may not be possible to process or accept your application.

To do these things, Fleurieu may disclose your personal information for purposes related to your investment to its share registry, to Bendigo Bank and to related bodies corporate, agents and service providers of Fleurieu or of Bendigo Bank or as otherwise authorised under the *Privacy Act 1988* (Cth). Fleurieu will not disclose your personal information to any overseas recipients.

**(c) Collecting, holding, use and disclosure for other purposes**

Fleurieu also collects, holds and uses your personal information for the purposes of telling you about products, facilities and services and other matters.

Fleurieu may disclose your personal information to the Bendigo and Adelaide 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 Group generally that Fleurieu or Bendigo Bank thinks may be of interest to you.

You agree that the contact details you give to Fleurieu can be used by Fleurieu and any member of the Bendigo and Adelaide 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 Fleurieu and Bendigo Bank, on the contact details below.

**(d) Access to personal information and correction of personal information**

Under the *Privacy Act 1988* (Cth), in most cases, you may request access to your personal information held by (or on behalf of) Fleurieu or Bendigo Bank and request correction of personal information.

You can do this as follows.

- For information held by Fleurieu, contact Fleurieu's Company Secretary at Fleurieu's registered office (see Corporate Directory at the end of this Prospectus).
- For information held by Bendigo Bank, contact Bendigo Bank as follows.

Bendigo Bank iSupport  
PO Box 480 Bendigo Vic 3552  
Tel: 1300 661 455  
Email: [iSupport.Mailbox@bendigoadelaide.com.au](mailto:iSupport.Mailbox@bendigoadelaide.com.au)

**(e) Privacy policy**

You can get a copy of Fleurieu's privacy policy by contacting Fleurieu's Company Secretary at Fleurieu's registered office (see Corporate Directory at the end of this Prospectus) or from [www.bendigobank.com.au/branch/sa/aldinga-beach-community-bank-branch](http://www.bendigobank.com.au/branch/sa/aldinga-beach-community-bank-branch). It contains information about the following.

- How you can access and seek correction of your personal information.
- How you can complain about a privacy breach by Fleurieu and how it will deal with such a complaint.

You can get a copy of the privacy policy of Bendigo Bank from **[www.bendigobank.com.au](http://www.bendigobank.com.au)**. It contains similar information.

## Dictionary

The following expressions have the meanings set out below.

<b>Expression</b>	<b>Meaning</b>
<i>AlexInvest</i>	AlexInvest Community Services Limited (ACN 143 552 363).
<i>AlexInvest Notice of Meeting</i>	the notice convening the general meeting of AlexInvest shareholders to consider the resolutions necessary to effect the Proposed Merger.
<i>AlexInvest Shares</i>	Ordinary shares in AlexInvest.
<i>ASIC</i>	Australian Securities and Investments Commission.
<i>Bendigo Bank</i>	Bendigo and Adelaide Bank Limited (ABN 11 068 049 178).
<i>Bendigo and Adelaide Group</i>	Bendigo Bank and its related bodies corporate.
<i>Board</i>	The board of directors of Fleurieu.
<i>CGT</i>	Capital gains tax.
<i>Completion</i>	Completion of the Proposed Merger pursuant to the Transaction Agreement.
<i>Consideration Shares</i>	263,492 Fleurieu Shares to be issued by Fleurieu to AlexInvest in consideration of the issue of 790,477 AlexInvest Shares by AlexInvest, to Fleurieu (which will be in turn distributed by AlexInvest to its shareholders).
<i>Corporations Act</i>	<i>Corporations Act 2001</i> (Cth).
<i>Director</i>	A director of Fleurieu.
<i>Fleurieu</i>	Fleurieu Community Enterprises Limited (ACN 116 550 157).
<i>Fleurieu Dividend</i>	0.08c per share.
<i>Fleurieu Record Date</i>	The date on which the identity of Fleurieu shareholders and their respective entitlements to the Fleurieu Dividend is determined.
<i>Fleurieu Shares</i>	Ordinary shares in Fleurieu.
<i>Merged Entity</i>	Fleurieu operating both the business of AlexInvest as well as the business of Fleurieu.
<i>Offer</i>	Offer of the Consideration Shares to AlexInvest, which will in turn be distributed to the shareholders of AlexInvest.
<i>Proposed Merger</i>	The transaction which will result in AlexInvest becoming a wholly-owned subsidiary of Fleurieu and the shareholders of

	AlexInvest (other than Fleurieu) becoming shareholders of Fleurieu as further described in section 1 of this Prospectus.
<b><i>Prospectus</i></b>	This Prospectus.
<b><i>Record Date</i></b>	The date on which the identity of AlexInvest shareholders and their respective entitlements to Fleurieu Shares is determined.
<b><i>Transaction Agreement</i></b>	The agreement entered into on 7 November 2019 by AlexInvest and Fleurieu in respect of the Proposed Merger as amended by a deed of amendment dated 12 June 2020.

## Director consents and signing page

Each Director of Fleurieu and each person named in this Prospectus as a proposed Director of Fleurieu has given, and not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

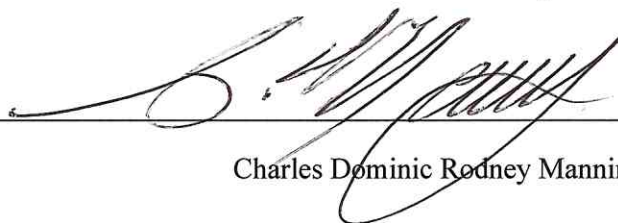
Signed for and on behalf of Fleurieu:



Ronald Leslie Logan



Hazel Ann Wainwright



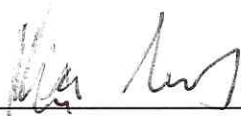
Charles Dominic Rodney Manning



Anita Jane Bailetti



Daniel John Roach

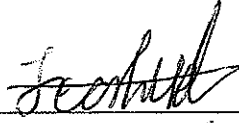


Karyn Joy Thomas



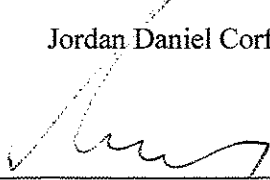
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Juan Edward Smith



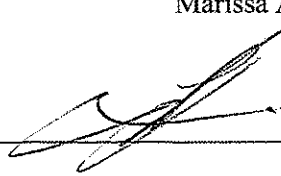
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Jordan Daniel Corfield-Higgins



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Marissa Anne Harvey



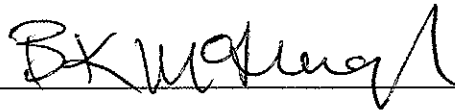
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Robert Joe Van Der Kamp



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Emily Catherine Livingston



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Barry Kym McHugh



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Elizabeth Mary Williams



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Lauren McKee



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Carol Gaston

# **Corporate directory**

## **Directors**

Ronald Leslie Logan

Hazel Ann Wainwright

Charles Dominic Rodney Manning

Anita Jane Bailetti

Daniel John Roach

Karyn Joy Thomas

Juan Edward Smith

Jordan Daniel Corfield-Higgins

Marissa Anne Harvey

## **Proposed directors**

Robert Joe Van Der Kamp

Emily Catherine Livingston

Barry Kym McHugh

Elizabeth Mary Williams

Lauren McKee

Carol Gaston

## **Company secretary**

Karyn Joy Thomas

## **Solicitors**

Christie & Associates

Level 1, 18-20 Grenfell Street, Adelaide SA 5000

## **Accountant**

MGI South Queensland

Level 1, 200 Mary Street, Brisbane QLD 4000

## **Registered office**

Aldinga Shopping Centre, P O Box 447, Shop 32, 1 Pridham Boulevard, Aldinga Beach  
SA 5173

28 July 2020

The Directors  
C/- Emily Livingston  
Company Secretary  
AlexInvest Community Services Limited

Via email: [secretary@alexinvest.com.au](mailto:secretary@alexinvest.com.au)

### **AlexInvest Community Services Limited – Proposed Merger Taxation Advice**

We, PKF Melbourne Pty Ltd (“PKF M”) have been engaged to provide an outline of the taxation implication arising to AlexInvest Community Services Limited (“AlexInvest”) and its shareholders (“participating shareholders”) in relation to the merger between AlexInvest and Fleurieu Community Enterprises Limited (“Fleurieu”).

### **Background**

1. AlexInvest Community Services Limited (“AlexInvest”) is a public company and carries on a Community Bank Enterprise in the Goolwa district, South Australia. AlexInvest commenced its operations on 6 May 2011.
2. The March 2020 management accounts and associated information provided to us indicates:
  - 2.1 AlexInvest has 790,477 shares on issue;
  - 2.2 Paid up capital is \$790,477;
  - 2.3 Associated capital raising cost of \$15,851
  - 2.4 There are no other reserves outlined in the equity section; and
  - 2.5 A retained loss position of \$855,686 was observed as at 31 March 2020
3. We were provided on 27<sup>th</sup> July 2020 with a copy of the Financial Services Guide and Independent Expert’s Report (**IER**) of AlexInvest dated 22 July 2020, prepared by RSM Corporate Australia Pty Ltd. The valuation per share outlined in paragraph 2.7 of the IER indicated a value per share of \$nil. We proceed with the understanding this market value remains valid as at the proposed completion date.
4. We proceed with the understanding that AlexInvest’s share capital account is untainted and AlexInvest has not paid any dividends to shareholders since its establishment.

5. We understand the proposed merger steps will be implemented as follows:

- 5.1. **Step 1A:** AlexInvest will issue 790,477 Shares to Fleurieu
- Step 1B:** Fleurieu will issue 263,492 fully paid, ordinary shares (being the Consideration Shares) to AlexInvest
- 5.2. **Step 2:** AlexInvest will undertake a selective capital reduction involving the cancellation of all of the Shares (other than those held by Fleurieu). In consideration for the cancellation of shares in AlexInvest, AlexInvest shareholders will receive one fully paid share in Fleurieu for every three shares they hold.

It is expected that step 1 and step 2 are completed as part of a single arrangement.

- 5.3. **Step 3:** The assets and business of AlexInvest will be transferred to Fleurieu, and
- 5.4. **Step 4:** Deregistration of AlexInvest post asset transfer to Fleurieu

6. The completion date of steps 1 and 2 is expected to be 5 October 2020.

### **Taxation Implications**

- 7. The following taxation advice is of a general nature for AlexInvest Shareholders and does not take into account the individual circumstances. Each AlexInvest Shareholder should seek independent taxation advice reflecting their personal circumstances, in relation to the arrangement.
- 8. A general description of the taxation treatment for certain Australian resident AlexInvest Shareholders is outlined in this letter of advice. The nature of the advice is general in nature and each AlexInvest Shareholder should consult their taxation adviser for detailed taxation advice.
- 9. The information contained in this letter relates solely to tax legislation in Australia and is current at the date of this letter and does not take into account or anticipate changes in the Taxation Legislation. Legislation, regulations, rulings, administrative interpretations and judicial decisions are subject to change at any time and, in some circumstances, with retrospective effect.
- 10. If any of the AlexInvest Shareholder is a tax resident of in countries other than Australia, the AlexInvest Shareholder should seek his/her own independent tax advice and the tax consequence arising from the merger steps.
- 11. The following summary is non-exhaustive of all Australian taxation considerations that may apply to participating Australian resident AlexInvest Shareholders.

## Income Tax Implications for participating Australian tax resident shareholders

12. The consequences of the cancellation of AlexInvest shares in exchange for shares in Fleurieu are as follows:
  - 12.1. AlexInvest Shareholders will make a capital gain if the capital proceeds received on the cancellation of their shares in AlexInvest are greater than the cost base of the shares they acquire in Fleurieu.
  - 12.2. AlexInvest Shareholders will make a loss if the capital proceeds received on the disposal of their shares in AlexInvest are less than the cost base of the shares they acquire in Fleurieu.
13. The capital proceeds of the shares will reflect the market value of the AlexInvest shares disposed of in exchange for the Fleurieu shares. The AlexInvest shareholders will receive one Fleurieu share for every 3 AlexInvest Shares disposed. **The market value per AlexInvest Share is \$nil.**
14. The cost base of an AlexInvest Shareholder's shares will generally include the actual (or deemed) cost of acquisition and other costs incurred at the initial acquisition of the shares in AlexInvest.

## Australian Taxation Analysis:

### 15. Step 1- Exchange of shares

- 15.1. **Step 1A: AlexInvest issues 790,477 shares to Fleurieu**
  - 15.1.1. **Tax impact – AlexInvest**  
The issue of shares by AlexInvest to Fleurieu will not give rise to an Income Tax Liability to AlexInvest.
  - 15.1.2. **Tax impact – AlexInvest's shareholders**  
The issue of shares by AlexInvest to Fleurieu will not give rise to an Income Tax Liability to AlexInvest Shareholders.
- 15.2. **Step 1B: AlexInvest acquires 263,492 shares in Fleurieu**
  - 15.2.1. **Tax impact - AlexInvest**  
The acquisition of shares by AlexInvest in Fleurieu will not give rise to an Income Tax Liability to AlexInvest.
  - 15.2.2. **Tax impact – AlexInvest's shareholders**  
The acquisition of shares by AlexInvest in Fleurieu will not give rise to an Income Tax Liability to AlexInvest Shareholders.

### 16. Step 2: Selective Capital Reduction

- 16.1. **Tax impact – AlexInvest**  
All AlexInvest Shares that are part of the capital return will be cancelled. The capital reduction price of \$0 per share will be debited to AlexInvest's untainted share capital account, there will be no component of the capital reduction price debited to the retained earnings account as AlexInvest is in a retained loss position of \$855,686 as outlined in the 31 March 2020 Management Accounts.

There will be no capital gain or loss arising for the AlexInvest company as the cost base of the Fleurieu shares acquired by AlexInvest and subsequently distributed to the AlexInvest Shareholders is expected to equal to the market value at the time of disposal. This will trigger a CGT event A1 (disposal of capital asset) to AlexInvest but will remain tax neutral to AlexInvest.

16.2. [Tax impact – AlexInvest Shareholders](#)

The capital reduction is an off-market purchase within the meaning given by paragraph 159GZZZK(d) ITAA 1936

We proceed with the understanding the market value of both the Fleurieu shares and the AlexInvest Shares are \$nil.

The general Australian taxation implication is outlined in paragraph 17 to paragraph 21 below.

## 17. Sale consideration

- 17.1. An AlexInvest Shareholder is taken to have received \$nil proceeds per AlexInvest share as consideration in respect of each share reduced and cancelled under the Capital Reduction (Sale Consideration) with the proposed transaction date being 5 October 2020.
- 17.2. The price for the share reduced and cancelled is equivalent to the market value of \$nil.

## 18. Shares held on capital account

- 18.1. The AlexInvest Shares are taken to have been disposed of for CGT purposes on the proposed share completion, being 5 October 2020.
- 18.2. The Sale Consideration (Fleurieu Shares received) represents the capital proceeds for CGT purposes. An AlexInvest Shareholder (other than a partnership) will make a capital gain on a share if the Sale Consideration per share exceeds the cost base of that share. The capital gain is the amount of the excess. Similarly, an AlexInvest Shareholder (other than a partnership) will make a capital loss on a share if the Share Consideration per share is less than the reduced cost base of the share. As the Sale Consideration is \$nil, it is expected the AlexInvest shareholders will make a capital loss.
- 18.3. Each partner in a partnership has a separate cost base and reduced cost base for the partner's interest in each AlexInvest share sold into the Capital Reduction by the partnership (subsection 106-5(2)). Each partner is allocated an appropriate share of the Sale Consideration received by the partnership for the disposal of AlexInvest shares into the Buy-Back.

19. Subsequent to the cancellation of all AlexInvest shares that are not held by Fleurieu, 100% of AlexInvest shares will be held by Fleurieu and the Shareholders will hold shares in Fleurieu.

20. The taxation consequences for AlexInvest Shareholders is outlined below:

- 20.1. As the sale consideration for the capital reduction of AlexInvest shares will be \$nil, the AlexInvest Shareholders will crystallise a capital loss equal to their respective cost bases.

- 20.2. Each AlexInvest Shareholder will be able to carry forward this capital loss and offset it against future capital gains made by that shareholder, subject to that shareholder being eligible to do so in accordance with their specific circumstances.
  - 20.3. The AlexInvest shareholder's cost base for taxation purposes of the replacement shares in Fleurieu will be equal to the market value of the replacement shares being \$nil.
  - 20.4. The replacement shares in Fleurieu will be taken to have been acquired by the participating shareholders at the date of the proposed transaction, 5 October 2020.
- 21. The proposed transaction appears to be structured such that in the event of a participating shareholder making a capital gain, CGT rollover relief may be available. As the proceeds of the capital reduction are \$nil, it is unlikely any participating shareholder will make a capital gain and accordingly, rollover relief will neither be required nor available.
  - 22. On the basis AlexInvest does not hold direct nor indirect interest in dutiable property, the proposed restructure will not give rise to a Landholder Duty liability.
  - 23. The proposed restructure will not give rise to a GST liability. The supply of shares is an input taxed supply. Any fees incurred will likely be subject to GST and the reduced input tax credit may be considered, subject to the relevant circumstances of each shareholder.

#### **24. Step 3: Transfer of AlexInvest assets and business to Fleurieu**

The assets and business of AlexInvest will be transferred to Fleurieu, with the existing business of AlexInvest to be operated as a branch of Fleurieu.

##### **24.1.1. [Tax impact - AlexInvest](#)**

The tax implication arising from the transfer of business is subject to the completion accounts as at the relevant transaction date. It is expected given the potential availability of carried forward tax losses, it is unlikely the transfer of business and assets to Fleurieu will give rise to a tax liability. We understand Fleurieu will seek further independent advice in relation to the availability of AlexInvest's carried forward losses.

The tax impact can only be determined upon the finalisation of the final completion accounts.

##### **24.1.2. [Tax impact – AlexInvest's shareholders](#)**

The transfer of business and assets to Fleurieu will not give rise to a taxing event nor tax liability to the AlexInvest's shareholders.

#### **25. Step 4: Deregistration of AlexInvest**

##### **25.1.1. [Tax impact - AlexInvest](#)**

Post transfer of the business and its assets to Fleurieu, it is not expected that AlexInvest will hold any other operating assets. The balance sheet following the transaction is anticipated to be nominal on the basis Fleurieu acquired all relevant business assets and assumed all business liabilities.

Accordingly, it is unlikely the deregistration of AlexInvest will give rise to a tax liability to the company.

25.1.2. [Tax impact – AlexInvest’s shareholders](#)

The deregistration of AlexInvest will not give rise to a taxing event nor tax liability to the AlexInvest’s shareholders.

In the event there is a residual cash balance at the deregistration of AlexInvest, any capital return is anticipated to flow through to Fleurieu as the sole shareholder.

The advice outlined above is general in nature and seeks to provide a summary of the general Australian Income Tax considerations applicable to AlexInvest and the participating shareholders who hold shares in AlexInvest and exchanging their shares in AlexInvest for shares in Fleurieu.

Should you have any queries, please contact the writer on (03) 9679 2222.

Yours sincerely

PKF MELBOURNE



TIMOTHY BOW  
PARTNER