

Contents

Chairperson's report	2-3
Manager's report	4
Directors' report	5-9
Financial statements	10-13
Notes to the financial statements	14-27
Directors' declaration	28
Independent audit report	29
Auditor's independence declaration	30
BSX report	31-32

Chairperson's report

For year ending 30 June 2006

I am pleased to announce that strong community support and associated robust trading at the Deloraine & Districts **Community Bank**[®] Branch, means that we are on track to reach profit sooner than we had anticipated.

The Company's success will ultimately be measured by the support the bank receives from the community, and the profits it is thus able to distribute to Shareholders and the community. Steady growth in the number and value of accounts, and the total business written by the Bank Branch in its first full year of operation reflect strong community, business and market confidence in the Branch, its management and the services it provides. The more business Deloraine & Districts **Community Bank**[®] Branch writes, the more profit Meander Valley Financial Services Ltd will distribute in the form of Shareholder dividends and community projects, grants and initiatives in the future.

With assistance from Bendigo Bank Ltd., Meander Valley Financial Services Ltd has already been able to make its first community awards and sponsorships.

A significant proportion of the shares you purchased were allocated to refurbish the leased building and fit it out for banking purposes. As total space in the leased premises was found to exceed our current needs for banking-specific purposes, a tenancy was created to allow for a sub-lease arrangement. Although the building works associated with this added to the cost of the fit-out, the Board considered this strategy to be a sound long term investment as an income stream for the Company.

The final cost of the fit-out was larger than projected, even taking into account the tenancy adjustments. As a result the Board has thoroughly reviewed the costs associated with the fit-out and has brought some issues to the attention of BBL for the purpose of determining a final allocation of costs between MVFS and BBL. We expect the outstanding issues to be resolved by the end of September 2006.

Our Board currently comprises 15 Directors representing many different areas of the community. It is a working Board, and not just a decision-making Board. Its responsibilities encompass an increasing range and complexity of policy, statutory and regulatory processes and obligations. No Director is paid for the considerable effort, time and expertise they contribute in the spirit of community service.

I am pleased to record here the Board's appreciation for the strong commitment and superior performance of the Branch staff. They are the public face of Bendigo Bank Ltd in our community and customer satisfaction ratings and other assessment criteria have been consistently excellent. People love doing business in the Branch. This means that not only are our services and products attractive and competitive, our staff are second to none in providing service to our customers. Thank you John, Karen, Kim, Kelly, Susan and Fiona.

Chairperson's report continued

I particularly thank Branch Manager, John Tabor, for his consistent effort, commitment and good will in pursuit of the objectives of Bendigo Bank Ltd and Meander Valley Financial Services Ltd. We are fortunate indeed to have attracted as Branch Manager someone with John's breadth and depth of experience and achievement in professional banking.

It gives me great pleasure to present to you, the Shareholders who made it all possible, the 2006 Annual Report of Meander Valley Financial Services Limited.



Dr Christopher Moorhouse
Chairman

Manager's report

For year ending 30 June 2006

The Deloraine and Districts **Community Bank**[®] Branch of Bendigo Bank Ltd. opened for business on 27 July 2005 and has now been open for 12 months. As at June 30th this year, business under management had reached \$20 million, representing 1276 accounts.

This result is a great achievement for the Bank and places us in a favourable position to gain profitability and move towards being able to pay dividends and make community grants well within the three year target for breaking even.

This year there have been some early staff changes which made the first few months following the official opening challenging, however despite this we have built a highly effective and well trained team who are very dedicated to the Bank and the community. I would like to commend our supervisor, Karen Kingston, and team members Kellie Challis, Susan Drake, Fiona Hiltke, who is currently on maternity leave, and Kim Walters for the hard work and dedication which has been indispensable in firmly establishing the bank in the Deloraine and Districts community.

I would also like to acknowledge the support I have received from members of the MVFS Board who continue to give freely of their time and efforts to support our **Community Bank**[®] branch.

The next 12 months will bring new challenges as we strive to keep the momentum building. Shareholders are urged to get behind the bank by supporting us with as much banking business as possible to ensure we reach our profitability target as quickly as we can. The Bank offers a full range of banking products, as well as insurances, leases, rural banking products, superannuation and wills and we are very competitive. In addition, I believe our service is exceptional.

As Branch Manager, I am committed to ensuring that we are available to you on a personal level to assist you with any of your banking requirements.

Finally, I would like to thank the Meander Valley community for their confidence and trust in us in this first year and look forward to meeting you when next you visit the bank.



John Tabor
Branch Manager

Directors' report

For year ending 30 June 2006

Your Directors submit the financial report of the Company for the financial year ended 30 June 2006.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year:

Christopher Phillip Moorhouse

Chairman

Age: 55

Manager/Consultant

Community Development

Chairman of Board of Directors

Virginia Maree De Groot

Treasurer

Age: 56

Risk Manager

Management, Education

Company Treasurer

Lynette Ann Hayward

Company Secretary

Age: 56

Community Volunteer

Management, Human Resource

Company Secretary, Public Officer

Gordon Wayne Brookes

Director

Age: 47

Motel Owner

Business, Commercial Development

Business Development

Andrew Linton Badcock

Director

Age: 58

Craftsman/Farmer

Fine Woodwork/Farming

Accommodation

Laura Jane Richardson

Director

Age: 27

Public Sector Manager

Rural Youth Affairs, Agriculture

Assistant Secretary

Barbara Anne Harvey

Director

Age: 48

Business Owner

Business & Food Industry

Business Development, Accommodation

David Anthony Bounds

Director

Age: 49

Farmer

Community Service

Recruitment

Grant Anthony Ward

Director

Age: 49

Business Owner

Business, Food Industry

Tourism, Recruitment

Stephen Allen Blakeney

Director

Age: 63

Business Owner/Artist

Fine Woodcraft

Business Development

Directors' report continued

Janice Marie English Blakeney

Director

Age: 59

Business Owner

Retail Health

Public Relations, Policy

George David Christie

Director

Age: 79

Retired Farmer

Farming, Commercial Development

Business Development

Leslie Thomas Jones

Director

Age: 45

Clinical Nurse Manager

Medical Administration, Community Service

Deputy Chairman

David Wayne Lee

Director

Age: 48

Youth Services

Management, youth services

Community Development

R E John Dare

Director (Appointed 26 June 2006)

Age: 62

Company Director

Business Management, Company Directorships

Assistant Treasurer, Business Development

Susan Haywood

Director (Resigned 24 October 2005)

Age: 41

Agriculture

Marketing, agriculture

Business Development, Public Relations

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Company Secretary

The Company Secretary is Lynette Hayward. She has wide experience in the public and higher education sector. Lynn has an M.Ed from the University of SA in Human Resource Management and Development.

Principal activities

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Operating results

Operations have continued to perform in line with expectations. The loss of the Company for the financial year after provision for income tax was:

Year ended 30 June 2006	Year ended 30 June 2005
\$	\$
(230,391)	(72,107)

Directors' report continued

Remuneration report

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Matters subsequent to the end of the financial year

The entity has obtained a temporary overdraft facility of \$20,000 (\$1,209 drawn down as at 12 September 2006) which will expire on 30 September 2006. Negotiations are currently taking place to establish a \$150,000 overdraft to cover the period until the entity reaches breakeven. There are continuing negotiations with BBL regarding the cost of the branch fit out.

There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

The Company will continue its policy of providing banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Directors' report continued

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

	Number of Board meetings eligible to attend	Number attended
Christopher Phillip Moorhouse	13	12
Virginia Maree De Groot	13	12
Lynette Ann Hayward	13	12
Gordon Wayne Brookes	13	10
Andrew Linton Badcock	13	13
Laura Jane Richardson	13	12
Barbara Anne Harvey	13	12
David Anthony Bounds	13	10
Grant Anthony Ward	13	12
Stephen Allen Blakeney	13	13
Janice Marie English Blakeney	13	13
George David Christie	13	12
Leslie Thomas Jones	13	11
David Wayne Lee	13	9
John Dare (Appointed 26 June 2006)	1	1
Susan Haywood (Resigned 24 October 2005)	4	4

Directors' report continued

Non Audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 30.

Signed in accordance with a resolution of the Board of Directors at Deloraine, Tasmania on 12 September 2006.



Leslie Jones
Director



Lynette Ann Hayward
Director

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
Revenues from ordinary activities	3	137,456	6,940
Advertising and promotion expenses		(2,106)	-
Salaries and employee benefits expense		(186,476)	(44,705)
Systems costs		(35,429)	-
Occupancy and associated costs		(35,846)	-
Depreciation and amortisation expense	4	(24,920)	-
Borrowing cost expense	4	(4,096)	(56)
Other expenses from ordinary activities		(78,974)	(65,189)
Loss from ordinary activities before income tax credit		(230,391)	(103,010)
Income tax credit	5	-	30,903
Loss from ordinary activities after income tax credit		(230,391)	(72,107)
Loss attributable to members of Meander Valley Financial Services Limited		(230,391)	(72,107)
Earnings per share (cents per share)			
- basic for profit for the year	19	(35.44)	(11.09)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash assets	6	18,206	334,681
Receivables	7	2,020	4,323
Total current assets		20,226	339,004
Non-current assets			
Property, plant and equipment	8	267,999	140,138
Intangibles	9	48,000	60,000
Deferred tax assets	10	30,903	30,903
Total non-current assets		346,902	231,042
Total assets		367,128	570,045
Current liabilities			
Payables	11	8,015	23,258
Borrowings	12	6,840	-
Total current liabilities		14,855	23,259
Non-current liabilities			
Borrowings	12	35,877	-
Total non-current liabilities		35,877	-
Total liabilities		50,732	23,259
Net assets		316,396	546,787
Equity			
Contributed equity	13	618,894	618,894
Accumulated losses	14	(302,498)	(72,107)
Total equity		316,396	546,787

The accompanying notes form part of these financial statements.

Financial statements continued

Equity statement

As at 30 June 2006

	Note	2006 \$	2005 \$
Total equity at the beginning of the financial year		546,787	-
Net loss for the year		(230,391)	(72,107)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		-	-
Shares issued during period		-	650,000
Equity raising costs during period		-	(31,106)
Total equity at the end of the financial year		316,396	546,787

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
Cash flows from operating activities			
Cash received in the course of operations		124,897	819
Cash paid in the course of operations		(346,509)	(90,959)
Interest received		7,297	6,121
Interest paid		(4,096)	(56)
Net cash used in operating activities	15(b)	(218,411)	(84,075)
Cash flows from investing activities			
Payment for intangible assets		-	(60,000)
Purchase of plant and equipment		(37,918)	(3,774)
Payment for leasehold improvements		(102,863)	(136,364)
Net cash used in investing activities		(140,781)	(200,138)
Cash flows from financing activities			
Proceeds of share issues		-	650,000
Payment of share issue costs		-	(31,106)
Proceeds from borrowings		44,891	-
Repayment of borrowings		(2,174)	-
Net cash provided by financing activities		42,717	618,894
Net increase in cash held		(316,475)	334,681
Cash at the beginning of the financial year		334,681	-
Cash at the end of the financial year	15(a)	18,206	334,681

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

These financial statements are the first Meander Valley Financial Services Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

The Financial Statements of Meander Valley Financial Services Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Meander Valley Financial Services Limited's 2006 financial statements, management amended certain accounting and valuation methods that are applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRSs on the Company equity and its net income are given in note 20.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to financial statements continued

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.

Notes to financial statements continued

Employee entitlements

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

Notes to financial statements continued

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Borrowings

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Notes to financial statements continued

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Note 2: Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

Notes to financial statements continued

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

	2006	2005
	\$	\$

Note 3: Revenue from ordinary activities

Operating activities:

- services commissions	121,492	776
- rental income	8,667	-
- other revenues	-	43
Total revenue from operating activities	130,159	819

Non-operating activities:

- interest received	7,297	6,121
Total revenue from non-operating activities	7,297	6,121
Total revenues from ordinary activities	137,456	6,940

Note 4: Expenses

Depreciation of non-current assets:

- plant and equipment	6,471	-
- leasehold improvements	6,449	-

Amortisation of non-current assets:

- franchise agreement	12,000	-
	24,920	-

Borrowing expenses:

Interest paid	4,096	56
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Notes to financial statements continued

	2006	2005
	\$	\$

Note 5: Income tax expense

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

Operating loss	(230,391)	(103,010)
Prima facie tax on loss from ordinary activities at 30%	(69,117)	(30,903)
Add tax effect of:		
- non-deductible expenses	1,733	-
Tax losses not brought to account	67,384	-
Income tax expense on operating loss	-	(30,903)
Deferred tax asset carried forward	67,384	-

The deferred tax asset arising from tax losses are not recognised at reporting date as realisation is not regarded as probable.

Note 6: Cash assets

Cash at bank and on hand	18,206	30,605
Term deposits	-	304,076
	18,206	334,681

Note 7: Trade and other receivables

Trade receivables	2,020	4,323
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Note 8: Property, plant and equipment

Plant and equipment

At cost	41,692	3,774
Less accumulated depreciation	(5,188)	-
	36,504	3,774

Notes to financial statements continued

	2006	2005
	\$	\$

Note 8: Property, plant and equipment continued

Leasehold improvements

At cost	239,227	136,364
Less accumulated depreciation	(7,732)	-
	231,495	136,364
Total written down amount	267,999	140,138

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	3,774	-
Additions	37,918	3,774
Disposals	-	-
Less: depreciation expense	(5,188)	-
Carrying amount at end	36,504	3,774

Leasehold improvements

Carrying amount at beginning	136,364	-
Additions	102,863	136,364
Disposals	-	-
Less: depreciation expense	(7,732)	-
Carrying amount at end	231,495	136,364
Total written down amount	267,999	140,138

Note 9: Intangible assets

Franchise fee

At cost	60,000	60,000
Less: accumulated amortisation	(12,000)	-
	48,000	60,000

Notes to financial statements continued

	2006	2005
	\$	\$

Note 10: Deferred tax benefit

Future income tax benefit

Tax losses - revenue	30,903	30,903
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Note 11: Trade and other payables

Trade creditors	6,215	23,258
Other creditors & accruals	1,800	-
	8,015	23,258

Note 12: Borrowings

Current:

Interest bearing liability	6,840	-
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Non-current:

Interest bearing liability	35,877	-
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Note 13: Contributed equity

650,000 Ordinary shares fully paid of \$1 each (2005: 650,000)	650,000	650,000
Less: equity raising expenses	(31,106)	(31,106)
	618,894	618,894

Note 14: Retained earnings/ accumulated losses

Balance at the beginning of the financial year	(72,107)	-
Net loss from ordinary activities after income tax	(230,391)	(72,107)
Dividends paid	-	-
Balance at the end of the financial year	(302,498)	(72,107)

Notes to financial statements continued

	2006 \$	2005 \$
Note 15: Statement of cash flows		
(a) Reconciliation of cash		
Cash at bank and on hand	18,206	30,605
Term deposit	-	304,076
	18,206	334,681
(b) Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities		
Loss from ordinary activities after income tax	(230,391)	(72,107)
Non cash items:		
- depreciation	12,920	-
- amortisation	12,000	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	2,303	(4,323)
- (increase)/decrease in other assets	-	(30,903)
- increase/(decrease) in payables	(15,243)	23,258
Net cashflows used in operating activities	(218,411)	(84,075)

Note 16: Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	2,700	1,800
- other services in relation to the Company	1,552	13,999
	4,252	15,799

Notes to financial statements continued

Note 17: Director and related party disclosures

The names of Directors who have held office during the financial year are:

Christopher Phillip Moorhouse
Virginia Maree De Groot
Lynette Ann Hayward
Gordon Wayne Brookes
Andrew Linton Badcock
Laura Jane Richardson
Barbara Anne Harvey
David Anthony Bounds
Grant Anthony Ward
Stephen Allen Blakeney
Janice Marie English Blakeney
George David Christie
Leslie Thomas Jones
David Wayne Lee
John Dare (Appointed 26 June 2006)
Susan Haywood (Resigned 24 October 2005)

No Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Notes to financial statements continued

Note 17: Director and related party disclosures continued

Directors shareholdings	2006	2005
Christopher Phillip Moorhouse	3,001	3,001
Virginia Maree De Groot	501	501
Lynette Ann Hayward	3,001	3,001
Gordon Wayne Brookes	2,001	2,001
Andrew Linton Badcock	1,001	1,001
Laura Jane Richardson	501	501
Barbara Anne Harvey #	4,002	4,002
David Anthony Bounds	5,001	5,001
Grant Anthony Ward #	4,002	4,002
Stephen Allen Blakeney	10,001	10,001
Janice Marie English Blakeney	5,001	5,001
George David Christie	501	501
Leslie Thomas Jones	501	501
David Wayne Lee	5,001	5,001
John Dare (Appointed 26 June 2006)	5,000	5,000
Susan Haywood (Resigned 24 October 2005)	2,401	2,401

- Barbara Harvey and Grant Ward jointly own 4,002 shares.

There was no movement in Directors shareholdings during the year. Each share held is valued at \$1 and is fully paid.

Note 18: Key management personnel disclosures

No Director of the Company receives remuneration for services as a Company Director or Committee member.

There are no Executives within the Company whose remuneration is required to be disclosed.

Note 19: Earnings per share

Losses per share for the financial year were:	(35)	(25)
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Notes to financial statements continued

Note 20: Reconciliation from equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS would be made, retrospectively, against opening retained earnings as at 1 July 2004.

In the Company's opinion, there have been no material impacts in relation to the financial report for the year ended 30 June 2006. There are no impacts to be disclosed.

Impact on the income statement Nil

Impact on the balance sheet Nil

Note 21: Subsequent events

The entity has obtained a temporary overdraft facility of \$20,000 (\$1,209 drawn down as at 12 September 2006) which will expire on 30 September 2006. Negotiations are currently taking place to establish a \$150,000 overdraft to cover the period until the entity reaches breakeven.

There are continuing negotiations with BBL regarding the cost of the branch fit out.

Note 22: Contingent liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

Note 23: Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being the Meander Valley District of Tasmania.

Note 24: Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
49 Emu Bay Road,	49 Emu Bay Road,
Deloraine, TAS 7304	Deloraine, TAS 7304

Notes to financial statements continued

Note 25: Financial instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at the year end.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

Financial instrument	Fixed interest rate maturing in													
	Floating interest rate		1 year or less				Over 1 to 5 years		Over 5 years		Non Interest bearing		Weighted average effective interest rate	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%	%

Financial assets

Cash assets	18,206	30,605	-	-	-	-	-	-	-	-	-	0.05	0.05
Term deposit	-	-	-	304,076	-	-	-	-	-	-	-	N/A	5.25
Receivables	-	-	-	-	-	-	-	-	-	2,020	4,323	N/A	N/A

Financial liabilities

Interest bearing liabilities	6,840	-	35,877	-	-	-	-	-	-	-	-	10.03	N/A
Payables	-	-	-	-	-	-	-	-	-	8,015	23,258	N/A	N/A

Directors' declaration

In accordance with a resolution of the Directors of Meander Valley Financial Services Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Leslie Jones
Director



Lynette Ann Hayward
Director

Signed on the 12th of September 2006.

Independent audit report



INDEPENDENT AUDIT REPORT

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afsb@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 793 337

To the members of Meander Valley Financial Services Limited

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Meander Valley Financial Services Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.


While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

1. the financial report of Meander Valley Financial Services Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations; and
2. the compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.


DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 13th day of September 2006

Auditor's independence declaration



INDEPENDENT AUDIT REPORT

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ABN 51 061 390 337

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Meander Valley Financial Services Limited.

As lead auditor for the review of the financial statements of Meander Valley Financial Services Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

David Hutchings
Auditor

Andrew Frewin & Stewart

Bendigo VIC 3550

Dated: 13 September 2006

BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 12 September 2006.

A. Corporate Governance statement

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable.

The Board recognises the importance of a strong corporate governance focus and methodology. The Board is currently working towards adopting policies and procedures that will govern the Company into the future. We believe that building policy framework will assist in clarifying the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

The Board does have an Audit committee.

B. Substantial shareholders-ten largest shareholders

	Ordinary shares	Number of ordinary shares
1. Mr Nigel and Mrs Jo-Anne Burfitt	20000	3.08%
2. Mr Barry D Hickman (Meander Valley On-line Acc.)	20000	3.08%
3. The Rev. Helen P Smith	10500	1.62%
4. Mr Henry B Smith	10500	1.62%
5. Mr Stephen Blakeney	10001	1.54%
6. Ms Gloria Barlow and Mr. Bart Radings	10000	1.54%
7. Mrs Eileen J Belkner	10000	1.54%
8. Mr Joseph Belkner	10000	1.54%
9. Mr Jeffrey J Booker	10000	1.54%
10. Darrel J Green Pty. Ltd.	10000	1.54%

C. Voting rights

Each Shareholder has one vote.

BSX report continued

D. Distribution of Shareholders

The number of Shareholders by size of shareholding is:

	Number of holders	Ordinary shares number of shares
1 – 1000	231	149,004
1001 – 5000	100	277,492
5001 – 10,000	17	152,503
10,001 – 100,000	5	71,001
1000,000 and over	-	-
Total	353	650,000

There are no Shareholders holding less than a marketable parcel of shares.

E. Monitoring of the Board's performance and communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner the performance of all Directors will be reviewed annually by the Chairperson. Directors whose performance is unsatisfactory will be asked to retire.

The Board and Directors aim to ensure that Shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

F. Address and telephone number of the office which securities register is kept:

Bendigo Bank Limited
Share Registry Office
Fountain Court
Bendigo, VIC 3552
Telephone: 03 5433 9339

G. Company Secretary and registered office

Lynette A Hayward
Company Secretary
49 Emu Bay Road
Deloraine, TAS 7304
Telephone: 03 6368 1432