



2007 annual report



Contents

Chairman's report	2-5
Manager's report	6
Directors' report	7-11
Auditor's independence declaration	12
Financial statements	13-16
Notes to the financial statements	17-29
Directors' declaration	30
Independent audit report	31
BSX report	32-33

Chairman's report

For year ending 30 June 2007

A Community Bank® branch has three cardinal purposes:

- **to provide a range of financial services to its community;**
- **to make a profit;**
- **to distribute that profit among its shareholders and within the community it serves.**

I am pleased to be able to announce that, in this our third Annual Report, and after only two completed years of trading, Deloraine & Districts Community Bank® Branch of Bendigo Bank, is approaching that profitability target.

Introduction

This Annual Report summarises the progress of Meander Valley Financial Services Ltd toward the targets it outlined to its shareholders. It provides the evidence base on which vested interest parties may assess the performance of their community owned Company.

One of the challenges facing a **Community Bank®** Board planning for its fourth year is to maintain the freshness and creativity that brought the branch from a glimmer in the eye of a community group, through the comprehensive feasibility study, to raising share capital, to establishing and staffing the branch and contributing to “building the book”.

Keeping the dream alive is not difficult. What can be a challenge is to maintain what is effective, while responding to new needs and emerging opportunities, taking sufficient account of regional idiosyncrasy and within statutory and regulatory frameworks and Bendigo Bank policy and guidelines.

Meander Valley Financial Services in partnership with Bendigo Bank

Meander Valley Financial Services Ltd. is proud to represent business and community interests of the Meander Valley community through its franchise partnership with Bendigo Bank.

From its origins on the central Victorian goldfields over 100 years ago, Bendigo Bank has grown to become one of Australia's strongest banks, and one of Australia's best performing companies for its shareholders committed to ethical investment strategies.

Purpose of the Annual General Meeting (AGM)

Meander Valley Financial Services Ltd. is the Company, limited by shares, established specifically to provide the facilities, material requirements and staff enabling banking business to be conducted in our region through Bendigo Bank.

The AGM is the principal opportunity for a Company's shareholders to review all aspects of its performance and to foreshadow likely trends, developments and directions. It is also an opportunity for shareholders to ask questions, seek clarification and make suggestions, recommendations and resolutions.

Chairman's report continued

The Company's main form of regular communication with shareholder is the Shareholder's Newsletter published four times a year. An edited version, focusing on services and products, is distributed within the community soon after the Shareholder Newsletter is released.

Statutory and business reporting and confidentiality

Banking is a highly regulated industry. This ensures probity and transparency of process, while maintaining client and account holder confidentiality.

The Board of Directors is concerned with overall performance and it therefore considers only aggregated financial performance information. No individual accounts, or account holder information, are accessible to any Board Member. Those are confidential matters between clients of the branch, and the Branch Manager, and staff as appropriate.

The Board of Directors

This 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.

The Board routinely determines how best to discharge its responsibilities to shareholders for performance review, forward planning, direction-setting and priority-setting in response to opportunities and challenges. Governance planning workshops will be conducted in the next financial year to establish a new meeting protocol more focused on future planning than on historic performance review.

Board papers are the principal mechanism for assembling and reporting decision-making information. Bendigo Bank reporting templates, and their population with appropriately aggregated primary data, are crucial to informed decision-making. Further reporting processes specific to our community have been developed and refined by the Board for its purposes.

Profitability, profit sharing and sponsorships

Ultimately, the Company's performance will be measured by the profits it attains and the way it distributes that profit for the benefit of shareholders and the community. Our progress to that end is clearly evident from this Annual Report. The Board is satisfied, indeed pleased, with that progress.

As a gesture of good faith in anticipation of profit, the Company has sponsored its first community activities with financial support from the incentives program of Bendigo Bank. These initial community grants and awards have generated good publicity and provided tangible evidence of contributions to community clubs and organisations.

Bendigo Stock Exchange

The steady growth in number and value of accounts, and the total business written by the bank branch, as outlined in this Annual Report, reflects strong community, business and market confidence in the branch, its management and the services it provides.

Chairman's report continued

The original community Steering Committee opted to list Meander Valley Financial Services on the Bendigo Stock Exchange (BSX) as a public Company, limited by shares. The share-float realised the maximum set - \$400,000. Some shares have been traded. A dividend is expected to be declared within the next 12 months of trading.

Branch premises

Much of the share capital raised was applied to establishing premises from which to trade. Teething problems now sorted, the leased building is sufficient for current and projected purposes for at least the coming triennium.

Acknowledgements

An effective Board comprises a diversity of skill, experience, business acumen, community engagement and insight in order to discharge its governance, decision-making and planning obligations. Ours is an effective Board. I have found working for our community through this Board to be pleasant and rewarding. I thank my Board colleagues, current and past, for their enormous talent, commitment and diverse contributions to our mission.

I pay particular tribute to foundation Company Secretary, Lynette Hayward, who has foreshadowed her intention to retire from that position to pursue other of her diverse community commitments. I am pleased that she will remain on the Board as a Director. Lynn's dogged determination from the very early stages of ascertaining community interest and generating commitment to the concept, were crucial to the ultimate conversion of a wish to a reality. I take this opportunity to formally express my personal gratitude for Lynn's hard work and her sound judgment and advice. On behalf of the Board, and the Meander Valley community, I thank Lynette Hayward for her cardinal contribution to establishing the Deloraine & Districts **Community Bank**[®] Branch.

I reserve my final specific tribute to my Board colleagues for Councilor Lester Jones, a Foundation Director of Meander Valley Financial Services Ltd. and Co-Chair of the Steering Committee planning the establishment of the partnership with Bendigo Bank. Lester has been a source of consistent counsel and sound advice in the early stages, especially when we were deciding among the variety of directions and options on which decisions were ultimately taken.

Branch staff

I am pleased to again 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 in our community. They share a strong commitment to, and knowledge of, the Meander Valley community and its businesses and its people.

In the next trading year branch staff will be sporting the new range of Bendigo Bank uniforms. There will also be some new faces, but the service will remain excellent.

I am pleased to formally record here my appreciation for the commitment, dedication and strong trading performance of current and past staff of the branch.

Chairman's report continued

I particularly thank Branch Manager, Mr John Tabor, for his consistent effort, commitment and good will in pursuit of the objectives of Bendigo Bank and Meander Valley Financial Services Ltd.

Conclusion

It gives me great pleasure to present to you, the Shareholders that made it all possible, the 2007 Annual Report of Meander Valley Financial Services Limited.



Dr Christopher Moorhouse
Chairman

Manager's report

For year ending 30 June 2007

Deloraine and Districts **Community Bank**[®] Branch of the Bendigo Bank opened for business on 27 July 2005. In the two years to end of June 2007, business under management has reached \$31 million representing 1917 accounts.

Strong business growth during the year just ended has continued thanks to good shareholder and community support. I would like to thank the staff team members Kim Walters, Kellie Challis and Susan Drake for their contribution to this success during a challenging but rewarding year.

As Branch Manager, I would also like to acknowledge the support I have received from members of the Meander Valley Financial Services Ltd Board of management who continue to give freely of their time to work in the community on behalf of our **Community Bank**[®] branch.

It is important that our current momentum continues in order to ensure that the realisation of community grants and dividends to shareholders can be made at the earliest opportunity.

Shareholders, who have made this venture a reality, are urged to continue supporting us with as much business as possible so that we will reach the profitability targets that enable investment back into Deloraine and districts. Our branch offers a full range of banking products, as well as insurance, equipment finance, superannuation and wills. I believe our service is exceptional and our commitment to this community is long term.

Finally, I would like to thank the Meander Valley community for their confidence in us. Our first two years show promise for a profitable future that will benefit the whole community.



John J. Tabor
Branch Manager

Directors' report

For year ending 30 June 2007

Your Directors submit the financial report of the Company for the financial year ended 30 June 2007.

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

Lynette Ann Hayward

Company Secretary
Age: 56
Community Volunteer
Management, Human Resource
Company Secretary, Public Officer

Andrew Linton Badcock

Director
Age: 58
Craftsman/Farmer
Fine Woodwork/Farming
Accommodation

Barbara Anne Harvey

Director
Age: 48
Business Owner
Business & Food Industry
Business Development, Accommodation

Grant Anthony Ward

Director
Age: 49
Business Owner
Business, Food Industry
Tourism, Recruitment

Virginia Maree De Groot

Treasurer
Age: 56
Risk Manager
Management, Education
Company Treasurer

Gordon Wayne Brookes

Director
Age: 47
Motel Owner
Business, Commercial Development
Business Development

Laura Jane Richardson

Director
Age: 27
Public Sector Manager
Rural Youth Affairs, Agriculture
Assistant Secretary, Company Secretary

David Anthony Bounds

Director
Age: 49
Farmer
Community Service
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 (Resigned 28 May 2007)

Age: 45

Clinical Nurse Manager

Medical Administration, Community Service

Deputy Chairman

David Wayne Lee

Director (Resigned 27 November 2006)

Age: 48

Youth Services

Management, youth services

Community Development

Ronald Edgar John Dare

Director

Age: 62

Company Director

Business Management, Company Directorships

Assistant Treasurer, Business Development

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 was Lynette Hayward until her resignation from the position effective from 30 June 2007. Lynette has wide experience in the public and higher education sector, and has an M.Ed from the University of SA in Human Resource Management and Development.

The Company Secretary is now Laura Richardson. Laura has been a Director of the Company since inception and has acted as assistant Secretary until elected to the role of Secretary effective from 30 June 2007. Laura has been involved in a number of community organisations in the Deloraine area including the Chudleigh Show and Deloraine Basketball Association, is a former state president of the Rural Youth Organisation of Tasmania and has been an executive member of the Agfest Field Days organising committee.

Principal activities

The principal activities of the Company during the course of the financial year were in facilitating 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.

Directors' report continued

Operating results

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

Year ended 30 June 2007	Year ended 30 June 2006
\$	\$
(58,250)	(230,391)

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

There are no 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 facilitating 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 Manager 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	11	11
Virginia Maree De Groot	11	8
Lynette Ann Hayward	11	8
Gordon Wayne Brookes	11	6
Andrew Linton Badcock	11	7
Laura Jane Richardson	11	9
Barbara Anne Harvey	11	11
David Anthony Bounds	11	10
Grant Anthony Ward	11	11
Stephen Allen Blakeney	11	11
Janice Marie English Blakeney	11	11
George David Christie	11	10
Ronald Edgar John Dare	11	3
David Wayne Lee (Resigned 27 November 2006)	3	0
Leslie Thomas Jones (Resigned 28 May 2007)	10	8

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.

Directors' report continued

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 12.

Signed in accordance with a resolution of the Board of Directors at Deloraine, Tasmania on 24 August 2007.



Dr Christopher Phillip Moorhouse
Chairman



Virginia Maree De Groot
Treasurer

Auditor's independence declaration



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Auditor's Independence Declaration

As lead auditor for the audit of the financial statements of Meander Valley Financial Services Limited the year ended 30 June 2007, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

David Hutchings
Auditor
Andrew Frewin & Stewart

Bendigo
24 August 2007

Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenues from ordinary activities	3	298,572	137,456
Salaries and employee benefits expense		(197,196)	(186,476)
Advertising and promotion expenses		(3,013)	(2,106)
Occupancy and associated costs		(36,572)	(35,846)
Systems costs		(21,929)	(35,429)
Depreciation and amortisation expense	4	(24,021)	(24,920)
Borrowing cost expense		(4,140)	(4,096)
General administration expenses		(69,951)	(78,974)
Loss before income tax expense		(58,250)	(230,391)
Income tax expense	5	-	-
Loss for the period		(58,250)	(230,391)
Loss attributable to members of the entity		(58,250)	(230,391)
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	19	(9)	(35)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash assets	6	10,286	18,206
Trade and other receivables	7	16,226	2,020
Total current assets		26,512	20,226
Non-current assets			
Property, plant and equipment	8	214,797	267,999
Intangible assets	9	36,000	48,000
Deferred tax assets	10	30,903	30,903
Total non-current assets		281,700	346,902
Total assets		308,212	367,128
Current liabilities			
Trade and other payables	11	10,168	8,015
Borrowings	12	3,284	6,840
Total current liabilities		13,452	14,855
Non-current liabilities			
Borrowings	12	36,615	35,877
Total non-current liabilities		36,615	35,877
Total liabilities		50,066	50,732
Net assets		258,146	316,396
Equity			
Contributed equity	13	618,894	618,894
Accumulated losses	14	(360,748)	(302,498)
Total equity		258,146	316,396

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2007

	Note	2007 \$	2006 \$
Total equity at the beginning of the financial year		316,396	546,787
Net income/expense recognised directly in equity		-	-
Net loss for the year		(58,250)	(230,391)
Shares issued during period		-	-
Costs of issuing shares		-	-
Dividends provided for or paid		-	-
Total equity at the end of the financial year		258,146	316,396

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		357,400	124,897
Payments to suppliers and employees		(399,625)	(346,509)
Interest received		83	7,297
Interest paid		(4,140)	(4,096)
Net cash outflow from operating activities	15	(46,282)	(218,411)
Cash flows from investing activities			
Payments for property, plant and equipment		41,181	(37,918)
Payments for property leasehold improvements		-	(102,863)
Net cash inflow/(outflow) from investing activities		41,181	(140,781)
Cash flows from financing activities			
Proceeds from borrowings		-	44,891
Repayment of borrowings		(2,819)	(2,174)
Net cash inflow/(outflow) from financing activities		(2,819)	42,717
Net decrease in cash held		(7,920)	(316,475)
Cash at the beginning of the financial year		18,206	334,681
Cash at the end of the financial year	6(a)	10,286	18,206

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2007

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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.

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

Note 1. Summary of significant accounting policies (continued)

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).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on 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 there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its 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.

Notes to financial statements continued

Note 1. Summary of significant accounting policies (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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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

Note 1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

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

Trade 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 initially measured at the principal amount. Interest is recognised as an expense as it accrues.

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 equity

Ordinary shares are 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.

Notes to financial statements continued

Note 1. Summary of significant accounting policies (continued)

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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.

(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.

Notes to financial statements continued

	2007 \$	2006 \$
Note 3. Revenue from ordinary activities		
Operating activities:		
- services commissions	286,097	121,492
- other revenue	853	-
Total revenue from operating activities	286,950	121,492
Non-operating activities:		
- interest received	83	7,297
- rental revenue	11,539	8,667
Total revenue from non-operating activities	11,622	15,964
Total revenues from ordinary activities	298,572	137,456

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	5,425	6,471
- leasehold improvements	6,596	6,449
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	24,021	24,920
Finance costs:		
- interest paid	4,140	4,096

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	(58,250)	(230,391)
Prima facie tax on loss from ordinary activities at 30%	(17,475)	(69,117)

Notes to financial statements continued

	2007	2006
	\$	\$
Note 5. Income tax expense (continued)		
Add tax effect of:		
- non-deductible expenses	1,734	1,733
Tax losses not brought to account	15,741	67,384
Income tax expense on operating loss	-	-
Deferred tax asset carried forward	83,125	67,384

Note 6. Cash assets

Cash at bank and on hand	10,286	18,206
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The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows, as follows:

6(a) Reconciliation of cash

Cash at bank and on hand	10,286	18,206
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Note 7. Trade and other receivables

Trade receivables	11,402	2,020
Prepayments	4,824	-
	16,226	2,020

Note 8. Property, plant and equipment

Plant and equipment

At cost	45,966	41,692
Less accumulated depreciation	(10,613)	(5,188)
	35,353	36,504

Leasehold improvements

At cost	193,772	239,227
Less accumulated depreciation	(14,328)	(7,732)
	179,444	231,495
Total written down amount	214,797	267,999

Notes to financial statements continued

	2007	2006
	\$	\$
Note 8. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	36,504	3,774
Additions	4,274	37,918
Disposals	-	-
Less: depreciation expense	(5,425)	(5,188)
Carrying amount at end	35,353	36,504
Leasehold improvements		
Carrying amount at beginning	231,495	136,364
Additions	(45,455)	102,863
Disposals	-	-
Less: depreciation expense	(6,596)	(7,732)
Carrying amount at end	179,444	231,495
Total written down amount	214,797	267,999

Note 9. Intangible assets

Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(24,000)	(12,000)
	36,000	48,000

Note 10. Deferred tax

Deferred tax asset		
Tax losses - revenue	30,903	30,903

Notes to financial statements continued

	2007 \$	2006 \$
Note 11. Trade and other payables		
Trade creditors	7,168	6,215
Other creditors & accruals	3,000	1,800
	10,168	8,015

Note 12. Borrowings

Current:

Interest bearing liability	3,284	6,840
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Non-current:

Interest bearing liability	36,615	35,877
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Note 13. Contributed equity

650,000 Ordinary shares fully paid of \$1 each (2006: 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	(302,498)	(72,107)
Net loss from ordinary activities after income tax	(58,250)	(230,391)
Balance at the end of the financial year	(360,748)	(302,498)

Note 15. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(58,250)	(230,391)
Non cash items:		
- depreciation	12,021	12,920
- amortisation	12,000	12,000

Notes to financial statements continued

	2007	2006
	\$	\$
Note 15. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(14,206)	2,303
- (increase)/decrease in other assets	-	-
- increase/(decrease) in payables	2,153	(15,243)
Net cashflows used in operating activities	(46,282)	(218,411)

Note 16. Auditors' remuneration

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

- audit & review services	4,000	2,700
- non audit services	1,335	1,552
	5,335	4,252

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

Ronald Edgar John Dare

David Wayne Lee (Resigned 27 November 2006)

Leslie Thomas Jones (Resigned 28 May 2007)

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	2007	2006
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
Ronald Edgar John Dare	5,000	5,000
David Wayne Lee (Resigned 27 November 2006)	5,001	5,001
Leslie Thomas Jones (Resigned 28 May 2007)	501	501

- 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.

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.

Notes to financial statements continued

	2007	2006
	¢	¢

Note 19. Earnings per share

(a) Basic earnings per share

Loss attributable to the ordinary equity holders of the Company	(9)	(35)
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	2007	2006
	\$	\$

(b) Reconciliations of earnings used in calculating earnings per share

Basic earnings per share		
Loss attributable to the ordinary share holders of the Company used in calculating basic earnings per share	(58,250)	(230,391)

	2007	2006
	Number	Number

(c) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	650,000	650,000
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Note 20. Events occurring after the balance sheet date

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 21. Contingent liabilities

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

Note 22. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being the Meander Valley District of Tasmania.

Notes to financial statements continued

Note 23. 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

Note 24. 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	Floating interest rate		Fixed interest rate maturing in						Non Interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%

Financial

assets

Cash assets	10,286	18,206	-	-	-	-	-	-	-	-	0.05	0.05
Receivables	-	-	-	-	-	-	-	-	-11,402	2,020	-	N/A

Financial

liabilities

Interest bearing

liabilities	3,284	6,840	36,615	35,877	-	-	-	-	-	-	10.03	10.03
Payables	-	-	-	-	-	-	-	-	-10,168	8,015	-	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 2007 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.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act.

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



Dr Christopher Phillip Moorhouse
Chairman



Virginia Maree De Groot
Treasurer

Signed on 24 August 2007.

Independent audit report



Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Meander Valley Financial Services Limited

We have audited the accompanying financial report of Meander Valley Financial Services Limited which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report so that that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion

In our opinion, the financial report of Meander Valley Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Meander Valley Financial Services Limited as of 30 June 2007, and of its financial performance and its cash flows for the year then ended and Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.


DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 24th day of August 2007

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 16 August 2007.

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.

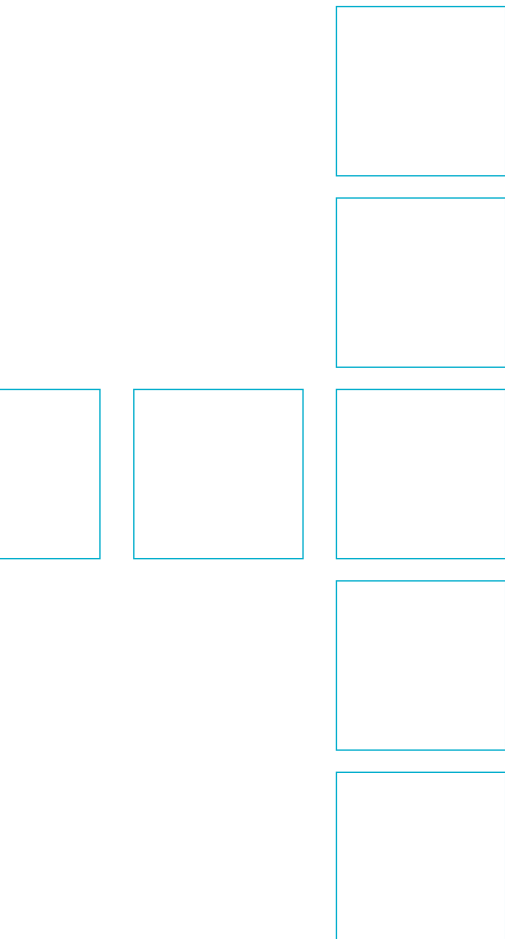
The Board and Directors aim to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

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

Essential Registry Team
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067
Telephone: 1300 85 05 05

G. Company Secretary and registered office

Laura Richardson
Company Secretary
49 Emu Bay Road
Deloraine, TAS 7304
Telephone: 03 6362 4152



Deloraine & Districts **Community Bank**[®] Branch
49 Emu Bay Road, Deloraine, TAS 7304
Phone: (03) 6362 4801 Fax: (03) 6362 4803

Franchisee: Meander Valley Financial Services Limited
49 Emu Bay Road, Deloraine, TAS 7304
Phone: (03) 6362 4801 Fax: (03) 6362 4803
ABN 27 111 858 078

www.bendigobank.com.au
Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR7077) (10/07)