

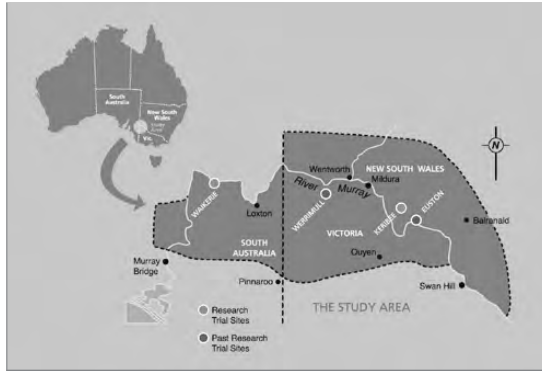
Table of Contents

Key Operational Highlights	2
Chairman's Report	3
Corporate Governance	4
Board of Directors	5
Staff	8
State Reference Committees	9
Project Overviews	
• Core Site Trials	10
• Reaping Rewards	10
• Grain & Graze	10
• South Australian Mallee Sustainable Project (SAMS)	12
• Mallee Sustainable Farming Tristate Agreement	13
• Cropping, Soils & Recharge	13
• Healthy Soils	14
• Strengthening our Communities	15
• Low Rainfall Collaboration Group	15
Independent Audit Report	16
Statement by Members of the Committee	18
Financials	19
Notes to Financial Statements	23

Mallee Sustainable Farming Inc.

Key Operational Highlights

- Agricultural production and financial returns
- Diversity of enterprise and management of risk
- Environmental and Natural Resource Management
- Reliability of outcomes and sustainability
- Family business and social aspirations



Vision Statement

Farming in the dryland Mallee of Victoria, New South Wales and South Australia will be dynamic, profitable and sustainable.

Mission Statement

To be an acknowledged leader, to initiate, conduct and facilitate coordinated research and to deliver extension and educational activities of broad acre agricultural practices.

Chairman's Report

Jim Maynard

The financial year 2006 - 2007 has been a challenging, but interesting year for Mallee Sustainable Farming (MSF). For the benefit of our valued new and current members I take this opportunity to provide a brief explanation of the change in our financial position as compared to the 2005-2006 annual report. MSF's positive cash position is predominately due to the receipt of substantial new project funds prior to 30th June. I am pleased to confirm that MSF is in a position to meet continuing project commitments.

Program Manager, Beatrice Matthews and Extension Co-ordinator, Jacqui Doyle left their employment at MSF to take new opportunities in sunny north Queensland. I wish them well in their new vocations. Just prior to the end of the financial year Allison McTaggart, local Management Consultant, took up an interim position as Acting Manager. Allison kept the momentum going exceedingly well until the very recent appointment of the new Executive Manager, Lance Brown. Lance has a wealth of farming experience and is now familiarising himself with MSF's role in the Mallee. He is passionate about farming and keenly embracing his new position.

During the year the Board, aided by the farming community through the State Reference Committees, made positive progress with our strategic plan and major projects. More recently, MSF submitted a new 5-year project to the Grains Research & Development Corporation; the project embraces our strategic direction and further reinforces the synergy between MSF and our tri-state agencies.

The 2006 harvest was varied, with some areas of the farm experiencing reasonable yields, while some areas of the same farm were hardly worthwhile harvesting. Many farmers were able to market their crop for extremely good prices. Although some yields were light, quality was good. Consequently, some Mallee farmers probably did as well and at times better than their counterparts in some of the higher rainfall zones of Australia.

Farming in the Mallee this current season has been disappointing in most areas. What seemed a wonderful break in the autumn, led to farmer optimism and a subsequent increase in planting. However, drought conditions returned to many areas in winter and spring.

The low rainfall over recent years has impacted upon research trials. Directions for future research in terms of risk management will have to be addressed if farming is to be sustainable, both financially and environmentally. The increasing use of no-till farming has definitely reduced dust storms and sand erosion, a big positive in these drought years.

MSF was successful in its application to the Federal Government for a drought - related grant. This project, called Strengthening Communities, is currently being rolled out in 21 Mallee communities. MSF is working co-operatively with Focus Consulting to implement this project; I encourage MSF members and the wider community to take advantage of this initiative.

We have experienced increasing farmer interest in the Grain and Graze project. The Grain and Graze workshops held over the autumn months were very positively received, especially the feed nutrition workshops. At the recent Waikerie field day, Grain and Graze featured highly in the feedback on useful information provided on the day. Unfortunately, a recent reduction in project funding will decrease the Grain and Graze activities scheduled for the 2007-2008 financial year. I must thank our valued partners and agencies for their continued co-operation under difficult circumstances.

MSF membership has been gradually increasing and I encourage all members to convey to friends and neighbours the benefits of membership. No doubt drought has affected the enthusiasm of the farming community in this regard. The Board will continue in its drive to ensure membership is a worthwhile investment for farmers.

Finally, I thank the Board and all staff for their assistance and co-operation throughout what has been a very eventful year.

Corporate Governance

Composition of the Board

The Board shall consist of: the officers of the Association; up to six ordinary members-each of whom shall be elected at the annual general meeting of the Association in each year; up to four invited specialists - each of whom shall be invited by a majority vote of elected members of the Board.\

In each year there shall be an election by the members for one Board position from each of the Victorian, New South Wales and South Australian regions who shall hold office for two years. The procedures for election and re-election are set out in detail in the Mallee Sustainable Farming Constitution.

Board Committees

The Board has formed several committees of its members to assist it in the discharge of its duties and to support effective corporate governance. The role of all committees is documented in a charter which is approved by the Board of Directors.

Executive

The principal functions of the Executive Committee are to:

- Monitor policies and strategic directions to guide MSF Inc.;
- Provide oversight on all matters relating to employment of staff or contracting of personnel;
- Ensure all responsibilities relating to human resource management and occupational health and safety are met.

Finance

The principal functions of the Finance Committee are to:

- Provide ongoing oversight of financial management;
- Provide regular reporting and timely consideration of any financial issues arising;
- Ensure standards of financial reporting meet the needs of the Board to make effective decisions on financial matters;
- Provide guidance and oversight of all funding submissions to ensure they meet cost requirements and are in line with MSF strategic directions.

Research Development Extension & Information (RDE&I)

The principal functions of the RDE&I Committee are to:

- Provide a tri-state balanced perspective for Board deliberations on RDE&I activities across the three participating States with input from State Committees;
- Provide a key link between agency providers, researchers, extension staff and the Board;
- Provide a key link between State Reference Committees, core site committees and Board;
- Provide assessment and recommendations to the Board of RDE&I proposals;
- Support and facilitate planning and evaluation processes with partners and stakeholders;
- Provide guidance regarding RDE&I work programs involving MSF;
- Negotiate with research providers and funding agencies to provide Research and Development capacity as determined by the Board.

Communication & Membership

The principal functions of the Communication & Membership Committee are to:

- Develop a Communication Strategy for Mallee Sustainable Farming for consideration by the Board;
- Monitor implementation of Communication Strategy endorsed by the Board;
- Facilitate review and ongoing improvement of the Communication Strategy on an annual basis following the AGM.

Board of Directors

Jim Maynard

Chairman

Committees

Executive, Communication & Membership

Profile

Jim Maynard has spent his working life developing Kerribee Station, NSW, a family owned property, which was begun by his father in 1932. During Jim's time, Kerribee has evolved from being a sheep station to producing sheep, beef and wheat. In 2001, Jim was invited to join the board of Mallee Sustainable Farming. The knowledge gained from MSF farming systems has been applied at Kerribee. Jim has been Chairman of MSF since 2004.



Chris Douglas

Vice Chairman

Committees

Executive, Communication & Membership (Convenor)

Profile

Chris Douglas and his family have been farming at Werrimull since the area was settled in the mid nineteen twenties. They operate a minimum till wheat and sheep farm and amongst other things, Chris has been involved with the Mallee CMA, Landcare and the Victorian Farmers Federation.

Chris and his family also have a small tourism operation providing a unique glimpse into the settlement of the area.



Paula Gordon

Secretary

Committees

Executive, Communication & Membership

Profile

A teacher and sociologist by training, Paula has held rural planning and management positions in health, community services, agriculture & natural resource management. Paula brings to the Board extensive experience in rural community development, rural service delivery, extension, rural policy and communications at a regional (Mallee), State, tri-state and Commonwealth levels. Paula is currently retired, operating a vine nursery and citrus property in a family partnership in NSW applying biological farming methods, a Director of the Murray Valley Citrus Board, President of the Trentham Landcare Group and Convenor of the Inland Rural Alliance of rural financial counselling services.



Board of Directors cont...

Kevin Vivian

Treasurer

Committees

Executive & Finance (Convenor)

Kevin Vivian, is a former wheat and sheep farmer from Manangatang in Northern Victoria and is a past President, Vice President and Secretary of the Manangatang Victorian Farmers Federation. Kevin was a School Councillor for 10 years, 6 of those as President.



Glynn Schmidt

Non Executive Director

Committees

Research Development Extension & Information (Convenor)

Profile

Glynn Schmidt has been farming at Low-Bank near Waikerie since 1962 on a cereal and sheep property. He has been involved with the Murray Mallee Soil Board, the Wanbi Ag Research Centre and a life member of the Low-Bank and Districts Ag Bureau, of which he was chairman for a number of years. Glynn is also a member of the South Australia State Reference Committee for MSF.



Roy Latta

Non Executive Director (Specialist)

Committees

Research Development Extension & Information

Profile

Roy Latta completed a thesis on \Improving Medic Pastures in Pasture-Wheat Rotations in the Mallee District of North-Western Victoria\ as part of his Master of Agricultural Science from the University of Adelaide. Roy is currently working for the Department of Primary Industries as Science leader at the Mallee Research Station at Walpeup. He is currently leading a range of dryland agronomy research and development programs including: pulse crops in low rainfall environments, lucerne in high water-use farming systems, identifying improved pasture species; integration of pasture and livestock production in cropping rotations; erosion control and best farming practices.



Rod Rowe

Non Executive Director

Committees

Finance and Research Development Extension & Information

Profile

Prior to entering farming in 1978, Rod Rowe spent 17 years with the Commercial Banking Company of Sydney, including some years as a Branch Manager. Rod now operates farming enterprises in both New South Wales and Victoria that include cereal, Merino ewes and Black Angus cattle. Rod is a member of the VFF, the Millewa Carwarp Landcare Group and has been actively involved in school and sporting committees.



Rex Spinley

Non Executive Director

Committees

Finance and Communication & Membership

Profile

Rex Spinley was initially qualified in the engineering field. He had experience as a dryland farmer in Western Australia in the 1960's before resuming his vocation as a specialist Risk Management Consultant to large industrial Corporations and State Governments. His main area of expertise was in the planning, management and recovery of major adverse events. Rex returned to farming in 2002 in the Mallee. With his background of contribution to the Community via Rotary, Jaycees and other organizations, Rex was keen to be more involved in the farming community.



Rick Llewellyn

Co-opted Member (Specialist)

Committees

Research Development Extension & Information

Profile

Rick Llewellyn provides scientific expertise to the MSF Board. Rick has been with the CSIRO since 2005 and prior to that worked as a lecturer in Agricultural Systems and Extension at the University of Western Australia, Perth. While there, Rick conducted research into weed management and no-till, led the extension and economics activities of the Western Australian Herbicide Resistance Initiative and was on the management committees of two Western Australia-based grower group networks aimed at developing the links between scientists and grower groups. Rick is also currently involved in projects that include developing weed management strategies for cropping regions facing herbicide resistance risks in the Philippines and Australia; no-till adoption in southern Australia; and is on the management committee of the Agricultural Excellence Alliance in South Australia.



MSF Staff

Beatrice Matthews
Program Manager

Employment
Commenced 10th September 2004 to 22nd June 2007



Allison McTaggart
Acting Manager

Employment
Commenced 25th June 2007 to 4th September 2007



Jacqui Doyle
Extension Coordinator

Employment
Commenced 10th February 2006 to 15th June 2007



Zubair Shahzad
Grain & Graze Implementation Officer

Employment
Commenced 13th January 2005



Roslyn Hehir
Finance Officer (Part time)

Employment
Commenced October 2000



Rebecca McClure
Program Assistant (Casual)

Employment
Commenced 2nd June 2003



Melissa Turnbull
Administration Officer (Casual)

Employment
Commenced 6th February 2007 to 28th August 2007



State Reference Committees

In order to better direct research and extension to meet the needs and priorities for sustainable farming practices, state-based Reference Committees have developed based on the experience of the strong direction achieved through the State structure in South Australia. State advisory structures have now evolved to suit the historic, cultural, sociological, geographic and farming conditions in both New South Wales and Victorian areas to strengthen direct participation from farmers in those States.

Functions of the State Committees

The major functions of the committee are to:

- Provide advice and feedback on research and extension priorities to MSF tri-state Board, including determining priorities for their specific state;
- Provide endorsement of State representative Board nominees;
- Help plan and participate in State based field days;
- Undertake/coordinate/implement specific State relevant activities;
- Promote intrastate exchange, alliances and initiatives.

State Reference Committee - New South Wales

Andy Gorman (Chairman)

- One face to face annual meeting – publicised and open to all NSW grain producers in the project area.
- Input and involvement in one major field day every two years.

State Reference Committee - Victoria

Ben Jones (Chairman)

- One face to face State annual meeting and generally one face to face regional meeting per year.
- Input and involvement in one major field day/workshop/event every second year.

State Reference Committee - South Australia

Darren Nitschke (Chairman)

- Bi-monthly State committee face to face meetings.
- Planning and participation in annual field days at Waikerie.

Project Overviews

Core Site Trials - Waikerie (SA) and Kerribee (NSW)

The MSF core site trials at Waikerie (SA) and Kerribee (NSW) have continued in the 2006 season and into 2007. This has involved measurement and analysis by CSIRO with technical support from Rural Solutions SA and NSW DPI. 2007 will be the 10th season at Waikerie and the 6th at Kerribee. The additional seasons will allow trends in the soil, water, nutrient and biological factors controlling the productivity and economic performance at the sites to now be evaluated over a wider range of season types. The core sites have remained a major focus for extension activities and associated trials with major successful field days held annually at Waikerie with the SA Reference Committee & Rural Solutions SA, and a field day to be held at Kerribee in 2007. Growing Grain On 'Bugger All' Rain was the topic of the 2006 Waikerie Field day on 26th September attended by over 100 participants. There were eight (8) topics covered from Soil Health - Top and Bottom; Rust Management; Grain Marketing Options; Fertilising to Potential; Sustaining Livestock; Bio-diesel and Variety Trials; No Till; Stone & Rhizo; and Dave Roget's Last Stand.

Reaping Rewards - Making use of EM mapping in the Mallee (GRDC)

MSF is developing and demonstrating the ability of EM (electro magnetic) surveying to reliably map important soil characteristics related to yield, such as plant unavailable water and subsoil constraints. The success of EM mapping on Mallee soils, together with precision agriculture technology and the ability to better estimate yield potential, provides an opportunity to greatly improve the targeting of inputs on Mallee soils.

In 2007, trials are largely focused on in-crop paddocks at Carwarp, Cowangie, Sea Lake (Vic), Loxton (2 sites), Pinnaroo (SA) and Euston (NSW). This follows the project's first full season of field treatments at these and other sites in 2006. Activities are in collaboration with local farmers, local farmer groups, state agriculture departmental staff and EM contractors with the technical support of Bill Davoren.

Interest in making use of EM mapping is increasing rapidly. For example, the Mallee Sustainable Farming EM research has played a key role in the development and implementation of a major EM-based soil management initiative by the Victorian Mallee CMA. This involves at least 60 farmers taking part in a scheme that has involved EM mapping, calibration protocols and workshop sessions for the participating farmers and advisers run by Rick Llewellyn (CSIRO) & Ben Jones (Mallee Focus). The data from all sites is being compiled to allow further insights into the reliability of EM and its use as an effective soil mapping tool. It has been estimated by contractors that well over 10,000ha have already been EM mapped as a result of the initiative.

Because the relative yield and fertiliser response of different paddock zones can switch in different season types, a combination of field results and modelling is needed to determine the longer-term economics of zonal management and best-bet management strategies. APSIM modelling on focus paddock zones are now being done by CSIRO's Anthony Whitbread and will contribute to the development of extension packages aimed at helping Mallee farmers get the most value from EM and zone management.

This a major project funded by GRDC.

Grain and Graze - Mallee

A first for Australian agriculture, Grain and Graze is a joint initiative of the Grains Research and Development Corporation, Meat and Livestock Australia, Australian Wool Innovation and Land and Water Australia aiming to help mixed farmers across southern Australia increase the profitability of producing crops and livestock while better managing water, soil and biodiversity.

There are nine regions across Australia taking part in the program. The Mallee Grain & Graze project extends across the <350mm rainfall mixed farming regions of NSW, Victoria and South Australia. Contributors to the collaborative tri-state project, which is led by Mallee Sustainable Farming Inc. (MSF), include:

- New South Wales Department of Primary Industries (NSW DPI);
- Department of Primary Industries Victoria (DPI VIC);
- Primary Industries and Resources of South Australia/Rural Solutions (PIRSA/RS SA);
- Mallee Catchment Management Authority (MCMA);
- Lower Murray Darling Catchment Management Authority (LMD CMA);
- South Australian Murray-Darling Basin Natural Resources Management Board (SA MDB NRMB);
- CSIRO Sustainable Ecosystems and Entomology Departments.

The increasing shift towards continuous cropping and no till farming significantly reduced the risk of soil erosion, and opened up new opportunities to better incorporate livestock in the total farming system. The Mallee Grain and Graze (G&G) program expands on this current knowledge of how to incorporate conservation farming practices and how best to match livestock production with crop production for maximum profitability and sustainability.

Key projects

- Monitor farms - Six farm sites have been identified across the three States to provide demonstration sites for showing different management methods to assist in the adoption of sustainable farming practices for discussion among farmers.
- Soil Biodiversity Monitoring - This project undertaken by Gupta Vadakattu CSIRO, evaluated biodiversity below ground, the impact of grazing on biodiversity and the function of soil micro biota in G&G in the Mallee soils. These results of field observations suggest that grazing systems in the Mallee region need to take into account implications on below ground microbial diversity and functions as part of their overall system management e.g. inputs required achieving above ground productivity and grazing schedule etc. The relevance of these observations to G&G systems in other regions needs to be investigated.
- Research Trials were conducted by Mallee Research Station Walpeup to define and promote the production responses of sheep and pastures at different stocking rates. The trial showed it was economic to supplementary feed ewes and lambs at current lamb prices. Results were reported in MFS Research Results Compendium, newsletter and at field days.

Extension activities over 2006-2007

- Sheep nutrition workshops - Three workshops conducted by Sam Jolly, Productive Nutrition Pty Ltd, South Australia with a total of 95 participants across the tri-state region, examined how the nutritional value of feed can increase profit.
- Pastures workshops - Three workshops with a total of 80 participants were conducted to advise on different pasture establishment and assessing techniques.
- Feedlotting workshops - 95 participants attended 2 workshops. The workshops were facilitated by MSF; Zubair Shahzad and Rural Solutions; Chris McDonough. Topics presented by livestock officer Brian Ashton included: managing feedlotting, how to use pasture and feedlots together and necessary nutritional requirements for feedlots.
- Economic Workshops - These workshops conducted by Mike Krause introduced farmers to whole farm business planning and outlined the technological and financial changes to the farming business stemming from MSF research. The software used also indicated the seasonal risks and expected financial outcomes from various management decisions. The interactive, hands-on workshops have provided a financial understanding of the whole farm business for participants.
- Monitor farm field days - These field days in which 65 farmers, extension & research officers and resellers participated, looked at improving livestock and pasture management; establishment of summer fodder crops; establishment of perennials and filling the autumn and summer feed gap.
- Stock containment workshops - Two workshops at Manangatang held in collaboration with Mallee CMA and G&G.
- Regional R&D forums Mallee researchers and extension officers joined the G&G steering committee and MSF staff to refine the proposed Mallee G&G program activities in May 06.
- Farmer group meetings - 130 farmers attended group discussions and paddock walks facilitated by district agronomists during pre seeding and post harvest.
- Meat and Livestock Australia (MLA) tools workshop - David McNeil conducted the workshop to provide farmers and advisors information on MLA learning activities and to identify regional opportunities to improve management on mixed farms. A workshop based on these tools has been organised for the Mallee Beef Group in the Victorian Mallee region for August 07.
- Mixed farming forums - Three forums, involving 46 farmers and advisors, facilitated by Nigel McGuckian, RMCG and Zubair Shahzad, MSF were held to exchange ideas on conservation farming practices and how best to match livestock production with crop production making farm businesses more resilient and easier to manage.
- Sustainable grazing & drought management information day - 75 participants attended and looked at maximising stock production while maintaining high cereal production. Roy Latta DPI Vic, Graeme McIntosh and Peter Jessop DPI NSW presented the role of lucerne and SU tolerant medics in the mixed farming system. As an outcome of this activity, 3 properties will be trialling Angel in 2007-2008.

This project has been a major coordinating challenge partly due to the tri-state nature of the project and the continuing difficult climatic conditions. MSF acknowledges the efforts of all stakeholders for their contribution to this project in very difficult circumstances during 2006/07.

Project Overviews cont...

South Australian Mallee Sustainable Project (SAMS)

Building the capacity of land managers to improve dryland farming practices and enhance agricultural sustainability in the South Australian Mallee.

In its first year, this project builds on previous work undertaken by MSF. The aim of SAMS is to promote MSF research and findings to land holders and encourage the adoption of No-Till to reduce the potential for erosion and recharge. The project is coordinated by Peter Treloar, Rural Solutions South Australia.

Regional Trials

Seven Variable Rate trials aimed at matching inputs to land capability were established across the South Australian Mallee. Locations are Waikerie, Wunkar, Alawoona, Lameroo, Pinnaroo and two at Loxton. The trial at Wunkar also included late nitrogen application applied using variable rate.

The screenings trial at Cambrai has been sown on a new paddock, and will only involve changing seeding rate sown with a universal low fertiliser rate due to high nitrogen carryover from a previous legume pasture.

Canola has been sown at the Browns Well Systems trial; only one seeder was used at sowing as establishment is a lot better using a no-till seeder. Urea will be applied post sowing to high input plots.

Two ryegrass control trials have again been established at Pinnaroo, comparing various pre-emergent herbicides. Ryegrass Seedbank monitoring on four paddocks is continuing at Pinnaroo.

Using a local contractor, replicated plot trials have been established at the Waikerie core site testing phosphorus application, rust control options and nitrogen timing. The rust control trial has been repeated at Palmer and the nitrogen timing trial has been repeated at Pinnaroo.

Other trials established at Waikerie include a timing of sowing demonstration, grazing cereals demonstration and variety demonstrations of wheat, barley, triticale, durum, canola and mustards.

This project is funded from the Community Support component of the National Landcare Programme (NLP) via the SA Murray-Darling Basin Natural Resource Management Board. This work will continue in 07/08.

Mallee Sustainable Farming Tri-state Agreement

The Mallee Sustainable Farming Tri-State agreement is an understanding between MSF and the State agencies in NSW, Victoria and SA to co-operate in extending best management practice throughout the Mallee.

In NSW, NSW DPI Extension Officers, Andrew Schipp (Hay), Graeme McIntosh (Dareton) and John Smith (Barham) facilitate MSF/NSW DPI Grain growers groups. In SA, Peter Treloar and Chris McDonough of Rural Solutions SA, facilitate MSF farmer groups. While in Victoria, Michael Moodie and Darryl Pearl of DPI Victoria work with established TOPCROP and landcare groups to deliver MSF research information to farmers in the Mallee. In 2006/07 the farmer groups participated in a variety of forums including pre season meetings, crop harvest drives, no till workshops and various paddock walks.



NSW DPI and MSF at Wentworth Show

Cropping, Soils and Recharge

The Cropping, Soils & Recharge project is managed by NSW Department of Primary Industries (NSW DPI) and funded by Lower Murray Darling CMA (LMD CMA).

Graeme McIntosh (NSW DPI) and Kathryn Biesaga (LMD CMA) in conjunction with 10 participating farmers in South Western NSW worked together to understand the drivers of productivity and sustainable land use on their properties. This is achieved through: improved soil health and cereal management; decreased risk of wind erosion; and a reduction in groundwater recharge.

In 2006/07, the initial ten landholders concluded their three year involvement and in June 2007, a new group of ten landholders commenced involvement with the project. Management practices being monitored in 2007 include converting to no-till and long term cereals in successive years. Test strips of micronutrients have been applied to most 2007 paddocks as a direct result of the soil reports resulting from the project.



Root development of wheat planted on the same day. Wheat on the right was planted using a new direct drill machine, wheat on the left was planted using an older style air seeder.

Photo: Graeme McIntosh

Project Overviews cont...

Healthy Soils

Supported by Land and Water Australia (LWA); Grains Research and Development Corporation (GRDC)
Department of Primary Industries Vic (DPI).

Project Partners: Birchip Cropping Group (BCG); Southern Farming Systems (SFS); Mallee Sustainable Farming Inc (MSF Inc);
Rural Solutions SA; Nutrient Management Systems (NMS).

Project objectives:

- To provide a consolidated source of information on soil health issues in south eastern Australia, rather than the current ad hoc approach to this issue.
- To provide an approach that is adaptable to industry or landscape needs, for answering the question "How do I know if my soil health is improving?"
- To maximise project 'legacy' by ensuring information is transferred to farmers via farmer groups and agribusiness through appropriate and relevant training and capacity building approaches.

During 2006/07, the demonstration (paired) sites were characterised at Cowangie (3 sites), Walpeup (2 sites), Chinkapook (2 sites), Kerribee and Euston. The SA sites were characterised by Rural Solutions SA (Glen Bailey). Some initial physical and chemical tests have been completed and preliminary biological sampling at Kerribee and Euston. Further physical, chemical and biological assessments at selected demonstration sites will be undertaken in 2007/08.

The EM 38 work being done by MSF has been useful in helping to promote discussion on the topic of healthy soils. The soil sampling data collected by MSF over its life time on sites such as focus paddocks and plot trails will make an excellent data base from which to add local information to the training modules.

Kerribee soil pit classification day March 2007

In March 2007, field engagement between MSF and DPI Victoria staff occurred in association with demonstration site characterisation. This provided an opportunity for regional staff to gain an improved understanding of soil characterisation and allow them to participate in soil biological sampling at the Kerribee site. Mark Imhof (in pit), Judy Drake (standing left side), Darryl Pearl (seated on soil pile) and Melissa Cann (out of shot) participated from the Soil Health project team. Others in photo Kath Biesaga (front right), Michael Moodie (seated at end of pit), Jacqui Doyle (seated at end of pit), Anthony Baird (seated on soil pile) Chris McDonough (standing in pit entrance) Beatrice Matthews (walking towards pit).



Strengthening our Communities - Local Action

This is a new project which aims to support small farming communities to help alleviate the impact of the long term drought and assist farmers to manage drought recovery. MSF was concerned to provide some practical support in the face of continuing drought arising from a strategic directions review in November 06. A submission for funding was subsequently submitted in December. This project is designed to build on local ingenuity/partnerships to tackle local opportunities and formulate positive local initiatives that which will support the individual, the family and the wider farming community.

Funding was received from the Federal Department of Families, Community Services and Indigenous Affairs in June 07. The resources are to be spent in the small communities located throughout the Mallee and across the three states, as determined by those communities. Where appropriate, additional resources and support will be sought to assist the undertakings and value add to the outcomes.

Project Objectives

- To perform partnerships to tackle local problems and formulate local initiatives
- To build skill amongst family members to help manage the negative impact of drought and drought recovery
- To increase access by farmers to support systems, services available, and encourage linkages
- To maintain confidence and self worth while confronting difficult times ie. build our morale

This project is an extension of what MSF undertakes to assist our community to cope with change, work together to find solutions, and to improve our capacity to better cope with drought and to be prepared to maximise opportunities as the drought breaks. The project will be coordinated by Lois Beckwith, Focus Consulting and activities associated with this project will be undertaken during 07/08.

Low Rainfall Collaboration Group

The Low Rainfall Collaboration Project, coordinated by Geoff Thomas and supported by Nigel Wilhelm, comprises five low rainfall farming systems groups in SA, VIC and NSW.

The LRCP assists groups in their activities especially in planning and evaluation, the provision of expertise where it is short, and in sharing of information between groups, including farmer tours. All groups benefit from a greater pool of information which eventually flows on to farmers.

An Annual Conference deals with issues of particular concern – in August 2007 these were risk management and soil health.



Low Rainfall Collaboration Group

Mallee Sustainable Farming Incorporated
Independent Audit Report to the Members

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report of Mallee Sustainable Farming Incorporated (the association) which comprises the balance sheet as at 30 June 2007, the income statement, the cash flow statement, the statement of changes in equity, a summary of significant policies, other explanatory notes and the statement by members of the committee.\

Committee's Responsibility for the Financial Report

The committee of the association is responsible for the preparation and fair presentation of the financial report and has determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are consistent with the financial reporting requirements of the Associations Incorporation Act (Vic) 1981 and are appropriate to meet the needs of the members. The committee's responsibilities also include establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report 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. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. 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 judgment, 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 controls 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 committee, as well as evaluating the overall presentation of the financial report.\

The financial report has been prepared for distribution to members for the purpose of fulfilling the committee's financial reporting under the Associations Incorporation Act (Victoria) 1981. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.\

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

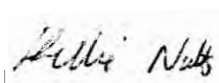
Independence

In conducting our audit, we have complied with the independence requirements of Australia professional ethical pronouncements.\

Mallee Sustainable Farming Incorporated
[Independent Audit Report to the Members](#)

Auditor's Opinion

In our opinion, the financial report of Mallee Sustainable Farming Incorporated presents fairly, in all material respects the financial position of Mallee Sustainable Farming Incorporated as of 30 June 2007 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.\



Kellie Nulty CA RCA
Audit Partner

Registered Company Auditor 298704

Dated this 10th day of September, 2007\

Statement by Members of the Committee

The Committee has determined that the Association is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.


In the opinion of the Committee the financial report:

- 1 Presents a true and fair view of the financial position of Mallee Sustainable Farming Incorporated as at 30 June 2007 and its performance for the year ended on that date.
- 2 At the date of this statement, there are reasonable grounds to believe that Mallee Sustainable Farming Incorporated will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the Committee and is signed for and on behalf of the Committee by:



Malcolm (Jim) Maynard
Chairman



Paula Gordon
Secretary

Dated at Mildura this 29th day of August, 2007

Income Statement for the year ended 30 June 2007

	Note	2007 \$	2006 \$
Revenue from Ordinary Activities	2	1,279,481	951,596
Less: Expenditure from Ordinary Activities			
Employee expenses	3	(244,442)	(226,010)
Depreciation expense	3	(17,719)	(13,021)
Research expenses	3	(653,270)	(649,787)
Other expenses from Ordinary Activities		(187,444)	(157,487)
Profit/(Loss) from ordinary activities before income tax		176,606	(94,709)
Income tax expense relating to ordinary activities		-	-
Net profit/(loss) from ordinary activities after income tax expense attributable to the association		176,606	(94,709)

The above Income Statement should be read in conjunction with the notes to and forming part of these financial statements.

Balance Sheet as at 30 June 2007

	Note	2007 \$	2006 \$
Current Assets			
Cash Assets	4	539,305	361,320
Receivables	5	18,907	28,490
Prepayments	6	4,603	5,938
Total Current Assets		562,815	395,748
Non Current Assets			
Plant & Equipment	7	29,642	21,912
Total Non Current Assets		29,642	21,912
Total Assets		592,457	417,660
Current Liabilities			
Payables	8	11,717	8,298
Employee benefits	9	5,665	11,289
Total Current Liabilities		17,382	19,587
Non Current Liabilities			
Employee benefits	10	926	530
Total Non Current Liabilities		926	530
Total Liabilities		18,308	20,117
Net Assets		574,149	397,543
Equity			
Retained Profits		574,149	397,543
Total Equity		574,149	397,543

The above Balance Sheet should be read in conjunction with the notes to and forming part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2007

	Note	Retained Profits \$	Total \$
Balance 1 July 2005		492,252	492,252
Profit/(Loss) form ordinary activities		(94,709)	(94,709)
Balance 1 July 2006		397,543	397,543
Profit/(Loss) form ordinary activities		176,606	176,606
Balance 30 June 2007		574,149	574,149

The above Statement of Changes in Equity should be read in conjunction with the notes to and forming part of these financial statements.

Cash Flow Statement for the year ended 30 June 2007

	Note	2007 \$	2006 \$
Cash Flow from Operating Activities			
Operating grants received		1,218,584	903,574
Receipts from sponsorship and other		38,471	18,921
Interest Received		32,009	26,440
Payments to suppliers & employees		(1,085,630)	(1,034,646)
Net cash provided by/(used in) operating activities	16 b)	203,434	(85,711)
Cash Flow from Investing Activities			
Payment for property, plant & equipment		(25,449)	(6,620)
Net cash provided by/(used in) investing activities		(25,449)	(6,620)
Net Increase/(decrease) in cash held for the year		177,985	(92,331)
Cash at beginning of year		361,320	453,651
Cash at end of year	16 a)	539,305	361,320

The above Cash Flow Statement should be read in conjunction with the notes to and forming part of these financial statements.

Note 1 **Statement of Significant Accounting Policies**

This financial report is a special purpose financial report prepared in order to satisfy the financial reporting requirements of the Associations Incorporation Act (Vic). The committee has determined that the association is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the Associations Incorporation Act (Vic) and the following Australian Accounting Standards:

- AASB 101: Presentation of Financial Statements
- AASB 107: Cash Flow Statement
- AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors\
- AASB 110: Events After the Balance Sheet Date
- AASB 1031: Materiality

No other applicable Accounting Standards, Urgent Issues Group Consensus Views or other alternative pronouncements of the Australian Accounting Standards Board have been applied.

This financial report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.\

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report.\

a) **Plant & Equipment**

Each class of plant and equipment is carried at cost. The depreciable amount of all fixed assets are depreciated over the useful lives of the assets to the association commencing from the time the asset is held ready for use.

b) **Rounding**

Amounts shown in the financial report are in whole dollars unless otherwise stated. Amounts have been rounded up or down to the nearest dollar.

c) **Goods & Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the Balance Sheet are shown inclusive of GST.

d) **Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investments in money market instruments maturing less than two months, net of bank overdrafts.

e) **Employee Benefits**

Provision is made for the association's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the association to an employee superannuation fund and are charged as expenses when incurred.

f) **Revenue**

Grant revenue is recognised when funds are physically received by the association.

Revenue from the provision of services is recognised upon the delivery of those services to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Notes to Financial Statements for the year ended 30 June 2007

	2007 \$	2006 \$
Note 2 Revenue		
Operating activities		
- operating grants	1,209,001	906,235 \
	1,209,001	906,235 \
Non-operating activities		
- interest received	32,009	26,440 \
- sponsorship	7,286	10,391 \
- other revenue	31,185	8,530 \
	70,480	45,361 \
Total Revenue	1,279,481	951,596 \

Notes 3 Profit from Ordinary Activities

Profit from ordinary activities before income tax has been determined after:

a) Expenses

Communication	44,591	43,842 \
Committee Expenses	29,142	19,626 \
Depreciation Expense	17,719	13,021 \
Employee Expenses	244,442	226,010 \
Insurance	9,947	9,926 \
Office Supplies	8,577	7,368 \
Research	653,270	649,787 \

Remuneration of auditor

- audit or review services	2,120	1,730 \
- other services	-	-
Total remuneration	2,120	1,730 \

Note 4 Cash and Cash Equivalents

Cash on Hand	500	300
Cash at Bank	\538,805	361,020 \
	539,305	361,320 \

Notes to Financial Statements for the year ended 30 June 2007

	2007 \$	2006 \$
Note 5 Receivables		
Trade Debtors	2,255	-
GST Receivable	\16,652	28,490 \
	18,907	28,490

Note 6 Prepayments

Prepaid Insurance	4,603	5,938 \
	4,603	5,938 \

Note 7 Plant & Equipment

Plant & equipment at cost	59,008	57,331 \
Less accumulated depreciation	(46,749)	(35,419)\
	12,259	21,912\

Motor vehicles at cost	23,772	-
Less accumulated depreciation	(6,389)	-\
	17,383	-
	29,642	21,912 \

a) **Movements in carrying amounts**

Movement in the carrying amounts for each class of plant & equipment between the beginning and the end of the current financial year:

	Plant & Equipment \$	Motor Vehicles \$
Balance at the beginning of year	21,912	-
Additions	1,677	23,772 \
Disposals	-	-
Depreciation expense	(11,330)	(6,389)\
Carrying amount at the end of year	12,259	17,383

Notes to Financial Statements for the year ended 30 June 2007

	2007	2006
	\$	\$
Note 8 Payables		
Trade creditors and accruals	11,717	8,298 \
	11,717	8,298 \
Note 9 Employee Benefits - Current		
Provision for annual leave	5,665	11,289 \
	5,665	11,289 \
Note 10 Employee Benefits - Non Current		
Provision for long service leave	926	530
	926	530

Note 11 Contingent Liabilities

At 30 June 2007 the committee is unaware of any liability, contingent or otherwise, which has not already been recorded elsewhere in this financial report.

Note 12 Capital Commitments

At 30 June 2007 the committee is unaware of any capital or leasing commitments which have not already been recorded elsewhere in this financial report.

Note 13 Related Parties

a) The following persons held office on the committee during the financial year and upto and including the date of this report:

Malcolm Maynard (Chairman)	Glynn Schmidt
Christopher Douglas (Vice Chairman)	Rex Spinley
Paula Gordon (Secretary)	Leonard Vallance
Kevin Vivian (Treasurer)	Roderick Rowe (Appointed January 2007)
Roy Latta	

Note 14 Association Details

The principal place of business of the association is:
Mallee Sustainable Farming Incorporated
Suite 2, 152 Pine Avenue\
Mildura Victoria 3500

Note 15 Events Occurring After Reporting Date

Since the date of preparation of this financial report, there have been no events occurring after reporting date which require specific disclosure.

Notes to Financial Statements for the year ended 30 June 2007

	2007	2006
	\$	\$
Note 16 Cash Flow Information		
a) Reconciliation of Cash		
Cash on hand	500	300
Cash at bank	538,805	361,020 \
	<u>539,305</u>	<u>361,320 \</u>
b) Reconciliation of Net Cash provide by Operating Activities to Result from Ordinary Activities after Income Tax:		
Profit/(loss) from ordinary activities after income tax	176,606	(94,709)\
Non Cash Flows in Operating Result		
Charges to Provisions	(5,228)\	\ 7,155 \
Depreciation	17,719	13,021 \
Changes in Assets & Liabilities		
(Increase)/Decrease in receivables	9,583	(2,661)\
(Increase)/Decrease in prepayments	1,335	155
(Decrease) in creditors & accruals	3,419	(8,672)\
Net cash provided by/(used in) operating activities	<u>203,434</u>	<u>(85,711)\</u>
c) The association has no credit stand-by or financing facilities in place.		
d) There were no non-cash financing or investing activities during the period.		

Notes