a year in review 2005/2006 key milestones

Stewardship of our Capital Base

- ANZ Executors & Trustee Company appointed to manage the Foundation's investment portfolio and shifted portfolio to Australian investments
- Charitable status endorsement generated $4.6 million in franking credits, of which $1.1 million related to prior periods
- Reserve reaches $85m allowing increased investment in capability building projects

Impact of Current Operations

- $3.5 million invested in the year to continue the current portfolio of projects
- Robust independent peer review of projects ensures progress and direction of major projects
- 46 projects completed in 2006 with outcomes at farm, manufacturing, community and leadership levels

New Initiatives

- The Foundation joined 16 other dairy participants in a bid to re-fund the Dairy Biotechnology Co-operative Research Centre. Our \$4.9m commitment will help develop three research programs – Innovative Breeding Systems, Healthier More Productive Cows, and Milk Product Innovation
- The Foundation is a participant in the bid to fund the Diabesity CRC. The Foundation's contribution of \$165,000 will be focused on a dairy foods weight control project
- With Dairy Australia Limited and seven of Australia's leading dairy companies the Foundation joins the new Dairy Innovation Centre Limited. Our commitment is \$1m. This Centre consolidates dairy manufacturing research at Werribee and our Chief Executive has been appointed as a Director
- The Foundation, with other dairy manufacturing participants, proposes to launch the "Gardiner Consortium" a \$5m co-investment with dairy companies to develop pre-competitive science underpinning health claims
- The Foundation is assessing 78 higher quality applications for Innovation and Community and People Development Program Funding for 2007

Refreshing and Strengthening Operations

- Major independent review of operations completed. Terms of Reference and the Final Report were endorsed by Members. The majority of the Foundation's operating principles are confirmed and a commitment to integrating industry wide strategic planning agreed
- Paul Ford and Amy Richards join the Foundation Team. They bring enhanced dairy industry networks and science skills
- Funding programs offered by the Foundation are streamlined from five to two. New applications guidelines have an increased emphasis on impact from the project

chairman's review

I am delighted to present this Annual Review of operations for the Geoffrey Gardiner Dairy Foundation Ltd for the year ended 30 June 2006. At the time of writing, the Victorian Dairy Industry is more buoyant than has been the case in some recent years and market conditions for dairy products are strong. However, the total volume of dairy production in the State is no longer increasing at the rate of recent years.

During 2006, the Board commissioned a comprehensive and independent review of the Foundation's activities and achievements since inception. The review also examined strategies to improve the structure and governance of the Foundation in pursuit of its objectives. Terms of reference for the review were agreed by our Members and the findings of the report, endorsed by the Members in August 2006, are currently being actioned by the Board.

The review recognises the Foundation's adherence to its business principles and its success in establishing a sound record of investment and associated processes to manage the performance of projects. Further work is needed however, to refine our business framework including active participation in a whole of industry approach to planning.

The review pointed to opportunities for the Foundation to further strengthen its integration into industry networks. But it also recognised that the Board is already actively pursuing this objective and that steps taken during 2006 have strengthened our relationships with Victorian dairy industry stakeholders.

Nevertheless, we are moving to further strengthen our engagement with industry in a number of ways. Firstly we will be taking a key role in the proposed new Dairy Biotechnology Cooperative Research Centre and making a significant commitment of funds to underpin the Centre's research program. Two of the three programs planned for the new CRC will directly address technologies for on farm application which we believe is a good fit with our mandate.

Secondly, the Foundation will take a core membership position in the new Dairy Innovation Centre Limited at Werribee helping to bring together a number of previously disparate manufacturing sector service bodies. Our Chief Executive will join the Board and concentrate on the identification of the priority research and development needs of dairy manufacturing and processing companies which will be of benefit to the Victorian dairy industry and the wider community.

Thirdly, and following extensive consultation and planning, the Foundation is proposing a new partnership with manufacturing companies by way of a soon to be established Gardiner Consortium. The Foundation is prepared to invest $5 million in the Consortium which aims to assemble the scientific evidence needed to protect claims about the role that dairy products play as part of a well balanced diet. It will substantiate claims that dairy products can ameliorate preventable diseases, enhance human performance and improve individual well-being.

The Consortium's work will assist the industry to bring new products to the community that have novel health promoting properties. It will also be important in enabling the dairy industry to defend its products against unsubstantiated claims made by lobby groups with an anti-dairy bias. More will be said about the work of the Consortium in coming months.

The review highlighted the need for even greater clarity around the outcomes from funding committed to research and development projects. While recognizing the unpredictable nature of scientific research, the Foundation has further strengthened its program of mid-term reviews of major projects and made continuation of funding contingent on positive progress.

An important organisational initiative taken during 2006 has resulted in simplification of our administrative procedures for project applicants. Five categories of project funding have been consolidated into two streams, the first being 'Innovation' which includes all research and development which benefits the dairy industry. The second new stream is entitled 'Community and People Development' and comprises projects to build capacity and improve the lives of people working and living in Victorian dairying communities.

Within the Innovation stream, four new major research and development projects were approved for funding in 2006 comprising new investment by all parties of $12.8 million, including $1.95 million from the Foundation. The new projects bring total investment by the Gardiner Foundation and its research partners in major projects to nearly $40 million to date.

Two new major projects were funded during the year under the Community and People Development stream with an investment by the Foundation of $400,000. In addition, small grants and projects within the stream were funded to the extent of $X000.

I am pleased to report that the Foundation's capital base has grown during 2006 to $85 million after allowance for all disbursements. Such growth is a reflection of the strength of the Australian sharemarket. While this is an outstanding result, it must be remembered that economic conditions are cyclical and that investment markets will inevitably turn down at some time in the future.

Viewed from the industry's perspective, the size of the capital reserve is immaterial unless positive outcomes are being realised. With that in mind, I am pleased to report that the new initiatives outlined in the preceding paragraphs together with our commitment to ongoing programs will result in a 50% increase in total funds for allocation in the coming year.

During 2006, the Board appointed Paul Ford as Chief Executive of the Foundation following the resignation of Carol Bate who had served in that role since 2001. We are fortunate to have secured the services of someone with such a distinguished record of service to the dairy industry.

I wish to record my appreciation to all Members of the Foundation for their positive support for our activities over the past year.
I am grateful also to dairying communities and the research community for their continuing positive response to the Foundation's work.

Finally, I would like to acknowledge the support and cooperation of my Board colleagues and the Chief Executive and his staff for their tireless contributions during 2006.

Chris Nixon
CHAIRMAN

Erratum
Amendment to the Annual Review 2006 of the Geoffrey Gardiner Dairy Foundation Limited:
Subsequent to printing, a minor error or omission has been identified in the Annual Review 2006. On page 5, in the fifth paragraph of the Chairman's Review, there is reference to a figure of $X000. That figure should be $153,000.

chief executive's report

It is a pleasure to present this, my first Chief Executive's report on the management and operation of the Gardiner Foundation.

A focus on the Foundation's role

Being a relative newcomer to the Gardiner Foundation, I have been surprised to learn how unique it is within the dairy industry. Unlike many other organisations, the Foundation does not have a specific niche within dairying. Instead, it works across the whole Victorian dairy supply chain from farm to factory as well as with the people and the communities underpinning the industry.

I know that many people see the Foundation as a provider of funds for research and development. The truth is however, that it is also a major player when it comes to concern for people and communities in Victorian dairying areas. Some 150 projects, representing over $2 million investment, have been funded to improve viability of communities and enhance people skills.

Building networks

The Gardiner Foundation is concerned with the Victorian dairy industry and the contribution that can be made by science and innovation. It is also concerned with industry and community strategies and directions, care for natural resources, industry productive capacity, and most of all with people. It understands that the creation of networks of people is pivotal to being in a position to recognise and respond to trends and emerging issues in a proactive way.

Effective networks are the key to remaining fully abreast of emerging issues, to receiving early warnings when action is needed, and planning to deal with them. The Foundation's goal is to share information and insights through a wide range of industry networks and to ensure that its investments are a strong match with the real priority needs.

The Chairman has referred to the new partnerships that the Foundation is forging with the Dairy Biotechnology CRC and the Dairy Innovation Centre, as well as the creation of the Gardiner Consortium. We are determined to continue forming close links with all parts of the dairy industry through the various networks in which the Foundation can play a constructive role.

The Foundation has both the opportunity and the obligation to expand its networks and to focus its work so that the maximum number of people derive benefit whether from science and technology or from hands-on projects within their communities.

Rationalisation of programs

During 2006, the Foundation reviewed its investment programs and decided to rationalise its funding offers, reducing them from the previous five, to two. This was a matter of simplifying and streamlining, not lessening the magnitude of the funds on offer.

w 'Innovation' stream, is about improving the Victorian Dairy Industry's future prospects by investing in key areas of research and technology, ally those that are likely to have an impact in the near future. Investments of up to $1 million are being made in individual projects that orthwhile outcomes for the industry.

undation's approach to the innovation stream is similar to what is known internationally as open innovation. Open innovation is about into the creativity and solutions of a much broader and diverse group of inventors, technologists and product developers than any l R&D group could ever support. Open innovation requires that we watch and monitor innovations in multiple areas and exploit them it makes most sense.

undation is continuing to fund its priorities in genomics and functional foods, food safety and processing, and the efficient use of on-farm ces. But increasingly it is inviting projects that will deliver measurable and sustainable benefits at any stage in the dairy chain. cludes the development of new functionalities and uses for milk which offer an ongoing opportunity for significant economic gains for ustry.

er the field of science, the Foundation is concerned that existing and new knowledge is quickly implemented within the industry so that uces positive outcomes. In marketing terms, whatever we are developing by way of products or technologies must have a clear path to so that the work produces clear benefits for the Victorian Dairy Industry and its communities.

mmunity and People Development' stream is about delivering a public benefit to Victorian dairying communities, with particular emphasis atives that retain younger people in dairying communities, improve the local labour supply, expand community leadership skills and s the debilitating impact of an aging population in rural areas.

g with project applicants

ortant change in the way we interact with project applicants is through early contact to ensure that the applications have a greater of success at the selection table. We intend to help applicants to clearly articulate why the subject of the project application deserves nded. Is it because the issue has never been funded before, or is it because it addresses an old problem in a new way?

y, applicants are encouraged to meet with Foundation staff to ensure that the goals are clear, positive outcomes are likely and the best ks of people are involved.

ect proposals however, continue to be competitively assessed in terms of the nature of the issue being addressed, the expected outcome, and public benefit from the project, the quality of the project plan and the composition and track record of the project team.

e capacity on the Foundation's team

the year, Project Manager Alberto Pintos left the Foundation to take up a new career challenge. Dr Amy Richards has now joined the tion's staff on secondment from Food Science Australia and will take over the role of Innovation Program Manager. We believe that this ment will add to the scientific expertise within the Foundation, provide commercial experience for a key member of Food Science a and provide valuable personal development for Amy herself.

ndation's access to high level science expertise has also been boosted by Professor Timothy Reeves and Dr Nick Gough who are performing series of mid-term reviews of all major innovation projects.

e and administration

undation's statutory audit of its financial statements has been performed by Ernst & Young for the financial year to 30 June 2006. It is to note that positive outcomes have been realised from action taken in the previous year to have the Foundation endorsed as a tax sion charity for income tax purposes. The new taxation arrangements recognise that the Foundation's objectives and activities are for lic benefit. This has resulted in an additional $1 million being directed to projects for the development of the industry and dairying communities.

my short time with the Foundation, it has been a stimulating experience to work with the Foundation's Chairman and highly professional f Directors. I thank them for their support and guidance over the period.

ish to thank all of the Foundation's staff for their valuable contributions during 2006 and especially the Program Administration mmunications Manager, Mrs Cynthia Mrigate.

going about the foundation's business - some principles

> *The Foundation through its membership will be an integral part of the dairy industry.*

The Foundation works closely with its Member organisations and with Dairy Australia. During 2006 it supported planning of the Dairy Innovation Centre and the Dairy Biotechnology CRC, as well as participating in several industry strategy and planning bodies.
The Foundation has grass roots linkages with dairying communities and has supported over 200 small projects and grants to develop community infrastructure and strengthen leadership at the local community level.

> *All funding decisions will be taken proactively in the best interests of the industry and the wider community using formal rules and procedures and a principle of care.*

The Foundation operates with formal and well promoted guidelines that attract wide interest and ensure that all applicants are dealt with fairly and professionally. The Foundation is assisted in these deliberations by panels of independent experts. Final decisions are taken by the Board of Directors with the key criterion being that its investments are made in the best interests of the Victorian Dairy Industry, dairying communities and the wider community.

> *The Foundation is an enabling organisation and does not directly provide services.*

The Foundation does not provide services directly but works through partnerships and networks to promote the best interest of, and secure positive outcomes for, the Victorian Dairy Industry, dairying communities and the wider community.

> *Foundation staffing and administration costs are the minimum practicable.*

By any standards the Foundation is a lean organisation. Total staffing of not more than 4.5 full time equivalents and total administrative expenses of approximately 13% of budget compare more than favourably with relevant industry benchmarks.

> *Management of the Foundation's capital will be outsourced to reputable fund managers.*

Following a review of the management of the Foundation's investment portfolio, ANZ Executors and Trustee Company Limited was appointed as fund manager early in 2005. The dollar value of the capital base is currently some 30% above its original value after allowance for disbursements of over $13 million from the fund.

Bob Cameron, Minister for Agriculture

> The Foundation relates to Victoria, but parochialism will be avoided in the industry's best interests.

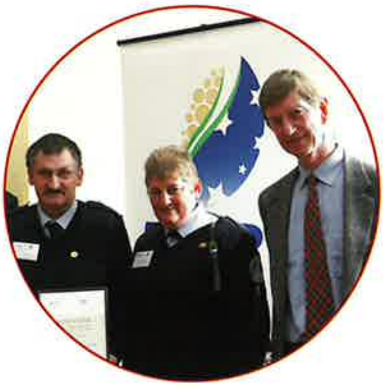
The best interests of the Victorian Dairy lindustry and wider community are served by having the involvement of the country's most capable scientists and community development personnel wherever they are located. Currently, about 10% of the Foundation's investment is with interstate project teams.

> Gardiner Foundation Members will be included in the business planning processes of the Foundation.

The Members of the Foundation are:

- Victorian Farmers Federation Property Trust Ltd on behalf of the United Dairyfarmers of Victoria Commodity Group of the Victorian Farmers Federation
- Milk Processors' Association of Victoria Inc.
- Victorian Dairy Products Association

Member Representatives convene annually to formally consider the annual report. Additionally, the Foundation meets with Member Representatives, collectively and individually, regularly throughout the year and their input is incorporated into strategic planning processes.



The Foundation for Rural and Regional Renewal and Gardiner Foundation hosted an awards reception for recipients of Small Grants. (left) FRRR Chairman the Rt Hon. Ian Sinclair AC (l) with Wayne Breuget, Haddon Kindergarten. (centre) Jane Boys, Pleasant Park Jersey Stud with Maurice Incerti, Murray Dairy Inc. (right) Ted and Diane Osler, Nilma North Fire Brigade, with Gardiner Chairman Chris Nixon

The Foundation is pleased to have worked over five years with a wide range of partners in community, leadership development and educational organisations as well as with industry itself to grow the capacity of people. Much has been learned in that time about the best ways to engage people in the learning process and how to cater for the special needs of particular groups including young people farming women.

A total of sixty individuals have benefited directly from Foundation sponsored programs including community leadership programs, travelling scholarships, higher degree scholarships, undergraduate bursaries, study tours and youth opportunity programs. Support has also been offered for nd formal leadership training with programs such as the *Australian Rural Leadership Programme, Australian Nuffield Scholars, Loddon Murray Community Leadership, Fairley Leadership Program* and the *Advanced Diploma of Agriculture (Dairy).*

The Foundation has provided funding support for numerous Workshops and Conferences, such as the *UDV Annual Conference*, the *Dairy Science Conference*, and the *Australian Dairy Conference* with wide industry attendance.

Central to the aim of developing people for careers in dairying has been the conduct of programs directly aimed at providing an affinity for the industry among school children. The Foundation has supported programs such as *Career on a Plate* and *Cows Create Careers* as well as the development of interactive multi-media educational tools for use in primary schools.

The Foundation is also supporting a UDV led project to develop strategies to *Build the Capacity of Younger People in Dairying Communities.* Skill, capacity and confidence will be engendered at the personal, industry and social and community levels. This project is building on earlier work including the *Young Dairy Farmer Development Program* that the Foundation has funded in Gippsland.

This is the fourth year in which the Foundation for Rural and Regional Renewal has delivered a Small Grants Program on behalf of the Gardiner Foundation, and the excellent cooperation of FRRR's CEO, Ms Sylvia Admans, and her team, is acknowledged.

"Morale at Kergunyah received a huge boost when we received the grant to improve the church facilities. It brought people together and gave us the confidence to restore a needed community facility. It's amazing how much can be achieved with a small financial grant if it comes at the right time." Ann Jarvis, OAM

Presentation to Ann Jarvis by Paul Ford, in recognition of her contribution to community and OAM award.

new major project funding 2006

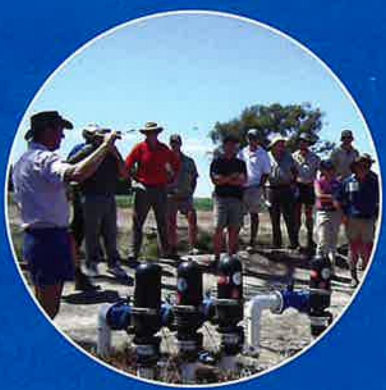
The following projects were selected during 2006 for major funding.

innovation stream

Improved functional dairy products through high pressure processing

This project focuses on the use of high-pressure in combination with heat to improve dairy product and dairy ingredient functionality.

Lead Organisation: Food Science Australia
Contact: Dr Cornelis (Kees) Versteeg



Improving water efficiency in dairy grazing pastures: production system and environmental benefits of best practice irrigation utilising sub-surface tape technology

Determination of how, and in what circumstances, new irrigation technologies can contribute to water use efficiency in dairy grazing applications and support the efficient use of land and resources in the industry.

Lead Organisation: The University of Melbourne, Melbourne Water Research Centre,
Contact: Professor John Langford

Producing selenium enriched milk proteins and identifying and confirming human health benefits

This project builds on earlier work and will develop the technology needed to produce milk proteins containing therapeutic levels of Selenium consistently and predictably across a range of feeding systems.

Lead Organisation: Department of Primary Industries, Kyabram, Victoria
Contact: Dr Peter Doyle

Adaptation of technologies to achieve high productivity from dairy farming systems

An investigation of the ways in which dairy farmers adopt new and sophisticated technologies. Forage crop production will be used as a model to examine the support services needed including technical packages, extension programs and decision support models.

Lead Organisation: The University of Melbourne, Faculty of Land and Food Resources
Contact: Dr Mark Paine

community and people development stream

South West local and regional volunteerism initiative - strengthening and sustaining SW communities (2006-2008)

Establishing an active infrastructure to promote and support volunteerism within communities in western Victoria by targeting the recruitment, training and retention of the volunteers in rural communities and the coordination of their efforts.

Lead Organisation: South West Capacity Building Consortium/Community Connections (Vic.) Ltd.
Contact: Ms Josie Black/Ms Sue Meyer

Building the capacity of younger people in dairying communities

A project developing strategies to build the capacity of younger people in dairying communities. Skill, capacity and confidence will be engendered at the personal, industry and social and community levels.

Lead Organisation: United Dairyfarmers of Victoria
Contact: Ms Jenny Frederiksen

our framework for the future

The Foundation has a vision for the future in which the Victorian Dairy Industry is, in every facet, sustainable with benefits flowing to the Industry, dairying communities and the wider community. Central to realising this vision are the joint objectives of innovation within the industry and support for the community and its people.

innovation

The Foundation's Innovation Program has a high level strategic intent to build a strong science capability for the dairy industry and to invest in individual projects with potential for impact on farm or at the factory level.

Capability in science means having the infrastructure and the networks that offer the dairy industry access to people and facilities to address technical concerns and exploit new opportunities as rapidly as our major competitors. We recognise that Australia's investment in research and development cannot match that of our competitors, so our innovation processes must be smarter and more effective.

This capability will be developed in part through investment in defining areas of science that provide us with an entry card to the global scientific fraternity. It will also be accomplished through specific investment in the Dairy Innovation Centre, new CRCs and the Gardiner Consortium.

In line with its vision, the Foundation's focus is very clearly on lowering the costs of production, achieving cost efficiencies which will be passed on to the wider community and improving the functionality of the final product for the public benefit.

While many advances are of an incremental nature, the Foundation will be constantly alert to opportunities to bring about quantum change whether through the application of biotechnology, new farming systems or the development of manufactured products that deliver clear human health benefits.

community and people development

The purpose of the Community and People Development program is to build and nurture vibrant dairying communities and to promote dairying as a career of choice.

Dairying depends on rural and regional communities which, at present, are threatened by the drift of young people to urban areas and consequential erosion in social infrastructure and services. The Foundation will take a very lateral view in seeking out ideas for projects which can arrest demographic change and renew the vibrancy of dairying communities.

The Foundation will initiate a review of the ways in which the industry attracts, retains and develops people. While activities undertaken to date have been successful, we are looking to identify more precisely the number of people and types of skills that will be needed to drive the Victorian Dairy Industry in the future.

Coupled to this will be a further review of steps that can be taken to build a more positive image of the industry in the minds of school children and university entrants. Work already done has highlighted key decision points during school years when dairying can be effectively promoted as a worthwhile life choice.

Australian Securities & Investments Commission

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION

023391740

Form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Related forms:
Form 5137 Appointment of scheme auditor

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company details

Company name
GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

~~ACN~~/ABN
18 094 733 418

Lodgement details

Who should ASIC contact if there is a query about this form?

Name
BARRIE LAWSON

ASIC registered agent number (if applicable)

Telephone number
(03) 9606 1913

Postal address
LEVEL 1 84 WILLIAM STREET
MELBOURNE VIC 3000

Please provide an estimate of the time taken to complete this form.
hrs mins

RECEIVED
14 NOV 2006
M.S.C.

CORPORATIONS ACT 2001
Section 1274
I hereby certify this copy of 30 page/s
sets out
*the whole of a document/certificate
*~~a part of a document/certificate~~
Lodged with the Australian Securities & Investments Commission
A delegate of the Australian Securities & Investments Commission

1 Reason for lodgement of statement and reports

Tick appropriate box

- [x] A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- [ ] A registered scheme (Where a new auditor has been appointed to a registered scheme, *Form 5137 Appointment of scheme auditor must be lodged*) (B)
- [ ] Amendment of financial statements or directors' report (company) (C)
- [ ] Amendment of financial statements or directors' report (registered scheme)* (D)
- [ ] A large proprietary company that is not a disclosing entity (H)
- [ ] A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- [ ] A small proprietary company that is requested by ASIC to prepare and lodge statements and reports (J)
- [ ] A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins and ends

Financial year begins 01/07/05 [D D] [M M] [Y Y] to Financial year ends 30/06/06 [D D] [M M] [Y Y]

Date of annual general meeting (if applicable)

14/11/06 [D D] [M M] [Y Y]

2 Details of large proprietary company

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated gross operating revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

3 Auditor report

Were the financial statements audited?

☒ Yes

☐ No

If no, is there a class order exemption current for audit relief?

☐ Yes

☐ No

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION CORPORATIONS ACT 2001 Section 1274

If yes, does the auditor's report (s308) for the financial year contain a statement of:

Reasons for the auditor not being satisfied as to the matters referred to in s307?

☐ Yes

☒ No

Details of the deficiency, failure or shortcoming concerning any matter referred to in s307?

☐ Yes

☒ No

4 Details of current auditor

Where a new auditor has been appointed to a registered scheme, Form 5137 *Appointment of scheme auditor must be lodged*

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

ERNST + YOUNG

4 Continued... Details of current auditor

Office, unit, level
23

Street number and Street name
8 EXHIBITION STREET

Suburb/City
MELBOURNE

State/Territory
VICTORIA

Postcode
3000

Country (if not Australia)

Date of appointment
1 3 / 0 8 / 0 1
[D D] [M M] [Y Y]

5 Statements and reports to be attached to this form

Financial statements for the year (as per ss295(2))

Statement of financial performance for the year (profit and loss statement)

Statement of financial position as at the end of the year (balance sheet)

Statement of cash flows for the year

If required by accounting standards - consolidated profit & loss statement, balance sheet and statement of cash flows

Notes to financial statements (as per ss295(3))

Disclosures required by the regulations

Notes required by the accounting standards

Any other information necessary to give a true and fair view (see s297)

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
CORPORATIONS ACT 2001
Section 1274

The directors' declaration about the statements and notes (as per ss 295(4))

The directors' report for the year (as per s 298 to 300)

Auditor's report required under sections 308 and 314

Signature

I certify that the attached documents marked (A) are a true copy of the annual reports required under Section 319.

Name
BARRIE LAWSON

Signature
BLawson

Capacity

☐ Director

☒ Company secretary

Date signed
1 4 / 1 1 / 0 6
[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For help or more information

Telephone 03 5177 3988

Email info.enquiries@asic.gov.au

Web www.asic.gov.au

Geoffrey Gardiner Dairy Foundation Limited
ACN 094 733 418

Annexure A

This is Annexure A of 26 pages referred to in form 388, copy of financial statements, reports and declaration.

BARRIE LAWSON **COMPANY SECRETARY**
14 November 2006

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

(Limited By Guarantee)

A.C.N. 094 733 418

ANNUAL FINANCIAL REPORT

2006

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GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

ANNUAL FINANCIAL REPORT 2006

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GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

ANNUAL FINANCIAL REPORT 2006

COMPANY PARTICULARS

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
CORPORATIONS ACT 2001
Section 1274

Registered Office	Level 1 84 William Street MELBOURNE VIC 3000 Telephone: (03) 9606 1900 Facsimile: (03) 9606 1999 Email: info@gardinerfoundation.com.au Website: www.gardinerfoundation.com.au
Board of Directors	C D V Nixon, B.Eng (Mech.), B.Ec - Chairman M G Fehring, Dairyfarmer, Churchill Fellow, FAICD I W MacAulay, Dairyfarmer, B.Agr.Sc G F Mitchell AO, RDA, BVSc, FACVSc, PhD, FTSE, FAA P J Moughan, B.Agr.Sc (Hons), PhD, D.Sc, FRSNZ
Chief Executive Officer	P Ford, Dip Dairy Technology
Company Secretary	B D Lawson, FCIS, FCPA
Solicitors	Freehills Wantrup & Associates
Bankers	Commonwealth Bank of Australia
Investment Portfolio Manager	ANZ Executors and Trustee Company Limited
Auditors	Ernst & Young
Accountants	McBain & Co Business Services Pty Ltd
Web Site	www.gardinerfoundation.com.au

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

DIRECTORS' REPORT

Your Directors present their report on the financial statements of Geoffrey Gardiner Dairy Foundation Limited ("Gardiner Foundation") for the financial year ended 30 June 2006.

Directors
The names of the Directors in office at any time during or since the end of the year are:

C D V Nixon (Chairman)
M G Fehring
I W MacAulay
G F Mitchell AO
P J Moughan

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Share Capital
Gardiner Foundation is a public company, limited by guarantee and does not have share capital.

Principal Activity
Gardiner Foundation's principal activity is to manage the investment of funds to maximise the benefits to all sectors of the Victorian Dairy Industry and Victorian Dairy Communities in accordance with section 65 of the Dairy Act 2000.
There were no significant changes in the nature of the company's principal activities during the financial year ended 30 June 2006.

Financial Overview
The surplus of $12.9 million arose as follows:

	$million	$million
Revenue		
Increase in the market value of the investment portfolio		9.3
Investment income	3.1	
Dividend franking credit refunds	2.2	
Share buy-back franking credit refunds	2.4	7.7
Total Revenue		17.0
Expenses		
Project expenditure	(3.5)	
Other expenses	(0.6)	(4.1)
Net Surplus		12.9

This net surplus was a 74.3% increase on the previous corresponding period result of $7.4 million.

The Australian sharemarket enjoyed a third consecutive year of strong growth rising by over 20% during the year despite a subdued June quarter. This growth was spearheaded by a continued growth in the resources sector with the major resource stocks producing sharemarket growth of over 50% for the year.

DIRECTORS' REPORT

Financial Overview (continued)

The resources sector remains in an environment of strong positive earnings revisions on the back of very high commodity prices. This process has been going on for over 4 years driven by strong demand for commodities, especially from areas such as China, combined with very low investment in the sector for the previous decade resulting in tangible supply constraints in many commodity markets.

This will not continue forever as new capacity will eventually restore the balance, except perhaps in regard to oil where there are real questions as to whether the world has passed the point where growth consumption will exceed new production and discoveries.

The surge in commodity prices along with strong economic growth has also reignited inflation fears, resulting in a number of increases in interest rates in the past few months. Unemployment at record lows and an expansionary Federal Budget has increased the pressure in this regard.

Despite that, many industrial companies continue to prosper and produce good returns over 2006, although interest sensitive ones, and companies with significant reliance on commodities such as oil as impacts to production, have had margins squeezed.

Overall, ex-resources, profits have been contracting for a few years now. This is also reflected in economic conditions with resource orientated states such as Western Australia and Queensland in far better shape than others where a combination of petrol prices and higher interest rates are impacting growth – despite the overall strong conditions.

While the risk of major profit downgrades due to economic conditions seems to be some way off yet, rising interest rates both in Australia and globally, as well as a general upswing in operating costs from almost all areas, are now expected to flow through into softer business conditions and, at a minimum, bring to an end the strong growth in stockmarket returns from industrial companies.

Total revenue increased by $5.5 million, or 47.8%, from $11.5 million to $17.0 million, while total expenses of $4.1 million were in line with the $4.1 million incurred in 2005.

Total revenue growth was driven by refunds of dividend and share buy-back franking credits arising from the Australian Taxation Office's endorsement of the Foundation as an income tax exempt entity, and the net gain in the market value of the Foundation's investment portfolio. The income tax exempt entity endorsement was granted in May 2005 and back-dated to October 2000, and as a consequence, the refund of franking credits for 2006 includes credits from prior periods.

Investment income declined by $0.2 million from $3.3 million (2005) to $3.1 million. Dividend franking credit refunds of $2.2 million, which included $1.1 million for the October 2000 to January 2005 period, exceeded the $0.3 million received for the February to June 2005 period by $1.9 million, while share buy-back franking credit refunds of $2.4 million, exceeded the $1.2 million received in 2005 by $1.2 million.

The net gain in the value of the investment portfolio of $9.3 million exceeded the net gain of $6.4 million achieved in 2005 by $2.9 million, or 45.3%.

Other income declined by $0.3 million primarily due to the suspension of distributions from the sale of Recaldent product, pending an outcome of the legal action and a determination of an allocation of costs.

Project expenditure of $3.5 million increased marginally by 1.3%, however this increase was absorbed by a 11.6% reduction in other expenses, resulting in an almost neutral impact of total expenses for both 2005 and 2006.

The net assets of the Foundation increased by $13.0 million, or 18.0% from $72.0 million (2005) to $85.0 million. This increase is attributed to the growth in the Foundation's capital base, after allowing for all disbursements.

For completeness, reference should be made to the Chairman's and Chief Executive Officer's reviews which are included in the Annual Report for further information in relation to operations.

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

DIRECTORS' REPORT

Financial Overview - Outlook
The outlook for the Australian sharemarket during the next 12 months is one of much more moderate capital returns, but continued good dividends from shares providing much of the expected returns for the year. There will continue to be support for the sharemarket from the resources sector which is going through once-in-a-decade boom conditions and from the fact that shares still produce income at comparable levels to fixed interest, and fixed interest looks an inferior investment to shares.

Dividends
Gardiner Foundation is limited by guarantee and consequently no amounts have been or will be paid or declared by way of dividend. Gardiner Foundation's Constitution precludes the payment of any dividend.

Significant Changes In State of Affairs
No significant change in the nature of these activities occurred during the year. As a result of the introduction of Australian equivalents to International Financial Reporting Standards (A-IFRS), Gardiner Foundation's financial report has been prepared in accordance with these standards. The implementation of A-IFRS has not resulted in any material adjustments to the financial statements.

After Balance Date Events
The Directors are not aware of any matter or circumstance that has arisen since 30 June 2006 that has significantly affected, or may significantly affect:

a) Gardiner Foundation's operations in future financial years, or
b) the results of those operations in future financial years, or
c) Gardiner Foundation's state of affairs in future financial years.

Future Developments
Gardiner Foundation will in accordance with its Constitution continue to manage its funds to maximise benefits to all sectors of the Victorian Dairy Industry and to Victorian Dairying Communities in accordance with section 65 of the Dairy Act 2000 to fund projects for the development and support of the Victorian Dairy Industry, for the benefit of the wider community.

Environmental Issues
Gardiner Foundation's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or a State or Territory.

Information on Directors
The names of the Directors of the Company in office at the date of this report, together with information concerning them are as follows:

C D V Nixon, B.Eng (Mech.), B.Ec.
Non-executive Chairman of the Board since 11 October 2000
Private adviser
Former non-executive Director of Dairy Food Safety Victoria
Former non-executive Chairman of Bayside Trains
Former Managing Director of Containers Packaging

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

DIRECTORS' REPORT

M G Fehring, Dairyfarmer, Churchill Fellow, FAICD
Non-executive Director since 11 October 2000
Board member of Grampians Wimmera/Mallee Water
Councillor, Gannawarra Shire
Former Board member of Australian Dairy Herd Improvement Scheme
Past member of:
  Victorian Farmers' Federation Executive
  Australian Dairy Industry Council Executive
  Australian Dairy Farmers' Federation Council
Past President, United Dairyfarmers of Victoria

I W MacAulay, Dairyfarmer, B.Agr.Sc.
Non-executive Director since 11 October 2000
Non-executive Chairman of Murray Goulburn Co-operative Company Limited

G F Mitchell AO, RDA, BVSc, FACVSc, PhD, FTSE, FAA
Non-executive Director since 27 September 2001
Non-executive Director of:
  AgVic Services Pty Ltd
  Antisense Therapeutics Limited
  Compumedics Limited
A Principal of Foursight Associates Pty Ltd.

P J Moughan, B.Agr.Sc (Hons), PhD, D.Sc, FRSNZ.
Non-executive Director since 27 September 2001
Distinguished Professor and Personal Chair, Massey University
Non-executive Director, Meat Biologics Ltd, Wellington, NZ
Director, Riddet Centre, Massey University
Past Foundation Head, Massey University, Institute of Food, Nutrition and Human Health
Past Foundation Scientific Director of the Milk and Health Research Centre

Attendance at Board and Committee Meetings
Details of attendance by Directors of the Gardiner Foundation at Board meetings held during the year ended 30 June 2006 are as follows:

Directors	Meetings held	Meetings attended
C D V Nixon	7	6
M G Fehring	7	6
I W MacAulay	7	7
G F Mitchell	7	7
P J Moughan	7	7

Attendance at Board and Committee Meetings (Continued)
In addition to Board meetings, all Directors participated during the financial year in Gardiner Foundation's formally appointed committees, including C D V Nixon as Chair of the Investment Committee, M G Fehring as Chair of the Small Projects Evaluation and Selection Committee, G F Mitchell and P J Moughan as members of the Major R&D Projects Reference Group and I W MacAulay as Chair of the Community Development Steering Committee and Projects Evaluation and Selection Committees. In addition to these formal structures all Directors have provided their skills and expertise on an informal basis for all aspects of Gardiner Foundation's operations.

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED
A.C.N. 094 733 418

DIRECTORS' REPORT

Corporate Governance
In recognising the community's concern over the issue of corporate governance, Gardiner Foundation has adopted and adhered to the highest ethical standards of corporate behaviour and accountability.

Directors have assured themselves that no misdirection of Gardiner Foundation's funds has occurred during the year ended 30 June 2006 and that in the allocation of moneys to project funding, particular emphasis has been placed on independent decision-making and the elimination of any potential conflicts of interest.

Indemnity of Directors and Officers
Gardiner Foundation has paid insurance premiums in respect of Director's and Officer's Liability - Company Reimbursement Insurance, to insure the directors disclosed in this report and certain officers of Gardiner Foundation.

Proceedings on Behalf of Gardiner Foundation
No person has applied for leave of Court to bring proceedings on behalf of Gardiner Foundation or intervene in any proceedings to which Gardiner Foundation is a party for the purpose of taking responsibility on behalf of Gardiner Foundation for all or any part of those proceedings.
Gardiner Foundation was not a party to any such proceedings during the year.

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to this financial report.

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

C D V Nixon
Director

I W MacAulay
Director

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
CORPORATIONS ACT 2001
Section 1274

Melbourne, 17 October 2006

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

DIRECTORS' DECLARATION

The Directors of Geoffrey Gardiner Dairy Foundation Limited ("Gardiner Foundation") declare that:

1) The financial statements and notes are in accordance with the Corporations Act 2001:

    a) comply with Accounting Standards and the Corporations Regulations 2001; and

    b) give a true and fair view of the Gardiner Foundation's financial position as at 30 June 2006 and of the performance for the year ended on that date of the company;

2) In the Directors' opinion these are reasonable grounds to believe that the Gardiner Foundation will be able to pay its debts as and when they become due and payable.

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

C D V Nixon **Director**	**I W MacAulay** **Director**

Melbourne, 17 October 2006

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION CORPORATIONS ACT 2001 Section 1274

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 $	2005 $
REVENUE			
Revenues	2	17,006,900	11,221,700
Other income	2	31,923	286,842
		17,038,823	11,508,542
EXPENSES			
Project expenses	3(a)	3,524,823	3,479,177
Other expenses	3(b)	544,195	609,936
		4,069,018	4,089,113
SURPLUS FOR THE YEAR	10	12,969,805	7,419,429

The accompanying notes form part of these financial statements.

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

BALANCE SHEET
AS AT 30 JUNE 2006

	Note	2006 $	2005 $
CURRENT ASSETS			
Cash and cash equivalents	4	40,421	66,574
Receivables	5	56,144	130,727
Financial assets	6	85,066,037	72,318,439
Other assets		6,083	6,790
TOTAL CURRENT ASSETS		85,168,685	72,522,530
NON-CURRENT ASSETS			
Plant and equipment	7	35,440	38,782
TOTAL NON-CURRENT ASSETS		35,440	38,782
TOTAL ASSETS		85,204,125	72,561,312
CURRENT LIABILITIES			
Payables	8	199,309	499,085
Borrowings	9	565	3,542
Provisions	10	30,895	51,569
TOTAL CURRENT LIABILITIES		230,769	554,196
NON-CURRENT LIABILITIES			
Borrowings	9	-	565
Provisions	10	3,215	6,215
TOTAL NON-CURRENT LIABILITIES		3,215	6,780
TOTAL LIABILITIES		233,984	560,976
NET ASSETS		**84,970,141**	**72,000,336**
EQUITY			
General Reserve		84,970,141	72,000,336
TOTAL EQUITY		**84,970,141**	**72,000,336**

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Retained Surplus $	General Reserve $	Total $
2006			
Equity at the beginning of the financial year	-	72,000,336	72,000,336
Surplus for the year	12,969,805	-	12,969,805
Transfer from retained surplus to general reserve	(12,969,805)	12,969,805	-
Equity at the end of the financial year	**-**	**84,970,141**	**84,970,141**
2005			
Equity at the beginning of the financial year	-	64,580,907	64,580,907
Surplus for the year	7,419,429	-	7,419,429
Transfer from retained surplus to general reserve	(7,419,429)	7,419,429	-
Equity at the end of the financial year	**-**	**72,000,336**	**72,000,336**

GEOFFREY GARDINER DAIRY FOUNDATION LIMITED

A.C.N. 094 733 418

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 $	2005 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts in the course of operations		3,171,013	2,813,049
Payments in the course of operations		(4,765,739)	(4,512,014)
Interest received		9,302	10,635
Franking credits received from Australian Taxation Office		2,580,558	-
GST received from Australian Taxation Office		450,542	333,594
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	12(b)	1,445,676	(1,354,736)
CASH FLOWS FROM INVESTING ACTIVITIES			
Income reinvested by Investment Manager		(6,042,874)	(2,685,068)
Redemption of funds from Investment Manager		4,590,927	3,996,641
Purchase of plant and equipment		(16,340)	(22,758)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(1,468,287)	1,288,815
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease facility		(3,542)	(5,474)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(3,542)	(5,474)
Net decrease in cash held		(26,153)	(71,395)
Cash at the beginning of the financial year		66,574	137,969
Cash at the end of the financial year	12(a)	40,421	66,574

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1 Statement of Significant Accounting Policies

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

The financial report covers Geoffrey Gardiner Dairy Foundation Ltd (" Gardiner Foundation") as an individual company and complies with all Australian equivalents to International Financial Reporting Standards (AIFRS). Gardiner Foundation is a public company limited by guarantee.

The following is a summary of the material accounting policies adopted by Gardiner Foundation in the preparation of the financial report.

(a) Basis of preparation

(i) *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

Gardiner Foundation has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (A-IFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption Of Australian Equivalents to International Financial Reporting Standards, adjustments to Gardiner Foundations' accounts resulting from the introduction of A-IFRS have been applied, where applicable, retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Gardiner Foundation to be prepared in accordance with A-IFRS. The accounting policies set out below have been consistently applied to all years presented.

(ii) *Reporting Basis and Conventions*

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

(b) Projects

Gardiner Foundation, in accordance with its Constitution, continues to manage its funds to maximise benefits to all sectors of the Victorian Dairy Industry and to Victorian Dairying Communities in accordance with section 65 of the Dairy Act 2000 to fund projects for the development and support of the Victorian Dairy Industry, for the benefit of the wider community. Projects may include the following development and support activities for the Victorian dairy industry:

- Research, development, extension, technology transfer;
- Education, training, skill development;
- Change management programs for Victorian dairying communities;
- Local infrastructure programs for Victorian dairying communities;
- Regional economic development projects benefiting Victorian dairying communities.
- Other activities which improve the dairy industry in accordance with the Victorian Dairy Act.

Projects cover:

(i) Small Projects: Gardiner Foundation provides funding for individual projects to the value of $25,000, although in special circumstances funding above this level to a maximum of $100,000 may be considered.

(ii) Major Projects: Applications are open to groups or organisations involved directly with an innovative, integrated research and development program. Successful projects may be eligible for a contribution from Gardiner Foundation of at least $200,000 per annum for up to five years. Gardiner Foundation expects that it will fund up to 50 percent of the total costs of the project. Therefore, projects will need to incorporate at least one other additional funding source from commercial organisations, industrial groups or other public and private funding agencies.

(iii) Community Development: Gardiner Foundation provides funding for activities that support dairying communities, with the focus being toward projects which address the issues of leadership, labour and changing demographics.

(c) Income Tax

Gardiner Foundation is exempt from income tax and is an endorsed income tax exempt entity pursuant to Item 8.2 of Section 50-40 of the Income Tax Assessment Act 1936. Gardiner Foundation receives dividend and share buy back franking credits in respect of investment activities, from the Australian Taxation Office.

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes, deposits at call which are readily convertible to cash on hand and are used in the cash management function on a day to day basis.

(e) Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. Where applicable, the recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal. The recoverable amount may be determined from the expected net cashflows discounted to present values. An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount when applicable.

(f) Depreciation of Plant, Equipment and Leasehold Improvements

The depreciable amount of all fixed assets including capitalised leased assets, are depreciated on a straight line basis over their estimated useful lives to Gardiner Foundation commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The expected useful lives of the plant and equipment are as follows:

Plant and equipment	
Computer hardware and software	3 - 4 years
Other plant and equipment	5 years
Leasehold improvements	4 - 5 years

(g) Leases

(i) Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to Gardiner Foundation are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

(ii) Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(h) Financial Asset

The investments managed by ANZ Executors & Trustee Company Limited (ANZ Trustees) include fixed and variable interest cash and term deposits, Australian shares and property investment funds. The carrying amount of investments are reviewed by the ANZ Trustees on a monthly basis and adjusted to

market values which is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non listed companies. The portfolio of investments is not in excess of recoverable amounts. The expected net cash flows from recoverable amounts have not been discounted to their present value in determining the recoverable amount.
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. The investment principally comprises listed shares held for trading. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

(i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

(j) Equity

Gardiner Foundation is limited by guarantee and does not have share capital. Gardiner Foundation was formed for the purpose of managing the investment of funds to be used to benefit all sectors of the Victorian Dairy Industry and to Victorian Dairying Communities in accordance with section 65 of the Dairy Act 2000.

Gardiner Foundation is prohibited by the Constitution from making distributions to its members. In the event of winding up, the assets of the company shall be applied in satisfaction of its debts and liabilities and any surplus after such application shall be given or transferred to one or more bodies ("Successor Body(s)") having objectives consistent with the objects of the company. The allocation of the surplus between Successor Body(s) must be approved by unanimous resolution of each class of member and by the Minister of the Victorian Government whose portfolio or responsibilities include agriculture. If the Successor Body(s) fail to meet the objectives and surplus approval criteria by the date Gardiner Foundation is wound up, any surplus will be transferred to the Minister on behalf of the State of Victoria.

(k) Revenue

Investment income derived by the Investment Manager from funds invested on behalf of Gardiner Foundation includes cash income, franking credits generated during the year and claimed via Gardiner Foundation's application for refund from the Australian Taxation Office at the end of the financial year, and accrued income.
The change in the value of the funds invested with the ANZ Trustees is recognised as revenue in the Income Statement as a change in the net market value of investments.

(l) Goods and 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 Tax 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 the expense.
Receivables and payables in the Balance Sheet are shown inclusive of GST.
Cash flows are presented in the Cash Flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

		2006 $	2005 $
2	**Revenue**		
	Operating Activities		
	Interest received	9,302	10,635
	Investment Income including franking credits	7,667,189	4,800,432
	Change in net market value of investments - Note1(g)	9,330,409	6,410,633
	Sub-total Ordinary Income	17,006,900	11,221,700
	Non-Operating Activities		
	Significant revenue	31,923	284,342
	Other Income	-	2,500
	Sub-total Non-Operating Income	31,923	286,842
	Significant Revenues and Expenses		
	The following revenue and expense items are relevant in explaining financial performance:		
	Other Income		
	- Balance of proceeds on sale of Recaldent trademark	-	62,718
	- Recaldent royalties and volume sales	-	221,624
	- Reversal of accrued patent costs	31,923	-
	Total income from Recaldent	31,923	284,342
	Recaldent patent costs	-	(146,202)
	Net income from Recaldent trademark, royalties and volume sales	31,923	138,140

		2006 $	2005 $
3	**Expenses**		
	(a) Project expenses		
	Small projects	733,841	885,595
	Major projects	2,438,636	2,138,078
	Community development projects	352,346	455,504
		3,524,823	3,479,177
	(b) Other Expenses		
	Occupancy expenses		
	- Rental expense on operating lease	35,631	34,138
	- Other occupancy expenses	9,471	9,802
		45,102	43,940
	Patent costs	-	146,202
	Depreciation and amortisation of assets	19,683	15,431
	Rental expenses on operating lease	13,704	14,087
	Remuneration of auditor		
	- audit or review services	14,168	12,504
	- other services	-	-
	Administration expenses	451,538	377,772
		544,195	609,936
	Total Expenses	4,069,018	4,089,113
	(c) Employee Benefits Expense	400,027	315,707

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

		2006 $	2005 $
4	**Cash and Cash Equivalents**		
	Cash at bank and on hand	40,421	66,574
5	**Receivables**		
	GST receivable	56,144	130,727
6	**Financial Assets**		
	The investment with ANZ Trustees is based on the valuation by the Trustees at 30 June. An immediate withdrawal of all or part of investments held with Trustees may result in a loss of some capital value.	85,066,037	72,318,439
7	**Plant and Equipment**		
	Plant and equipment at cost	70,941	54,601
	Less accumulated depreciation	(47,269)	(33,635)
		23,672	20,966
	Leasehold improvements at cost	15,348	15,348
	Less accumulated depreciation	(3,580)	(512)
		11,768	14,836
	Capitalised leased plant and equipment	17,340	17,340
	Less accumulated amortisation	(17,340)	(14,360)
		-	2,980
	Total plant and equipment	35,440	38,782

Movements in carrying amounts

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

	Plant and Equipment $	Leasehold Improve-ments $	Leased Plant and Equipment $	Total $
Balance at the beginning of the year	20,966	14,836	2,980	38,782
Additions	16,341	-	-	16,341
Disposals	-	-	-	-
Depreciation expense	(13,635)	(3,068)	(2,980)	(19,683)
Balance at the end of the year	23,672	11,768	-	35,440

		2006 $	2005 $
8	**Payables**		
	Creditors and accruals	199,309	499,085

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 $	2005 $
9 Interest Bearing Liabilities, Capital, Leasing and Other Commitments		
(a) Finance lease commitments		
Payable		
- not later than 1 year	568	3,842
- later than 1 year but not later than 5 years	-	574
Minimum lease payments	568	4,416
Less future finance charges	(3)	(309)
Total Lease Liability	565	4,107
Current liability	565	3,542
Non current liability	-	565
	565	4,107

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements include computer equipment, motor vehicle and rental premises:

	2006 $	2005 $
Payable		
- not later than 1 year	27,721	33,443
- later than 1 year but not later than 5 years	2,063	26,394
	29,784	59,837

(c) Capital expenditure commitments contracted for and contingent liabilities

The following funding commitments for small projects and major projects existed at 30 June:

	2006 $	2005 $
Payable		
- not later than 1 year	2,934,887	4,039,837
- later than 1 year but not later than 5 years	1,706,015	2,149,816
	4,640,902	6,189,653

There were no other capital expenditure commitments or contingent liabilities at 30 June.

There were no events subsequent to reporting date that would affect this financial report.

	2006 $	2005 $
10 Provisions		
CURRENT		
Employee benefits	30,895	51,569
NON-CURRENT		
Employee benefits	3,215	6,215
Total employee benefits	34,110	57,784
Number of full and part-time employees at year end	4	4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 $	2005 $

11 Financial Reporting by Segments

Gardiner Foundation operates predominately in one industry and predominately in one geographical area, being Victoria. The main activity is the funding of projects as described in Note 1.

12 Reconciliation of Cash

(a) For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions.

	2006 $	2005 $
Cash at the end of the financial year is shown in the balance sheet as:		
Cash at bank and on hand	40,421	66,574

	2006 $	2005 $
(b) Reconciliation of cash flow from operations		
Surplus for the year	12,969,805	7,419,429
Non-cash flows		
Depreciation and amortisation	19,683	15,431
Change in value of investments	(9,330,409)	(6,410,633)
Other adjustments	(30,996)	-
Investment income not yet realised	(1,934,247)	(2,262,005)
Changes in assets and liabilities		
Decrease / (increase) in receivables	74,583	(21,246)
Decrease in other assets	707	1,465
Decrease in payables	(299,776)	(112,108)
(Decrease) / increase in provisions	(23,674)	14,931
Cash flow from operating activities	1,445,676	(1,354,736)

13 Related Party Disclosures

Consultancy fees paid to directors for services provided outside the scope of ordinary director duties:

	2006 $	2005 $
C D V Nixon, in his capacity as Chair of the Investment Committee and in connection with the project funding programs, financial and administrative matters.	20,000	20,000
M G Fehring, in his capacity as Chair of the Project Evaluation and Selection Committee for Small Projects.	10,000	10,000
I W MacAulay, in his capacity as Chair of the Community Development Steering Committee and Projects Evaluation and Selection Committees	10,000	10,000
G F Mitchell, in his capacity as a member of the Major R & D Projects Reference Group.	10,000	10,000
P J Moughan, in his capacity as a member of the Major R & D Projects Reference Group.	10,000	10,000
	60,000	60,000

14 Key Management Personnel Compensation

	Short-term employee benefits $	Post-employment benefits $	Other long term benefits $	Termination benefits $	Total $
2006					
Total compensation	206,750	35,438	-	34,000	276,188
2005					
Total compensation	222,500	11,830	-	-	234,330

Total compensation includes directors fees, compensation paid to the CEO and excludes consultancy fees paid to directors (refer note 13).

15 Impacts of the Adoption of Australian Equivalents to International Financial Reporting Standards

Gardiner Foundation changed its accounting policies where appropriate on 1 July 2004 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with the Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected Gardiner Foundation's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

	Note	Super seded policies *	Effect of transition to A-IFRS	A-IFRS
Effect of A-IFRS on the Balance Sheet as at 1 July 2004				
Liabilities - payables	(a)	713,593	(102,400)	611,193
Equity - General Reserve	(a)	64,478,507	102,400	64,580,907
Effect of A-IFRS on the Income Statement for the financial year ended 30 June 2005				
Expenses	(b)	4,108,073	(18,960)	4,089,113
Surplus	(b)	7,400,469	18,960	7,419,429
Effect of A-IFRS on the Balance Sheet for the financial year ended 30 June 2005				
Liabilities - payables	(a) & (b)	620,445	(121,360)	499,085
Equity - General Reserve	(a) & (b)	71,878,976	121,360	72,000,336

* Reported financial position in the financial statements for that year.

Note (a) Liability at 1 July 2004 of $102,400 transferred to Equity as the amount did not meet the definition of liabilities in accordance with A-IFRS. As this liability was also disclosed in the Balance Sheet for 2005, the Liability and Equity balances have been adjusted in that year.

Note (b) An amount provided and recognised as an expense and liability during 2005 reversed in the Income Statement and Balance Sheet as the amount did not meet the definition of liabilities in accordance with A-IFRS.

16 Financial Instruments

(a) Interest rate risk

Gardiner Foundation's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities is as follows:

30 June 2006	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non Interest Bearing	Total
			Within 1 year	1 to 2 years		
	2006	2006	2006	2006	2006	2006
	%	$	$	$	$	$
Financial Assets						
Cash and cash equivalents	5.39%	40,421	-	-	-	40,421
Financial Assets - Investments with ANZ Trustees. (Refer note at end of table).	0.00%	-	-	-	85,066,037	85,066,037
Receivables	0.00%	-	-	-	56,144	56,144
Total Financial Assets		**40,421**	**-**	**-**	**85,122,181**	**85,162,602**
Financial Liabilities						
Lease Liability	15.40%	-	(565)	-	-	(565)
Payables	0.00%	-	-	-	(119,309)	(119,309)
Total Financial Liabilities		**-**	**(565)**	**-**	**(119,309)**	**(119,874)**
Net Financial Assets		**40,421**	**(565)**	**-**	**85,002,872**	**85,042,728**

30 June 2005	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non Interest Bearing	Total
			Within 1 year	1 to 2 years		
	2005	2005	2005	2005	2005	2005
	%	$	$	$	$	$
Financial Assets						
Cash and cash equivalents	3.98%	66,574	-	-	-	66,574
Financial Assets - Investments with ANZ Trustees. (Refer note at end of table).	0.00%	-	-	-	72,318,439	72,318,439
Receivables	0.00%	-	-	-	130,727	130,727
Total Financial Assets		**66,574**	**-**	**-**	**72,449,166**	**72,515,740**
Financial Liabilities						
Lease Liablity	15.40%	-	(3,542)	(565)	-	(4,107)
Payable	0.00%	-	-	-	(499,085)	(499,085)
Total Financial Liabilities		**-**	**(3,542)**	**(565)**	**(499,085)**	**(503,192)**
Net Financial Assets		**66,574**	**(3,542)**	**(565)**	**71,950,081**	**72,012,548**

Note: The investments managed by the ANZ Trustees derived income from various sources including dividends, franking credits, interest and property investments.

16 Financial Instruments (cont'd)

(b) Financial risk management

The financial assets of Gardiner Foundation consists mainly of investments managed by ANZ Executors and Trustee Company Limited (ANZ). These investments comprise cash and shares in Australian companies The main purpose of these investments is to derive income to maintain the capital base and to assist with project funding.

Gardiner Foundation does not have any derivative financial instruments at 30 June 2006.

Treasury Risk Management

The Board of Gardiner Foundation through consultation with the ANZ set the investment strategies. Due to the nature of the funds investments in Australian Equities, the market value of the fund may vary from year to year dependent on economic conditions. Investments in Australian fixed interest securities will vary depending on the market interest rate from time to time.

(c) Credit risk

The maximum exposure to credit risk (excluding the value of any collateral or other security, at balance date) to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to and forming part of the financial statements.

Gardiner Foundation does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by Gardiner Foundation.

(d) Net fair values

The net fair values of listed investments managed by the ANZ have been valued at the quoted market bid price at balance date. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as Gardiner Foundation intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

The net fair values of assets and liabilities are materially in line with carrying values.

17 Gardiner Foundation Details:

The registered office and principal place of business is:

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Phone: (03) 9606 1900
Fax: (03) 9606 1999
Website: www.gardinerfoundation.com.au
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Independent audit report to members of Geoffrey Gardiner Dairy Foundation Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Geoffrey Gardiner Dairy Foundation Limited (the company), for the year ended 30 June 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report ; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Audit opinion
In our opinion, the financial report of Geoffrey Gardiner Dairy Foundation Limited is in accordance with:

(a) the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the financial position of Geoffrey Gardiner Dairy Foundation Limited at 30 June 2006 and of its performance for the year ended on that date; and
  (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
CORPORATIONS ACT 2001
Section 1274

R. Bruce Dungey
Partner
Melbourne
19 October 2006

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Auditor's Independence Declaration to the Directors of Geoffrey Gardiner Dairy Foundation Limited

In relation to our audit of the financial report of Geoffrey Gardiner Dairy Foundation Limited for the year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions to the auditor independence requirements of the Corporations Act 2001 or any other applicable code of conduct.

Ernst & Young

Ernst & Young

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION CORPORATIONS ACT 2001 Section 1274

R. Bruce Dungey
Partner

19 October 2006