

Investing for a Vibrant Dairy Future

Annual Report 2018





GEOFFREY GARDINER

(1950 – 1999)

“Geoffrey Gardiner was a man who started out living an ordinary life but then made an extraordinary contribution to the dairy industry and wider community.”

— **MAX FEHRING** —

Past President of the United Dairyfarmers of Victoria (UDV) and Dairy Farmer

The Gardiner Dairy Foundation was established via legislation under Section 65 of the Dairy Act 2000, in partnership with Victorian farmer, processor and manufacturer groups and the Victorian Government, to increase the international competitiveness of the Victorian dairy industry.

The Foundation was created with \$62m in funding from the sale of assets including milk brands, as part of deregulation of the dairy industry. The Foundation was named to honour the memory of Geoffrey Gardiner and the outstanding leadership contribution he made to the Victorian dairy industry and dairy communities.

The Foundation's purpose is to 'maximise benefits to the Victorian dairy industry and dairy communities'. The Foundation achieves this purpose by investing in a range of RD&E, People and Community Development projects together with enabling industry engagement across the value chain.

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Her Excellency the Honourable Linda Dessau AM

Governor of Victoria
Patron of the Gardiner Dairy Foundation



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Chairman's Review

The 2017/18 year has seen some very welcome positive movements for the dairy industry. Global demand for exports is continuing to grow, global supply and demand balance has improved and Australian milk production has exceeded expectations. Seasonal challenges however have again been testing for farmers particularly and with this in mind, I am very encouraged by the commitment from across the industry to again work together to help build confidence, trust and industry profitability through the coming year. The Gardiner Dairy Foundation will be active in supporting these important efforts.

During the last year the Gardiner Board and management have been active in reviewing and updating our Corporate Strategy. The new Strategy covers 2018–2021 and emphasises a focus on our constitutional purpose to “Maximise benefits to all sectors of the Victorian dairy industry and to dairy communities”. In delivering on this purpose we will ensure that our program investments align with the national dairy strategy and Victoria’s priorities. We have restructured our investments into three programs, covering Research, Development and Extension; People and Community Development; and Industry Engagement and Strategic Support. As we implement the new strategy, we will continue to emphasise strong industry engagement, co-investing with other industry organisations and being agile in responding to the dairy industry and community needs.

Recognising the need for prudent management of our asset base, in 2017/18 the Board undertook a comprehensive review of its investment framework. This review has led to a more diversified investment allocation designed to manage risk while maximising available funds for project investments.

Feedbase management is a critical component of profitable dairy farming, particularly the growth and utilisation of home grown forages. Consequently, Gardiner has placed emphasis on the Feedbase, firstly by the successful completion and dissemination of results from the study of farmers’ views on feedbase decisions, and secondly by Gardiner entering into a major five-year DairyFeedbase RD&E partnership with Dairy Australia and Agriculture Victoria.

The ImProving Herds program, funded by Gardiner since 2015, concluded in 2018. This outstanding program clearly demonstrated the financial benefits that can be achieved from herd recording and the use of superior genetics. These results are expected to encourage more farmers to use better genetics and herd recording as they really pay dividends.

The Monash Industry Team Initiative, focussed upon engaging university students with the dairy manufacturing sector to expose them to the many opportunities for fulfilling careers in the industry and life in regional Victoria, has concluded another successful program. Student feedback has been highly positive and the manufacturing sector report very valuable work was done by the student teams in addressing practical manufacturing issues while many students can now see exciting careers in the industry in future.

Building and supporting people capability continues as a longterm priority for Gardiner. The past year has seen a further expansion in our scholars, extending from young tertiary and farming entrants through to developing and senior industry leadership programs.

In 2017/18 the Niel Black bequest to Gardiner was completed and the bequest funds will be managed consistent with the existing Gardiner asset base, as required under the bequest. We are very grateful to the Black family for the bequest and look forward to the programs it will fund.

I would like to sincerely thank the Board of Directors and Gardiner management team for their continued commitment and support for the Foundation and the Victorian dairy industry. I am also most grateful to all our industry partners whose work with us is fundamental to Gardiner achieving its purpose.

Dr Bruce Kefford
Chairman





Chief Executive's Report

Gardiner Dairy Foundation's 2015–17 strategy has delivered a number of valuable projects according to industry and our stakeholders. Highly successful outputs and outcomes have been evidenced from projects such as ImProving Herds, the Monash Industry Team Initiative, Feedbase Decisions, and our scholarship and community small grants projects.

Our new strategy for 2018–2021 has taken a refreshed look at the current and emerging priorities of the dairy sector, together with an assessment of how the Foundation's project investments can be best applied in concert with project investments by other dairy industry service providers. Partnerships and significant investments into a small number of industry priority targets will be a feature.

In our RD&E program, the ImProving Herds and Feedbase Decisions projects concluded in 2017/18. ImProving Herds has been recognised with industry and science awards and a final project reporting to industry via a field day in March with over 300 attendees that emphasised industry's interest and support for the project outputs. Feedbase Decisions gave a comprehensive and insightful understanding of the drivers and constraints to improved feedbase management and utilisation, through the eyes of dairy farmers. The results of this study are already influencing future research and industry engagement activities.

With feedbase management recognised as a primary influence on farm profit, in 2017/18 Gardiner entered into a major new RD&E partnership with Agriculture Victoria and Dairy Australia. This partnership, known as DairyFeedbase, combines world leading scientists with a focus on achieving a high performance feedbase and enabling farmers to make easier, more informed decisions. In 2018/19 we will be seeking to further this approach of major RD&E partnerships focused on priority industry targets.

Our People and Community Development program has continued to support people across the dairy sector with scholarships to expand their knowledge base, capability and confidence to contribute to the industry and their local dairy communities. In the last year Gardiner Dairy Foundation has provided new scholarships to 29 dairy industry people, who are in addition to a number of continuing scholars from previous years.

A unique aspect of Gardiner's role is to support the strengthening of small Victorian dairy communities. In our 'Working in Dairy Communities – Small Grants Program', a partnership with the Foundation for Rural and Regional Renewal, we were able to increase our annual investment in 2017/18 to ensure all relevant and eligible projects from across Victoria's dairy regions were supported.

Contributing to and facilitating industry engagement is a priority for Gardiner. In the past year we have continued our efforts to bring industry people together to share views and ideas in order to progress industry thinking and planning on issues such as global trade, energy and industry confidence. Our efforts will continue in 2018/19, particularly on issues such as farming systems and milk pricing, Leadership and People Development strategies that are industry wide.

Prudent management of our asset base is a key responsibility of the Foundation and enables our on-going capacity to undertake projects that benefit Victoria's dairy industry and dairy communities. The objective for our asset investment portfolio is to achieve a return equivalent to inflation plus 5.0% per annum over a rolling 10 year period. For 2017/18 I am pleased to note that the Foundation achieved a return on our investment portfolio of 10.1%, thereby exceeding our objective for the year which equated to 7.1%. The Foundation remains well placed to continue to support the Victorian dairy industry and dairy communities into the future.

In 2017/18 we bid farewell to Mary Harney and Aaron Gosling, both having provided valuable long-term input to Gardiner's programs. I would like to express my gratitude to the Board and staff as well as our partners and industry stakeholders for their support in enabling the Foundation to achieve its purpose.

Dr Clive Noble
Chief Executive Officer





Message from the Minister for Agriculture and Regional Development

The dairy industry is a cornerstone of the agriculture sector in Victoria and a major contributor nationally. Victoria's dairy industry accounts for more than 65 per cent of annual national milk production and 80 per cent of Australia's dairy exports. Strategic and continuing investment to support the dairy industry is important to enable it to grow, create jobs and support regional communities right across Victoria.

Investments, such as those made by State and Federal governments and industry, such as the Gardiner Dairy Foundation, provide vital innovation to improve efficiency and boost production and develop markets.

These partnerships invariably lead to better outcomes. This year I was delighted to be able to announce the new DairyFeedbase partnership between the Gardiner Dairy Foundation, Dairy Australia and Agriculture Victoria. This new initiative brings together large-scale integrated research using cutting-edge technologies to improve pasture performance, animal nutrition and the cost-competitiveness of the feedbase. It is expected to boost farm operating margins by \$100 million per year and this will be vital in helping industry profitability and growth.

In October 2015 I co-hosted the launch of the Gardiner Dairy Foundation's ImProving Herds project. Now, some three years later, I am pleased to see that the project has been an outstanding success in developing tools that make it easier for all farmers to use genetics to improve their herd performance and enhance their profitability. Resources provided by Gardiner together with industry and the State

Government enabled the world leading scientific skills in Agriculture Victoria to deliver an outstanding outcome for the dairy industry, again illustrating the power of productive partnerships.

Building the capability and capacity of people and local communities is vital to supporting the sustainability and well being of our agricultural industries. The Gardiner Dairy Foundation's on-going support of Victoria's dairy regions through a range of programs is very important. The scholarships for new tertiary students, leadership and business management skills continues to help equip the next generation of farmers and agricultural leaders with the skills and networks they need to be successful. Similarly, the Foundation's Small Grants for Dairy Communities program, now in its sixteenth year, continues to provide terrific assistance to dairy communities for building local support and infrastructure.

I look forward to the implementation of the 2018–2021 Gardiner Dairy Foundation Strategy and the opportunities for building further partnerships between the Foundation, the State Government and the dairy industry.

Hon. Jaala Pulford

Minister for Agriculture and Regional Development



Gardiner Dairy Foundation Strategy 2018–2021

The Gardiner Dairy Foundation was established via legislation under Section 65 of the Dairy Act 2000, in partnership with Victorian farmer, processor and manufacturer groups and the Victorian Government, to increase the international competitiveness of the Victorian dairy industry.

Gardiner was created with \$62m in funding from the sale of assets, including milk brands, as part of deregulation of the dairy industry. Prudent management of the funds is an ongoing priority with the income produced supporting Gardiner's annual investment in key industry projects. The fund now has \$120m including bequests under management and has invested \$68m to 2018 in projects for the benefit of the industry.

Our Purpose

Maximise benefits to all sectors of the Victorian dairy industry and dairy communities.

Our Objective

To support the dairy industry vision of 'prosperous, trusted, world renowned nutrition', we fund and promote RD&E, people and community development, and industry support activities that will benefit all sectors of the Victorian Dairy Industry and Victorian Dairy Communities.

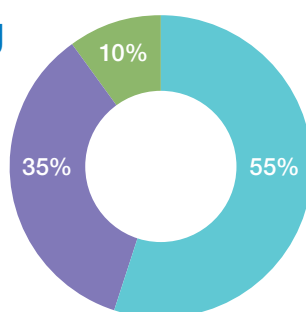
Our Programs

To deliver on our purpose we fund projects in:

1. Research, development and extension
2. People and community development
3. Industry engagement and support

Program funding

- RD&E
- People and community development
- Industry engagement and support



How we work

1. Prudent Stewardship

Funds are managed to best practice standards with a risk managed, long-term investment strategy.

2. Outcome Driven

Project investments align with our Purpose and Strategic Plan, are chosen using robust selection processes to deliver high impact.

3. Collaborate

We work cooperatively with industry organisations, government and stakeholders, co-investing to optimise the impact of investments.

4. Agility

We are alert and respond quickly to dairy industry and dairy community support needs.

5. Industry Engagement

We respect the contributions of our stakeholders and value processes and behaviours that provide a sound basis for trust, transparency and the delivery of value consistent with our Purpose.

6. Strategic Thought Leadership

We facilitate strategic discussions in the dairy industry and its communities to share new knowledge, encourage new ways of thinking and to promote innovation.

The Board



Dr Bruce Kefford PSM

B. Sc (Hons), PhD, GAICD, GAGSM, FIPAA

Chairman

Bruce Kefford joined the Gardiner Dairy Foundation Board in November 2014. Bruce was appointed Chairman at the AGM in October 2015. An experienced strategic leader with an in-depth knowledge of the food and agriculture sectors, and the dairy industry in particular, he is passionate about the application of innovation and science to improve industry competitiveness and sustainability. He is recognised nationally and internationally as a thought leader in the reshaping of the national primary industries innovation system. Until July 2013, Bruce was Deputy Secretary with the Department of Environment and Primary Industries, fulfilling senior advisory roles to industry, State and National governments. Bruce also has a deep understanding of the investment, evaluation and delivery of research, development and extension, extensive relevant board experience as well as a track record of brokering significant partnerships and joint ventures.

Special Responsibilities

Member: Finance, Audit, Investment & Risk Committee.
Member: Human Resources and Governance Committee.



René Dedoncker

René Dedoncker joined the Gardiner Dairy Foundation Board in 2017. He is currently the Managing Director of Fonterra Australia. He joined the Fonterra Co-operative, a global dairy nutrition company, in 2006 and has held global leadership roles with responsibility for managing businesses and customers in over 50 countries. Most recently René was responsible for leading the strategic agenda for Fonterra's Global Brands, Research & Development, and Food Safety & Quality.

Special Responsibilities

Member: Finance, Audit, Investment and Risk Committee.



Andrew Maughan

BSc, LLB, MBA, FFinsia, FAICD

Andrew Maughan joined the Gardiner Dairy Foundation Board in October 2015 and chairs the Finance, Audit, Investment and Risk Committee. Andrew is a lawyer, corporate advisor and experienced company director. His background spans international trade and agriculture, strategy and risk management, corporate finance and investment management. He is currently Managing Director of corporate advisory firm Somerset Capital Pty

Ltd and is Chairman of food and agriculture companies, AgLink Australia Pty Ltd, Langdon Group Pty Ltd, AGnVET Services Pty Limited and The Pastoral Pork Pty Ltd. He is a Director and Investment Committee Member of the Norman Beischer Medical Research Foundation and President of Old Melburnians Society. Andrew has previously been an Independent Director of the Pork CRC and a Director of the Mt Hotham Alpine Resort. Before founding Somerset Capital in 1999, Andrew worked for Cargill (USA, Canada and Australia), Hudson Conway Limited and legal firm Herbert Smith Freehills.

Special Responsibilities

Chairman: Finance, Audit, Investment and Risk Committee.



Naomi Pye

DipT.P, AdvDipAg., GAICD

Naomi Pye joined the Gardiner Dairy Foundation Board in June 2016. Naomi is a Director and Manager of Boldrewood Dairies Pty Ltd, a multi-generational family dairy farm. She holds qualifications and experience in education and agriculture. Naomi has been an active member of the dairy industry for over 20 years through roles with United Dairyfarmers of Victoria, Victorian Farmers Federation, Australian Dairy Farmers Federation and WestVic Dairy. She has ten years' experience on government boards, previously Glenelg Hopkins Catchment Management Authority and currently Southern Rural Water. Naomi is a graduate, and member, of the Australian Institute of Company Directors.

Special Responsibilities

Member: Human Resources and Governance Committee.



Dr Judith Slocombe AM

BVSc, MRCVS, MBA, FAICD, FAIM

Judith Slocombe was appointed as a Director of the Gardiner Dairy Foundation Board at the AGM in October 2015. From entrepreneurial beginnings in the business of Veterinary Pathology to senior executive roles, Judith's extensive board experience covers the corporate, government and not-for-profit sectors. Judith is the former Chief Executive Officer of the not-for-profit community organisation, Alannah and Madeline Foundation and Chair of the Consumer Advisory Panel at Walter + Eliza Hall Institute. She also holds director positions with the Cure MND Foundation, Children's Rights International, Leadership Victoria and the Young and Well Co-operative Research Centre. Judith was named the Telstra Australian Business Woman of the Year in 2001 and awarded the Centenary Medal for service to Australian Society in Business Leadership in 2003.

Special Responsibilities

Chairman: Human Resources and Governance Committee.



The Team



Dr Clive Noble PSM

B. Agr. Sci. (Hons), PhD, GAICD, FIPAA

Chief Executive Officer

Clive was appointed Chief Executive of the Gardiner Dairy Foundation in February 2018. A former public sector senior executive with a strong background in science and research, strategy and thought leadership, Clive has also been a senior executive consultant to government, agricultural industry, agribusiness and university sectors in governance reviews, strategy development, technology commercialisation, partnerships and joint ventures, capability development and performance evaluation. He has a deep understanding of national agriculture RD&E, combined with his leadership and understanding of innovation systems. Clive has extensive relationships across stakeholders of the Australian dairy industry and has utilised his industry relationships to enable him to create an extensive range of collaborations and partnerships to achieve joint benefits for parties.



Ashley Eldridge

B.Comm (PR) (Commenced August 2017)

Community & People Development (CPD) Projects Coordinator

Ashley was appointed as Community & People Development Projects Coordinator in August 2017. She holds a Bachelor of Communications (Public Relations) from RMIT and has a strong background in media, advertising, marketing and stakeholder management. Her previous experience working in a creative advertising agency equipped Ashley with a proficient level of exposure to regional Australia and New Zealand working with Agricultural and Machinery clients. She has also worked in one of Australia's leading media publications where she worked with motoring and machinery dealer associates. Working with the PCD program, Ashley has been able to develop strong relationships across the dairy supply chain as well as successfully plan and implement our events since commencing her role with the Gardiner Dairy Foundation.



Jainesh Lal

CPA, B.Com (Acctg and Finance), AGIA

Finance Manager & Company Secretary

Jainesh was appointed as Finance Manager and Company Secretary in May 2014. Jainesh possesses over 16 years of experience in various Finance and Accounting roles held over a range of industries, of which the previous ten years have been in the not-for-profit sector. Jainesh's notable roles include Program Finance Manager at the United Nations Development Program based in Fiji, and most recently as the Finance Manager at the Nossal Institute for Global Health, a subsidiary company of the University of Melbourne.



Caitlin Scholfield

B. Bus (Ag) (August 2017 to May 2018)

Business Manager

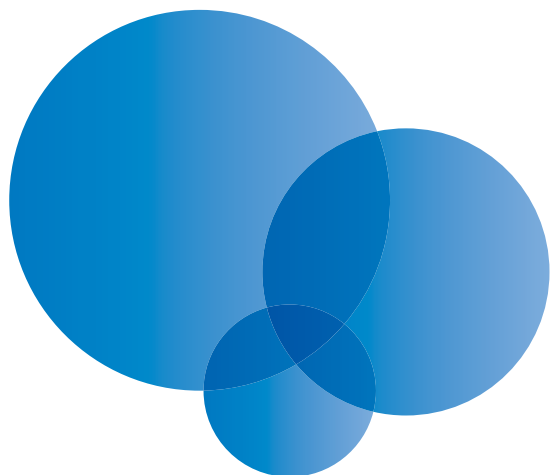
Caitlin was appointed as Business Manager in February 2015. She was the Chair of the Young Farmer Ministerial Advisory Council from 2015–2018. She is a former director of the Future Farmers Network Board and spent almost three years as Industry Development Manager with the Australian Fodder Industry Association. In 2012 Caitlin started a networking group for Melbourne based agribusiness professionals called AgNext which operated for two years. She has social media, sales and marketing experience in the agricultural space and spent a year in Scotland as a farm based exchange student.



Jenny Walsh

Office Manager

Having an extensive background in the dairy industry, Jenny joined the Gardiner Dairy Foundation in June 2007 and is responsible for the office management, administrative, financial and team support functions. She also provides administration support to the Chairman and Chief Executive.



Departures

- Tim Roache concluded in August 2017.
- Mary Harney concluded in October 2017.
- Aaron Gosling concluded in March 2018.



Thought Leadership

– Michael Every

Gardiner Dairy Foundation is passionate about promoting thought leadership in the dairy industry and delivering information about best practice in agriculture to Australian farmers, politicians and decision-makers.

Gardiner Dairy Foundation brought together Australia's key industry leaders for its annual Dairy Leaders Luncheon in February at Queens Hall, Parliament House to explore the theme "The Great Game in Global Trade."

Michael Every, from Rabobank, was the keynote speaker at this function and he is the Head of Financial Markets Research in the Asia-Pacific. Michael broadened the minds of guests by delivering a big picture view to global trade, exploring a historical approach using the elements of game theory.

Free trade has been an interesting topic for Australian dairy farmers in recent years. Understanding the elements of global trade will assist the development of a long and bright future in the dairy industry. Currently the main issue facing the industry is milk supply exceeding demand on a global scale. This issue can determine the farmgate milk price, particularly export market supply and demand.

Despite the challenges, Australian dairy farmers' are among the most efficient in the world, trading substantial volumes of dairy products to the global market. This means it's imperative we recognise the economic, social and political elements of global trade and the implications the industry can have to support the future of dairy trade.

Michael is currently based in Hong Kong analysing major developments in the Asia-Pacific region and contributes to Rabobank's various economic research publications for internal and external customers and media. Michael has impressed crowds with his in-depth and engaging presentations around the world. Before Rabobank, Michael was a Director at Silk Road Associates, a strategy consultancy based in Bangkok. Prior to this, he was a Senior Economist and Fixed Income Strategist at the Royal Bank of Canada based in both London and Sydney. Michael was also a former Economist for Dun & Bradstreet in London, covering ASEAN.

Gardiner Dairy Foundation remains committed to hosting thought leadership events that provide dairy leaders the experience and knowledge that will allow us to build a vibrant dairy future.



Monash Industry Team Initiative

The Gardiner Dairy Foundation continues to demonstrate its commitment to a long-term future for the dairy industry through ongoing support of the Monash Industry Team Initiative (MITI) Program.

The MITI Program partners high-calibre multi-disciplinary students with dairy manufacturers, providing the dairy industry the benefit of having bright young minds exposed to real world challenges. In turn, the students are exposed to career opportunities in regional Victoria. MITI students are not only given a taste of a career in the dairy industry, they also experience life in regional Victoria.

The MITI program primarily targets the manufacturing sector of the dairy supply chain, embedding teams of enthusiastic young people bringing a fresh set of eyes to challenges.

As dairy manufacturers shift away from bulk commodities, towards more consumer-focused products, they require increasingly sophisticated skill sets. The Gardiner Dairy Foundation's support of the MITI program was established to address this challenge by attracting high-calibre engineers and other multi-disciplinary skills to the dairy industry.

"The MITI Program is fantastic, it fosters the process of exchange by creating teams that get together and share ideas to generate positive outcomes" said Barry Irvin, Executive Chairman at Bega. "I get the chance to talk to young people about what the real challenges are, and to think about what the world might look like in the future, and what's possible." Mr Irvin said.

'MITI' has been a common refrain across all the dairy manufacturers who've been involved in the program – Fonterra, Bega Cheese, Warrnambool Cheese and Butter, Parmalat, Lion, Burra Foods and the former Devondale Murray Goulburn.

Since the pilot program in 2014/15, over 120 students have taken part in 35 projects. This year, the program funded 26 students across seven projects including Fonterra, Bega Cheese, Warrnambool Cheese and Butter, Parmalat, and Burra Foods and the Department of Economic Development, Jobs, Transport and Resources (DEDJTR). The program has won three national awards in two years, the most recent being the Australian Financial Review Industry Engagement Award in August 2017.

Levi Jackson was one of the students placed with Warrnambool Cheese and Butter this year. "Through the MITI Program, I found working in the dairy industry extremely rewarding and interesting, and I'll certainly be seeking out employment opportunities in this industry in the future." Mr Jackson is currently completing his fourth year of an Engineering and Commerce double degree.

MITI Program Director at Monash University, Madeleine McManus OAM, said "By integrating dairy into the MITI Program, we've created a cohort of expertise and a genuine interest from students in dairy, with alumni now even working and seeking employment in the dairy industry."

We're looking forward to introducing another cohort of skills to our great industry in the 2018/19 summer.



Performance of Gardiner Dairy Foundation Investment Portfolio

Gardiner Dairy Foundation is responsible for prudent management of the Foundation's investment portfolio. This responsibility is guided by Gardiner Dairy Foundation's Constitution which requires the Foundation to:

- Invest the income and capital of the Company in investments that are prudent and not speculative.
- Diversify the investments.
- Have regard to the need to maintain the real value of capital and the risk of capital loss or depreciation.
- Have regard to the liquidity and marketability of the proposed investment.

Consistent with this, Gardiner Dairy Foundation and its investment advisor have developed an investment strategy that recognises the Foundation's Not-For-Profit status and perpetual investment horizon. The strategy aims for capital growth of at least the Consumer Price Index (CPI), through the economic cycles, and to deliver a stable and growing income stream from interest, dividends and franking credits. In addition to the requirement to maintain the real value of the portfolio, Gardiner Dairy Foundation's investment returns are invested back into the Victorian dairy industry and its communities.

Gardiner Dairy Foundation's investment strategy is expressed in the Strategic Asset Allocation (SAA), that has evolved over time and is summarised as follows:

Period	Investment Manager(s)	Approach	Strategic Asset Allocation
June 2001 to Nov 2004	State Trustees	Manager of Managers with funds invested in various BT, Merrill Lynch and State Trustees funds	35% Australian Equity 25% International Equity 10% Property 15% Fixed Interest 10% Cash
Dec 2004 to May 2009	ANZ Trustees	Direct active Stock Selection	75% Australian Equity 5% Listed Property 20% Debt Securities
May 2009 to Oct 2017	Equity Trustees	Direct active Stock Selection	< 90% Australian Equity & Listed Property > 10% ¹ Debt Securities & Cash
Nov 2017 to date	Outsourced to external investment management companies (refer table 3)	Investments are held in asset class specific unit trusts ¹	55% Australian Equities 20% International Equities 10% Property (Unlisted) 10% Infrastructure (Unlisted) 5% Cash

The Foundation's SAA delivered a relatively stable and growing income stream. Whilst there has been some volatility in the capital value of the investment portfolio since inception, its real value has been maintained throughout economic cycles.

Figure 1 shows the growth of Gardiner Dairy Foundation's investment portfolio from the starting value of \$62.13m in 2000 through to the closing value of \$127.79m at the end

of the 2017/2018 financial year. The chart also shows the inflation adjusted value required to maintain the real value of the original investment which at the end of the 2017/2018 financial year was \$110.31m. The value of the corpus in FY2017/18 was bolstered by amalgamation of the Niel Black Bequest funds with the corpus². The portfolio value is 15.81% more than inflation adjusted value of the corpus (including the Niel Black bequest).

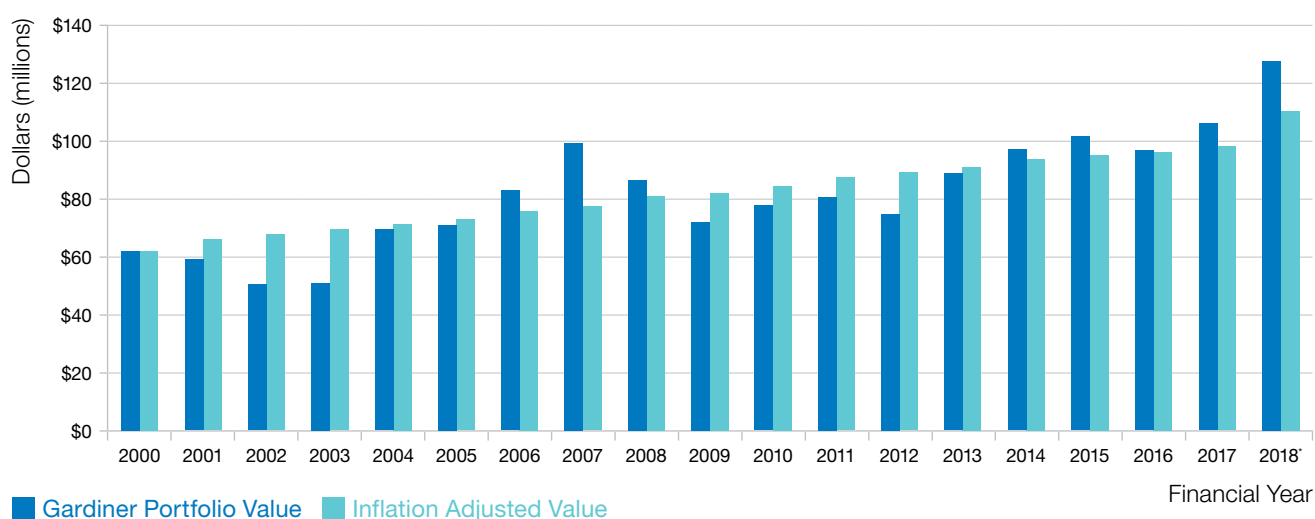
¹The Foundation's investment advisor regularly reviews the Foundation's Strategic Asset Allocation (SAA) and may recommend to tactically change the asset allocation weighting according to their view of financial market conditions.

²The value of the Niel Black bequest at the time of full receipt (November 2017) was \$10.14m and, represents 8.35% of the total corpus at that time.



PERFORMANCE OF GARDINER DAIRY FOUNDATION INVESTMENT PORTFOLIO

Figure 1: Inflation Adjusted Value of the Investment Portfolio versus Actual Value³



*Please note that the 2018 Portfolio value and inflation Adjusted Value include the Niel Black bequest of \$10.14m

Investment Objective and Strategic Asset Allocation Review

On a triennial basis, the Gardiner Dairy Foundation's investment portfolio and investment managers' performances are reviewed by an external and independent party. Mercer completed the independent review in 2011 and 2014. In 2017, following a competitive tender process, asset consultant Frontier Advisors were engaged to undertake a comprehensive review of the Foundation's investment objectives and strategy. Following the review, Frontier Advisors recommended a revised investment objective and Strategic Asset Allocation, that the Foundation Board approved and adopted.

The investment objective adopted is as follows

To maximise the long-term investment performance of the Portfolio, subject to:

- A reasonable (approximately two thirds) probability of achieving a return equivalent to inflation (as measured by the change in CPI) plus 5.0% p.a. over rolling 10 year periods, on an after-fees basis; and
- The chance of a negative return in any financial year being less than one in five years.

To enable the Foundation to achieve its investment objective regarding risk and return, the Foundation adopted the following:

Table 1: Strategic Asset Allocation (SAA) adopted

Asset Class Strategic	Strategic Asset Allocation (%)	Asset Class Ranges (%)
Australian Equities	55	40 – 75
International Equities (Unhedged)	20	10 – 35
Property (Unlisted)	10	0 – 20
Infrastructure (Unlisted)	10	0 – 20
Cash	5	0 – 15
Total	100	

The Foundation terminated its Australian equities mandate with the former Investment Manager, Equity Trustees, at the end of October 2017.

³Note the CPI figure used for 2017/2018 is sourced from http://www.rba.gov.au/inflation/measures-cpi.html#year_ended.

Implementation of the new Strategic Asset Allocation

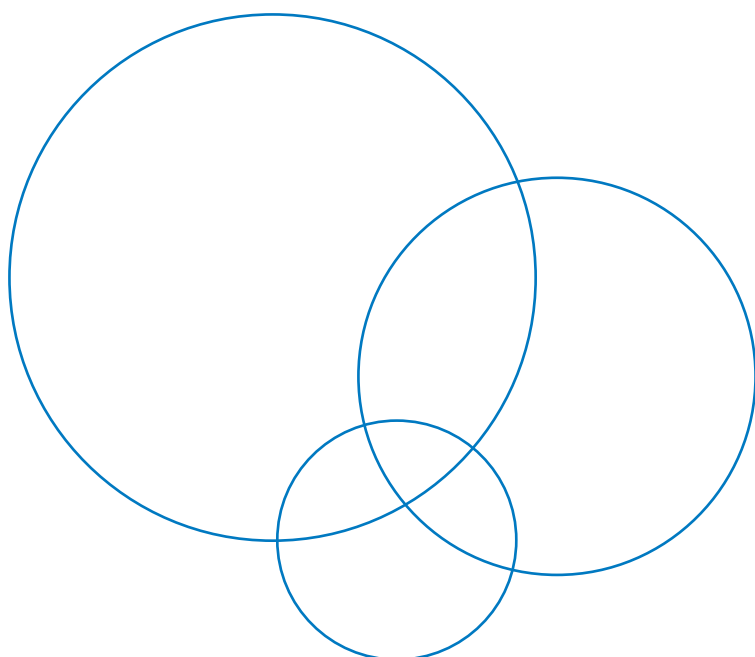
The Foundation commenced implementation of the newly adopted SAA from November 2017.

The deployed asset classes of the new SAA as at 30 June 2018 are presented in Table 2:

Table 2: Asset classes deployed as at 30 June 2018

Asset Class	Fund Manager and Product	Current Asset Allocation %	Strategic Asset Allocation %	Variance %	Valuation \$
Australian Cash	IFM Investors Australian Transaction Cash Fund	2.43	5.00	-2.57	3,101,153
Australian Property	AMP Diversified Property Fund	12.22	10.00	1.90	15,199,334
Australian Equity	Plato Australian Shares Tax Exempt Strategy	62.30	55.00	8.13	80,664,697
International Equity	BlackRock Wholesale Indexed International Equity Fund (Unhedged Currency)	22.96	20.00	2.55	28,802,476
Infrastructure	IFM Australian Infrastructure Fund*	0.00	10.00	-10.00	-
Total		100.00	100.00	0.00	127,748,019

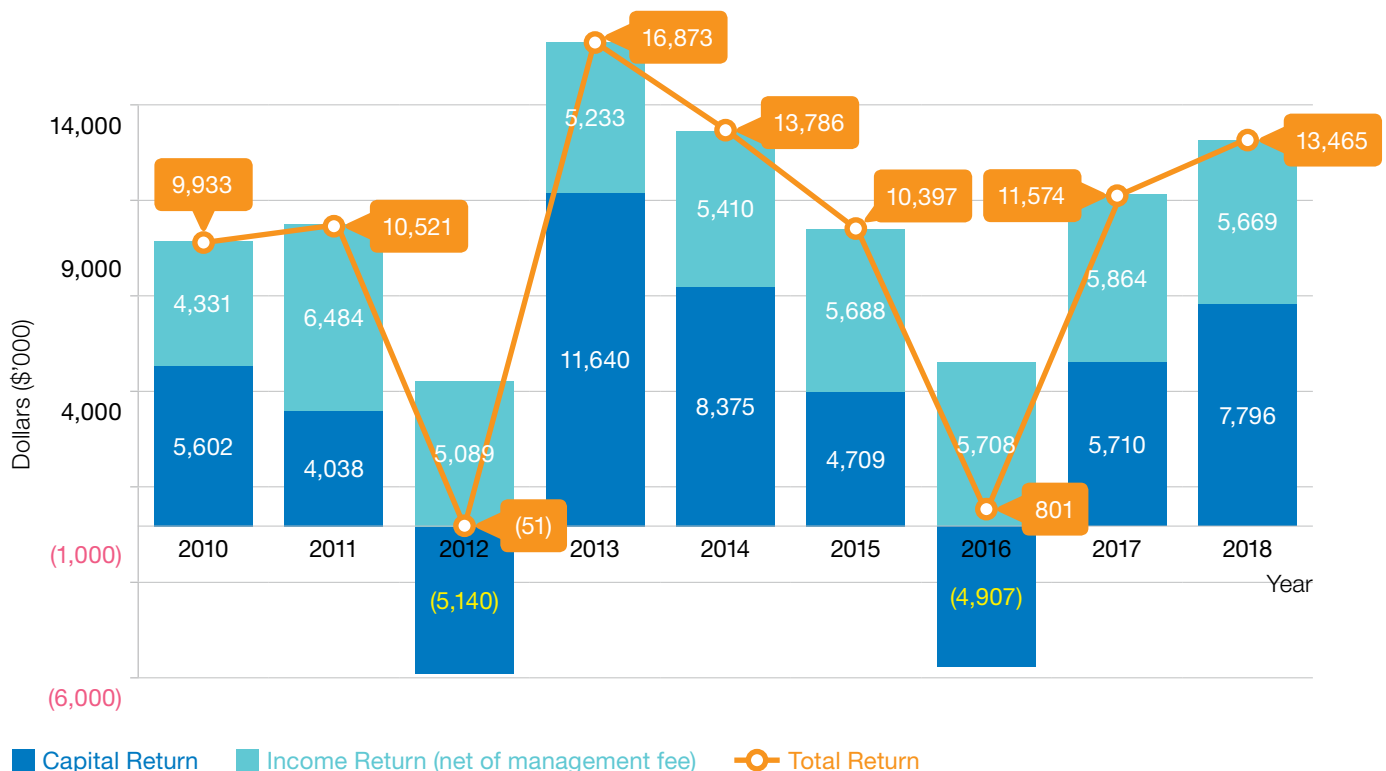
*It should be noted that investment in the Infrastructure asset class may take over a year to implement as there is an investor applicant queue.



Investment Returns

With transition to the new SAA, the 2017/18 financial year investment returns for the Foundation were a blend of the returns from the Equity Trustees Australian equities portfolio (since terminated) and the newly adopted multi-asset class (and Investment Managers) investment strategy as reflected in Figure 2.

Figure 2: Capital return, income return (net of management fee) and total return



Financial Year 2017/18 Assessment

The Gardiner Dairy Foundation's investment objective is to achieve a return equivalent to inflation plus 5.0% per annum over a rolling 10 year period. For the 2018 financial year, the Foundation achieved a return on investment of 10.1%, thereby exceeding its investment objective (this equated to 7.1% in the 2018 financial year).

In absolute dollar terms, the total return was \$13.46m, of which \$5.67m was income returns from interest, dividends and franking credits (net of management fee) and \$7.79m represents capital growth as reflected in Figure 2.

The Foundation's corpus performance since transition to the new SAA in November 2017 was primarily due to Australian and International equities that both posted strong returns.

Gardiner Dairy Foundation

Program Funding

Since its inception in 2000, Gardiner Dairy Foundation has contributed over \$68m towards projects to support Victoria's dairy industry and dairy communities.

Gardiner Dairy Foundation works cooperatively across the supply chain and within the advocacy and support network of the dairy industry, providing the funds and the flexibility to adapt to changing circumstances.

In accordance with the Gardiner Dairy Foundation Strategy 2018-2021, there are three program areas of strategic investment; RD&E, People and Community Development, Industry Engagement and Support.

Since 2010, the Dairy Moving Forward (DMF) initiative has been the national strategic framework for pre-farm gate RD&E for the national dairy industry. Gardiner Dairy Foundation has prioritised its pre-farm gate RD&E investments to align with the priorities of the Dairy Moving Forward framework and this is reflected in project investments in our RD&E program where the focus is upon the DMF categories of Animal Performance and Feedbase & Animal Nutrition.

Our major support for the manufacturing sector is in partnership with Monash University and the award-winning Monash Industry Team Initiative (MITI).

Our investment in People Development aligns with the People category of Dairy Moving Forward and also the priorities of the Dairy Industry People Development Council and the Australian Dairy Industry Council's leadership blueprint. Our investments particularly support building knowledge and leadership capability, business management skills and attracting young professionals to the dairy industry.

A unique role of Gardiner Dairy Foundation continues to be investing to strengthen dairy communities, via a partnership with the Foundation for Rural and Regional Renewal (FRRR) delivering small grants to support community initiatives. Our tertiary scholarships also support regional dairy communities to develop and retain their young people with skills across a wide range of professional disciplines.

To strengthen interactions and collaborations across the dairy industry, Gardiner Dairy Foundation invests in a number of industry engagement and thought leadership events and presentations. These activities encourage insightful knowledge sharing and debate on industry challenges and opportunities, together with contributing to stronger relationships across the value chain. Our events include leadership alumni, international speakers and support for regional recognition of industry excellence.



RD&E Program

The Gardiner Dairy Foundation's Strategy 2018-2021 includes the Research, Development and Extension program that focuses on the development and application of innovations to improve the profitability, sustainability and growth of Victoria's dairy industry. The approach is to invest a meaningful amount into a small number of well-targeted, large projects, in strategically important industry priorities.

Launched in 2015, a major RD&E investment has been through the project ImProving Herds. This \$1.5m investment over three years, plus matching collaborator funds, has been directed towards the Dairy Moving Forward (DMF) priority area of Animal Performance. The 2017/18 year has represented the final year of the project. The ImProving Herds project has been an outstanding success, as judged by scientific peers and the industry. The results arising from the project are expected to have a significant positive impact on genetic improvement of Australian dairy herds for many years.

Commenced in 2016 and concluded in mid 2018, the Gardiner Dairy Foundation has been the major investor in a project to identify "Novel approaches to control the current threat of liver fluke in Victorian dairy herds." This project has included collaborators from Dairy Australia, La Trobe University and Agriculture Victoria, resulting in new insights, diagnostics and practices to mitigate the impact of liver fluke on dairy herds.

Improved production, management and utilisation of the dairy feedbase is a major priority for the dairy industry and this is reflected in the Dairy Moving Forward (DMF) Feedbase RD&E priorities. During 2017/18, to support the industry and industry service providers across the R&D, extension and advisory spectrum, the Gardiner Foundation funded a comprehensive social and behavioural science study of "Feedbase Management: A Survey of Victorian Dairy Farmers." This project, has provided extensive clarity and understanding on the drivers and impediments for dairy farmers in adopting improved feedbase management and utilisation practices. These results are providing researchers, advisory staff and RD&E program managers with valuable insights to better design and deliver both existing and new feedbase technologies and practices to dairy farmers.

Consistent with the industry priority focus on the feedbase and the Gardiner Dairy Foundation Strategy, in 2018 the Foundation has partnered with Dairy Australia and DEDJTR (Agriculture Victoria) to establish the 'DairyFeedbase' collaboration. This new innovation initiative will support the delivery of high impact innovations to the dairy industry by bringing together large-scale integrated research using cutting-edge agricultural technologies to improve pasture performance, animal nutrition and the cost-competitiveness of the feedbase. Commencing in 2017/18 the Gardiner Dairy Foundation will contribute \$9m over six years, as part of the total initiative of over \$50m.



Commencing in 2017/18 the Gardiner Dairy Foundation will contribute \$9m over six years, as part of the total 'DairyFeedbase' initiative of over \$50m.

ImProving Herds

Genetic improvement has been identified as a major driver of productivity and profit in Australian dairy. Losses through unrealised potential genetic gain are estimated to cost the industry between \$23–\$40 million per annum.

The ImProving Herds project was a Gardiner Dairy Foundation initiative, in collaboration with Dairy Australia, DataGene, the Victorian Government, Holstein Australia and the National Herd Improvement Association of Australia (NHIA). Dr Jennie Pryce (DEDJTR) has been the project leader.

Launched in 2015, ImProving Herds has been a three-year \$3.3m project to demonstrate how herd improvement can assist accelerating gains in farm profitability.

The ImProving Herds project brought together world-class experts in a collaboration across four modules, which aimed to:

- Demonstrate the value of herd testing to dairy businesses.
- Demonstrate the value of genetics to dairy businesses.
- Demonstrate the value of genomic testing to dairy businesses.
- Determine the contribution of breeding to curbing dairy's environmental footprint.

The project involved:

- Seven focus herd test partner farms – tracking the value of using herd test data to make quick decisions.
- 27 dairy genetics partner farms – analysing how profit is impacted by focused bull selections and the testing of females.
- Demonstrating the contribution that better herd data and higher genetic merit make to on-farm financial performance.
- Developing sophisticated modelling to test scenarios on farms and across herds, including the impact of genetic gain on resource use and methane emissions.

2017/18 was the final year of the project and in May the project findings were presented at a major field day, The National Muster, held at a partner farm in Leongatha South, Victoria.

The ImProving Herds project results give farmers confidence to base their breeding decisions on the Balanced Performance Index – BPI. The daughters of high BPI bulls produce more milk solids, make more money and last longer in the herd.

“The results showed that, compared to their herd contemporaries, cows with a high BPI have higher margins over feed costs,”
Dr Jennie Pryce, project leader.



Results also showed there was a strong relationship between the heifer genomic results for Australian Breeding Value – ABVs – and the first lactation production records. Farmers can be confident in using genotyping to identify replacement and surplus heifers at an earlier age,

The project found that breeding for high BPI reduced greenhouse gas emissions per unit of product. This is because selecting for high BPI breeds cows which are more efficient producers and last longer in the herd.

The ImProving Herds results have provided concrete evidence of the value of herd improvement and the findings will be incorporated into industry extension programs, such as those run by DataGene.



Feedbase Decisions

With milk price largely out of a farmer's control, feed costs are a very influential lever affecting farm profit. Feed costs commonly comprise approximately half of the costs for dairy farm businesses and it is widely known that farmers can likely decrease feed costs by maximising home-grown forage utilisation, being the lowest cost, high-quality feed.

Over many years, significant dairy RD&E has sought to increase home-grown forage utilisation. Such R&D has led to improvements in pasture genetics, fertiliser application, water management and pest and weed control. A study commissioned by Gardiner Dairy Foundation in 2017 found it was possible for average home-grown feed consumption per farm to increase by around 3 tonnes DM per hectare (over 10 years).

However, performance measures such as utilisation per hectare or per megalitre of irrigation water and / or rainfall across the industry have not improved. Why?

Gardiner Dairy Foundation has funded a \$200k project titled "Feedbase Management – A survey of Victorian dairy farmers" (Feedbase Decisions Study), with collaboration from Dairy Australia and the Victorian Regional Development Programs (RDPs), to better understand the decision-making drivers and impediments for dairy farmers' improving home-grown forage utilisation.

A team from the University of Southern Queensland, led by Dr Geoff Cockfield, interviewed more than 150 farmers to listen to them describe their businesses, their aspirations and their feedbase system.

Most of the farmers recognised that improvements in home-grown feed can make their businesses more profitable, but they were cautious about making changes on their farms. They thought that small gains could be made by improving fertiliser amounts and timing, grazing management, balancing different feed sources, irrigation, or farm layout. When the farmgate milk price is low, even these incremental gains are particularly important.

The project also found that having human resourcing that allowed specialisation within the business, so that one person could become an expert on the feedbase, was particularly powerful.

The team identified a number of reasons why farmers don't or are reluctant to, make changes to feedbase (and other) management practices, including:

- Cash flow and financial considerations
- Concerns about seasonal and market conditions
- Time availability
- Labour availability and quality
- Farm layout and infrastructure
- High self-reliance (on own, family or peer information and ideas)
- Social and learning preferences
- Stage of life or achievement
- Being in a non-growth business stage
- Succession issues and
- Risk averseness.

Developing better business management skills was widely recognised amongst farmers as a critical area to enable better implementation of feedbase fundamentals and innovations into the farm business.

A connecting thread identified from farmer interviews in relation to extension, was the need to engage farmers in conversations, with experts, consultants or other farmers, that encourages reflection on assumptions and practices.



Liver Fluke Control

Liver fluke, a parasite transmitted by an aquatic snail, infects pastures near irrigation channels, dams and drains. Livestock typically consume the infective cysts on the pasture and then contract the parasite.

The parasite migrates through the liver for a period of six to eight weeks causing extensive damage, resulting in significant production losses.

The Gardiner Dairy Foundation project, co-funded by Dairy Australia with additional contributions from Agriculture Victoria and La Trobe University, aims to:

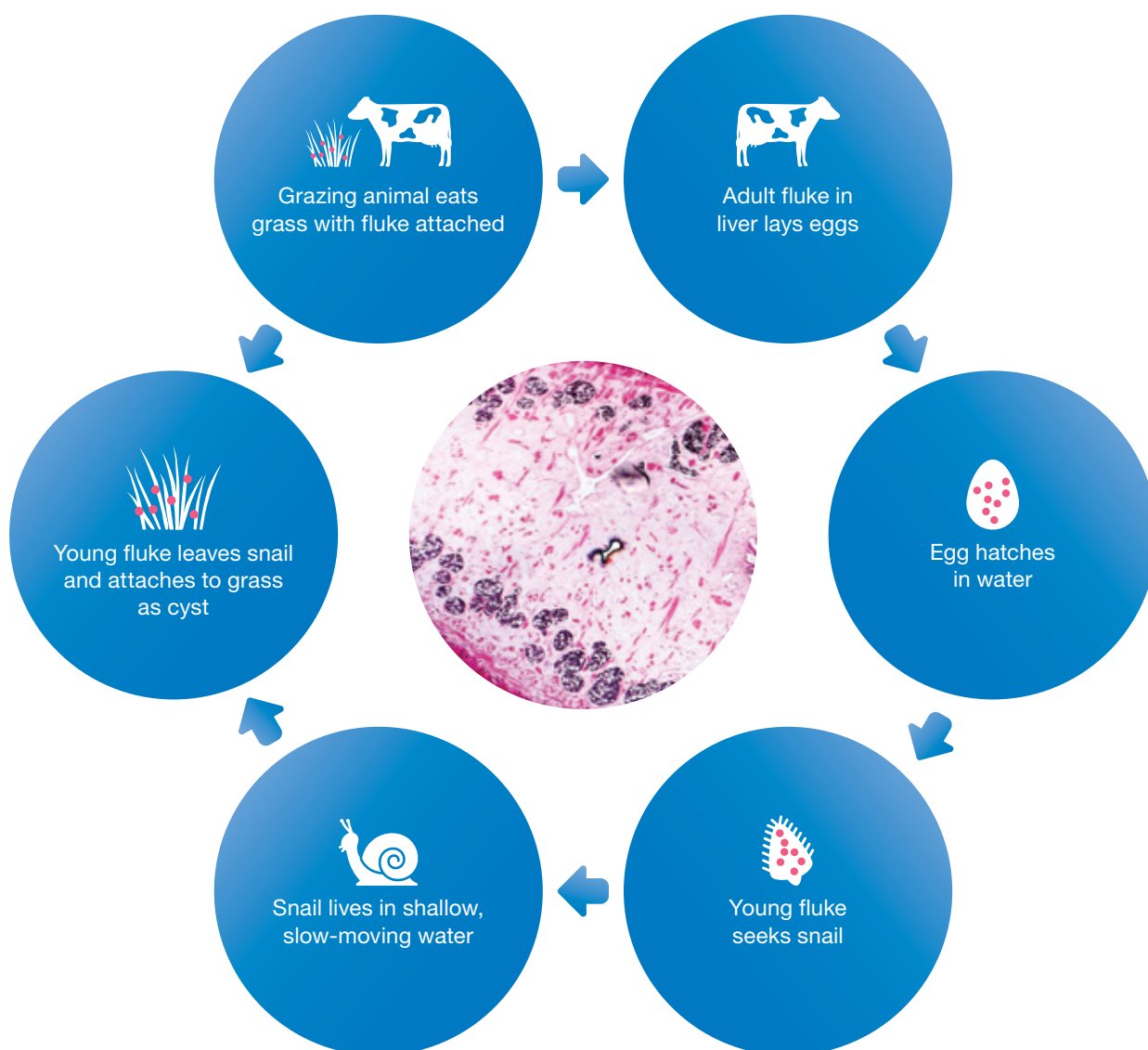
- Establish where in Victoria liver fluke is a problem.
- Optimize existing liver fluke control strategies.
- Develop novel tools that will allow us to detect liver fluke infective cysts in pasture and water.

The project research team is based at the Centre for AgriBioscience, La Trobe University.

The team has been working on liver fluke control on dairy farms since 2013. Initially the research was focused solely on the Macalister Irrigation District; however, the research was expanded in 2014 and 2016 to include the Murray Dairy Regions of Victoria, including the Upper Murray.

The project research phase concluded in 2018. Key outputs from this research include:

- A new diagnostic test for infection of cattle with liver fluke and the development of protocols to assess clinical effects and presence of Triclabendazole (the main flukicide in use) resistance. The diagnostic test is now offered commercially by the DEDJTR Veterinary Diagnostic Laboratory at AgriBio.
- PCR tests to detect fluke and snail environmental DNA on farms. These novel PCR tests have the potential to allow an assessment of the risk of fluke transmission on farms and to better inform effective control strategies.



DairyFeedbase Initiative

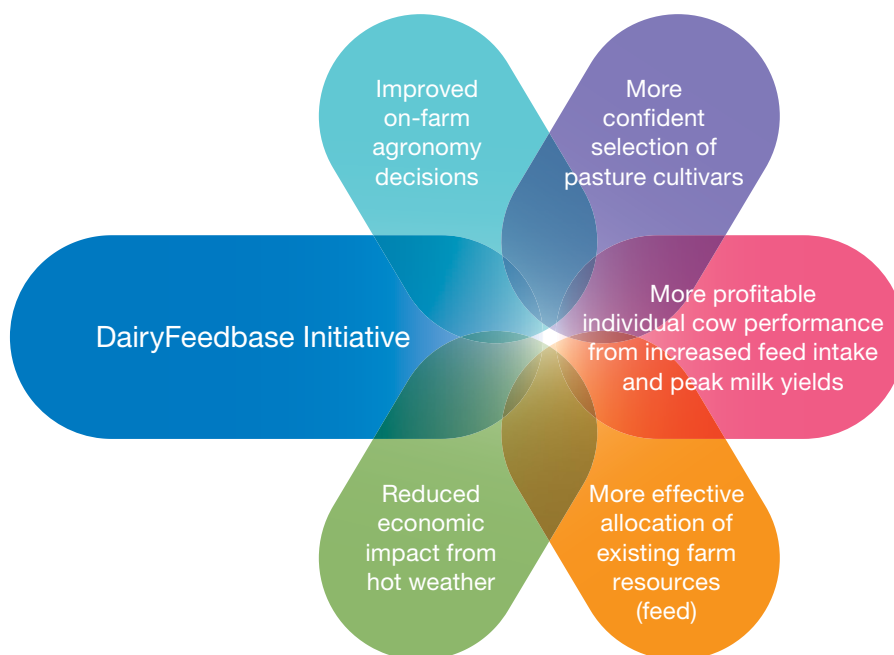
DairyFeedbase, a collaborative initiative of Gardiner Dairy Foundation, Agriculture Victoria (DEDJTR) and Dairy Australia, has a focus on new innovations in agronomy and nutrition, with Gardiner Dairy Foundation contributing \$9 million over 6 years.

The future success of the dairy industry will be built on a high performance feedbase. However, innovation in the feedbase has lagged other areas of innovation on farm. For a significant number of dairy farmers the marginal profitability of their business can be directly attributed to the performance of their feedbase.

Gardiner Dairy Foundation has actively invested to better understand the current operating environment for the DairyFeedbase and the behavioural economics related to feedbase performance (Feedbase Decisions project). The DairyFeedbase project directly addresses the strategic opportunities identified by the Feedbase Decisions project and also addresses priorities set out by Dairy Moving Forward.

DairyFeedbase, launched in 2018, has five focus areas;

1. Improved on-farm agronomy decisions – improving the utilisation of dry matter yield at the farm level.
2. More confident selection of pasture cultivars – improving the Forage Value Index to enable producers to make more informed decisions about the selection of perennial ryegrass cultivars for their farms.
3. More effective allocation of existing farm resources (feed) – delivering management strategies about supplement and pasture allocation, to enable nutrients to be better distributed across the herd resulting in an increase in total farm milk production.
4. Reduced economic impact from hot weather – delivering new knowledge about feeding interventions which will reduce the impact of heat events on milk production. The project will also provide data for on-going validation of a planned genetic breeding value for heat tolerance.
5. More profitable individual cow performance from increased feed intake and peak milk yields – addressing dairy cow nutrition during the first 100 days of lactation and to deliver feeding strategies that will increase peak milk yield and maintain this milk advantage over the remainder of lactation.



People and Community Development Program

Gardiner Dairy Foundation strategically invests in projects to actively foster and support the development of the people and local communities that are vital to a strong dairy industry in Victoria.

Our people and community development initiatives aim to:

- Develop dairy industry people to ensure that the industry has the required leadership, knowledge and skills for long-term success.
- Develop the skills of farm managers so they have the required leadership, knowledge and skills for long-term success on their farms, and in the industry in general.
- Bring together participants from past executive programs to provide ongoing support for addressing industry issues via workshops and plenary sessions.
- Provide dairy companies and industry service organisations access to postgraduate students that can bring innovative approaches to solving existing problems
- Attract and retain the next generation of dairy professionals by offering them an opportunity, early in their career, to see the industry as a desirable and rewarding place to work.
- Attract and retain high calibre young people in their rural communities by giving them the opportunity to study at a tertiary level, and prospectively bring their skills back home.
- Expand young dairy farmers and industry people to expand personal horizons and learn from leading agriculturalists around the world.

Our Australian Dairy Leadership Alumni project is designed to sustain the interaction and development of past leadership scholars, while our scholarships under the Victorian Regional Community Leadership Program support emerging leaders across all Victorian dairy regions by giving them access to professional development training early in their leadership career. For more experienced leaders, Gardiner Dairy Foundation supports a dairy farmer with a Nuffield Farming Scholarship to experience agriculture from a global perspective and bring insights back to their industry and local community.

Our Farm Business Management Scholars attend one of the Australian Rural Leadership Program (ARLP), Rabobank Executive Development Program or the Australia Owner Manager Program to develop both business skills and leadership opportunities.

Young people are supported through a number of our projects. The Monash Industry Team Initiative (MITI) enables students from a range of multi-disciplines to work with dairy manufacturers on real world issues and to gain an understanding of the opportunities available in the industry. Rural students are supported through our Tertiary Scholarships to assist them to overcome barriers to participation in higher education. Additionally, to expand young dairy people's knowledge horizons and broaden their industry experience, the Gardiner Dairy Foundation partners with the United Dairyfarmers of Victoria each year, to undertake a New Zealand Dairy Study Tour.

Strong local communities are fundamental to support our dairy industry. The Gardiner Dairy Foundation partnership with the Foundation for Rural and Regional Renewal (FRRR) provides the 'Working in Dairy Communities' Small Grants Program, which is designed to strengthen small Victorian dairy communities. This program assists them to build local infrastructure, local engagement and local access to support that enables community growth and well-being.



Australian Dairy Leadership Alumni 2017

Established in 2013, the Australian Dairy Leadership Alumni (ADLA) is a joint initiative of Gardiner Dairy Foundation, Dairy Australia and the Department of Economic Development, Jobs, Transport and Resources (DEDJTR).

Graduates from five programs – the Australian Rural Leadership Program (ARLP), Horizon 2020, Nuffield Australia, Rabobank Executive Development Program and the Australia Owner Manager Program™ – who are involved in dairy across Australia, are eligible to join the alumni. ADLA provides an opportunity to leverage the talent of the dairy industry's high achievers and nurture their ongoing development. Many alumni hold leadership positions within industry, agriculture, politics or the community, while others are on a clear path to take on these roles.

The alumni come together for two days each year to explore cutting edge ideas and concepts that strengthen the ability of each member to contribute to the long term future of the dairy industry. The summit provides participants with a unique opportunity to meet as a group, be inspired, build networks and strengthen their entrepreneurial and leadership spirits. It incorporates a series of events, forums and activities and provides an opportunity for the next generation of leaders to connect with the trailblazers of the agricultural industry.

In 2017 the fifth ADLA summit in Melbourne was themed 'Powering Ahead: The Technology Transforming Our Lives.'



Farm Business Management Scholars 2017/2018

There are many motivations for dairy farming, but whether it's a corporate, a generational family operation or a small-scale lifestyle farm, all dairy farms are businesses. Business skills are critical to ensuring that the farm's bottom line can support the other goals of farmers. On a broader scale, profitable farms underpin the industry.

To support the broader industry, Gardiner Dairy Foundation offered ten Farm Business Management (FBM) Scholarships in 2017/18 to develop business acumen and leadership opportunities for farmers. The scholarships are targeted at mid-career dairy farmers who are eager to develop management and leadership skills. This year's intake into the FBM Program continues a major investment by Gardiner Dairy Foundation, supporting 30 Victorian dairy farmers over three years who are committed to extending their business knowledge and capabilities and is contributing to industry as a whole.

The ten scholarships available to farmers in 2017/18 include the Australian Rural Leadership Program scholarship; six Australian Owner Manager Program scholarships; and three Rabobank Executive Development Program scholarships. The FBM Program is conducted in partnership with the Victorian Regional Development Programs (RDPs).

Farm Business Management Scholars 2017/18

Scholarship and recipient listed below

Australian Rural Leadership Program

Lauren Finger.

Australian Owner Manager Program

Matthew Glowery, Tania Luckin, Eddie Dwyer, Liam Ryan.

Rabobank Executive Development Program

Scott Fitzgerald, Gillian Hayman, Alex McArthur, Alistair Harris.

Monash Industry Team Initiative (MITI)

The Monash Industry Team Initiative (MITI) program places small multi-disciplinary teams of students within an industry organisation over a 12-week period during the university summer break. The program provides students with first-hand experience of sophisticated dairy processing facilities, an appreciation of what it's like to live and work in rural Victoria, and an opportunity to gain practical experience working within the industry. Dairy companies and organisations have the opportunity to consider students as potential new employees, and to experiment with the alternative skill sets they may need in the future.

Based on the organisational challenge identified by participating organisations, Monash University selects a multi-disciplinary team of students at differing stages in their post-graduate studies to work with the company or organisation to create a solution to the challenge.

Project Organisations & Partners 2017/18 and Participants

Listed below

Bega Cheese

Alex Lin, Andy Yan, Sherri Leong and Shubha Achaiah.

Burra Foods

Audrey Kottek and Sabrina Rodriguez.

Department of Economic Development, Jobs, Transport and Resources (DEDJTR)

Amanda Lum, Yu Ting Tan, Romeel Ranjit and Kunal Sharma.

Fonterra

Darragh Quinless, Arunika Weeratunga, Minh Pham and Soroush Shakiba.

Joint Venture Fonterra/Parmalat

Bhumika Gupta, Bryan Ang, Manali Butey and Sneha Sharma.

Parmalat

Dilan Abeysekara, Jaclyn May Ginn Lee, Liam Welsford and Yanjun (Zimo) Wu.

Warrnambool Cheese and Butter

Amber Lee, Duy Le, Cathy Mai & Levi Jackson.

Nuffield Farming Scholarship

The Gardiner Dairy Foundation has partnered with Nuffield Australia each year to provide a Victorian dairy farmer with a Nuffield Farming Scholarship. This scholarship is a unique opportunity for a Victorian dairy farmer to experience agriculture from a global perspective, investigate their chosen agricultural topic, and innovate on their own farms and within their dairy communities.

Successful applicants spend a total of 16 weeks travelling the world – including 6 weeks of group travel through the global powerhouses of agriculture, in countries such as China, India, Brazil, USA, Canada and through Europe. Scholars then travel for a further 10 weeks by themselves, tapping into Nuffield's global network of farming scholars to drill down into a research topic of interest to them and of value to the industry. Importantly, they then become part of a powerful alumni network of scholars right around the world, providing life-long opportunities for further learning and friendship.

Nuffield Farming Scholarship

Recipient and project listed below

Shannon Notter

Our 2018 Scholar, Shannon Notter from Carlisle River, is investigating the key factors affecting farmer uptake of information to maintain a profitable dairy business, in an environment characterised by variations in price, climate and cost of production. She will visit Ireland, China, India, Brazil, Argentina and Chile.



Tertiary Scholarships

The Gardiner Dairy Foundation has recognised that the dairy industry needs to attract, retain and develop young talented people with the potential to make an impact on the future of the dairy industry and its communities.

Rural students face greater barriers to participation in higher education than their metropolitan counterparts. Many must move to a new city, which can cause significant financial pressures for students and their families as the cost of living independently is added to that of purchasing the required materials, equipment and books. Because of these and other barriers many young people in rural communities simply do not apply for tertiary studies. In providing tertiary scholarships the Gardiner Dairy Foundation plays a vital role in supporting high-potential rural students to gain the skills that will help to drive the industry forward and make their communities vibrant places to live.

Gardiner Dairy Foundation awarded four new tertiary scholarships in 2018 to assist rural people to undertake tertiary study and continues to fund eleven ongoing scholars. The scholarships are named to honor significant mentors of the industry.

New 2018 Scholars

Recipient and course listed below

Madison Gallagher

Bill Pyle Tertiary Scholarship, Bachelor of Commerce/ Bachelor of Agricultural Sciences, La Trobe University.

Caitlyn Hocking

Doug Weir Tertiary Scholarship, Bachelor of Business (Accounting), La Trobe University.

Georgia Luckin

Shirley Harlock Tertiary Scholarship, Bachelor of Nursing, Australian Catholic University.

Jessica Mattern

Jacob Malmo Tertiary Scholarship, Bachelor of Agricultural Science, Charles Sturt University.



Ongoing 2017/2018 Tertiary Scholars

Recipient and course listed below

Amber Angel

Jacob Malmo Tertiary Scholarship, Bachelor of Nursing, La Trobe University.

Samantha Conn

Bachelor of Commerce, Deakin University.

Owen Cumming

Bachelor of Environmental Engineering (Honours)/Science, Monash University.

Matthew De Cicco

Bachelor of Veterinary Biology/Bachelor of Veterinary Science, Charles Sturt University.

Mitchell Dodds

Bachelor of Science/Doctor of Veterinary Medicine, the University of Melbourne.

Hayden Jones

Bachelor of Medicine/Bachelor of Surgery, Monash University.

Liam Groves

Bill Pyle Tertiary Scholarship, Bachelor of Civil Engineering (Honours), La Trobe University.

Eliza Osborn

Jacob Malmo Tertiary Scholarship, Bachelor of Applied Science/ Master of Physiotherapy Practice, La Trobe University.

Kyrre Rea

Shirley Harlock Tertiary Scholarship, Bachelor of Agriculture, the University of Melbourne.

Matthew Roache

Shirley Harlock Tertiary Scholarship, Bachelor of Agricultural Science, Charles Sturt University.

Erin Taylor

Bachelor of Veterinary Biology/Bachelor of Veterinary Science, Charles Sturt University.

Julia Twigg

Doug Weir Tertiary Scholarship, Bachelor of Exercise Science/Master of Exercise Physiology, La Trobe University.

Hannah Thorson

Bill Pyle Tertiary Scholarship, Bachelor of Agricultural Science and Commerce, La Trobe University.

New Zealand Study Tour 2018

Expanding knowledge horizons and broadening personal industry experiences are essential elements in growing leaders in the dairy industry.

To support such leadership growth, the Gardiner Dairy Foundation – United Dairyfarmers of Victoria (UDV) New Zealand Study Tour selects a group of young dairy farm workers, students or industry employees to attend an 8-day study tour of New Zealand dairy farming regions. Delegates visit dairy farms that are utilising a variety of farm systems and technologies. They tour dairy research and processing facilities, and they visit the Federated Farmers of NZ to learn about industry issues and advocacy work. They also visit agricultural sites and meet like-minded young people with a passion for the dairy industry.

The Study Tour is a long-standing collaboration between the Gardiner Dairy Foundation and United Dairyfarmers of Victoria. It was first established as an apprenticeship tour and was part of the Victorian Farmers Federation annual Apprentice of the Year Awards. The purpose of the tour was the same as today – to give an opportunity for personal and professional development of passionate, young people in the industry. The tour has existed in its current form since 2012. Participants in this time have gone on to fulfil many local and state level leadership roles, including UDV Policy Councillors, agricultural show organising committees and local sporting clubs.

The New Zealand Study Tour is highly valuable for young, career minded Victorian dairy representatives as they can witness firsthand the most impressive elements of the New Zealand dairy industry. The knowledge they gain will assist them to initiate positive changes in the Australian dairy industry. Delegates present their key learnings from the tour at the annual UDV conference.

New Zealand Study Tour 2018 Participants

Ashlee Bloxidge, Nar Nar Goon.

Craig Emmett, Stanhope.

Elsi Neave, Pirron Yallock.

Elspeth Field, Tinamba.

Katherine Byrne, Ellinbank.

Rhiannon Parry, North Wonthaggi.

Sharnie Johnson, Nambrok.

Victorian Regional Community Leadership Program 2017/2018

Gardiner Dairy Foundation has supported over 70 dairy industry scholars through the five Regional Community Leadership Programs, since 2004. The aim of this investment is to support emerging leaders by giving them access to professional development training that is based in, and focused on, their local community.

In 2017/2018 Gardiner Dairy Foundation funded eight Victorian Rural Community Leadership (VRCLP) Scholarships to a combination of dairy farmers and industry service providers across dairying regions.

In 2018 Gardiner Dairy Foundation commissioned an independent evaluation of the Foundation's VRCLP scholarships. The evaluation found the project to be well managed, with a high strategic alignment to the Gardiner Dairy Foundation Strategy and the course content aligned well with the Dairy Industry Leadership Blueprint (ADF/ADIC). The majority of scholars had developed as significant and influential leaders in the dairy industry. The evaluation also noted opportunities for the Foundation to increase connectivity with current and past scholarship recipients. The Foundation will explore such opportunities as it continues the project.

Victorian Regional Community Leadership Program 2017/18

Program and scholar

Alpine Valleys Community Leadership Program

Alice Colclough.

Fairley Leadership Program

Harriet Bawden, Courtney Simmons.

Gippsland Community Leadership Program

Sallie Jones, Ben Vagg, Stuart Shattock.

Leadership Great South Coast

Rhonda Henry.

Loddon Murray Community Leadership Program

Aileen O'Sullivan.

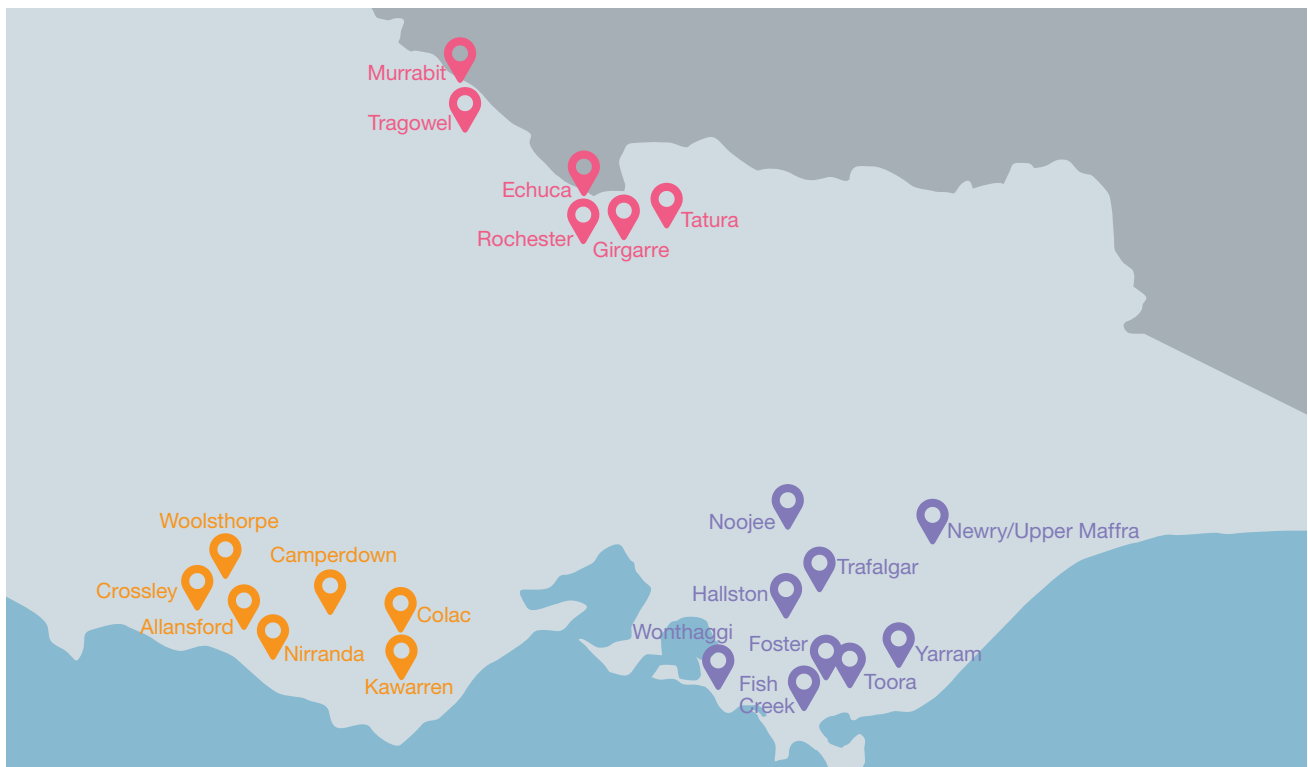


Working in Dairy Communities – Small Grants Program 2018

For sixteen years, Gardiner Dairy Foundation has partnered with the Foundation for Rural and Regional Renewal (FRRR) to deliver the 'Working in Dairy Communities' – Small Grants Program. The aim of this program is to strengthen small Victorian dairy communities by helping build their capacity to deal with local issues and enhance existing community infrastructure.

Since it began in 2003, \$1,403,377 has been successfully funded to 370 grants across 185 small dairying communities in Victoria. On average every \$1 invested by Gardiner Dairy Foundation receives additional leverage of \$3.05 in cash or in-kind co-contributions.

In 2017/18 Gardiner Dairy Foundation was able to increase its funding for this program and funded twenty-seven small grants, totaling over \$118,000.



Dairy Communities Small Grants Program 2018, Northern Region \$30,316

Organisation, project and location listed below

[Echuca and Moama and District Agricultural and Pastoral Society Inc](#)

Improvement of cattle yards for safety of exhibitors and the cattle: Strengthen community engagement and connectivity with and within the local agricultural industry through an upgrade of infrastructure at the showgrounds.

[Echuca](#)

[Murrabit Public Hall – Gannawarra Shire Council](#)

Projecting Murrabit into the Future: Strengthen community connectedness and engagement through the upgrade of equipment at the local public hall, ensuring it provides a meeting place that meets contemporary needs and expectations.

[Murrabit](#)

[Girgarre Community Group Inc](#)

Girgarre Gazette: Strengthen community connectedness and engagement through the development and distribution of a monthly community newsletter, sharing locally relevant information which is otherwise difficult to access.

[Girgarre](#)

[Girgarre Primary School](#)

Girgarre Primary School Play Ground Upgrade: Enhance the educational experience and development of children at the Girgarre Primary School through an upgrade of playground equipment.

[Girgarre](#)

[Rochester Community House Inc](#)

Kitchen Kapers: Enhance the organisational resilience and capacity of the Rochester Community House to respond to community needs through an upgrade of the kitchen facilities at the Town Hall.

[Rochester](#)

[Tatura Civic Halls Committee Inc](#)

Lighting Up-grade to Victory Hall: Strengthen community engagement and connectivity through a lighting upgrade at a local hall ensuring it is fit for a range of community activities.

[Tatura](#)

[Tragowel Progress Association Inc](#)

Tragowel Hall Maintenance: Strengthen community connectedness and engagement through an upgrade of facilities at the local hall ensuring it continues to function as a hub for community gatherings.

[Tragowel](#)



Dairy Communities Small Grants Program 2018, Gippsland Region \$54,930

Organisation, project and location listed below

Fish Creek Community Garden

Wicking Bed and Composting Bay Construction: Improve food security and the health and wellbeing of the community through an upgrade of infrastructure at the local community garden.

Fish Creek

Foster Art, Music and Drama Association Inc

Retractable Seating: Strengthen community engagement and participation in arts and cultural activities, through the purchase and installation of a fit for purpose seating bank for the local art centre.

Foster

Foster Primary School

Undercover Outdoor Learning/Gathering Space: Strengthen educational and social outcomes for students and the wider community by improving the amenity of an outdoor playground area at Foster Primary School.

Foster

Manna Gum Community House Inc

Manna Gum Backyard Makeover: Upgrade the rear grounds of the Manna Gum Community House, improving amenity of the facility and increasing its capacity to engage the community in meaningful programs and activities.

Foster

Toora Community Action Team – Manna Gum Community House

Our Main Street: Strengthen community cohesion and engagement through the development and delivery of a community-based street beautification project.

Toora

Upper Maffra Mechanics Institute Inc

Meeting room development: Upgrade the amenity of the local hall to provide groups and organisations with a comfortable and fit for purpose meeting room, strengthening engagement and participation in community activities.

Newry/Upper Maffra

Wonthaggi Theatrical Group Inc

Booms and Beams from the Box: Strengthen community engagement with arts and culture, through the addition of a sound and lighting box in a community owned performance space.

Wonthaggi

Yarram Agricultural Society Inc

Yarram Agricultural Show: Strengthen community engagement and participation by delivering an accessible event that celebrates and supports local community groups and industries.

Yarram

The Noojee and District Historical Society Inc

Noojee Heritage Centre – Platform Sealing Project: Strengthen community access and inclusion through an upgrade of the entrance pathways to a well-used community facility.

Noojee

Trafalgar Holden Museum Inc

Upgrade to Trafalgar Holden Museum's Bathroom Facilities: Strengthen community and economic development through an upgrade of toilet facilities at a local tourist attraction.

Trafalgar

Hallston Mechanics Institute Inc

Hallston Hall Community Signage: Increase community participation and inclusion by installing a changeable sign at the Hall to advertise upcoming local events.

Hallston

Wonthaggi Woodcrafters Inc

Health and Safety Upgrade of Dust Extraction for the Woodturning Workshop – Stage 2: Improve the health and well-being of community participants, by upgrading the air filtration system in the wood working workshop.

Wonthaggi

Dairy Communities Small Grants Program 2018, South Western Region \$33,580

Organisation, project and location listed below

[Camperdown and District Community House Inc](#)

Camperdown Community Garden Infrastructure Improvement, Accessibility and Engagement: Increase community capacity and engagement with health and well-being and food security, through an upgrade of infrastructure at the community garden.

[Camperdown](#)

[Colac Otway Residents Action Group Inc](#)

Learning and Supporting Development into our youngest families: Enhancing early childhood development and learning and support for disadvantaged families, through the provision of additional resources for the local toy library.

[Colac](#)

[Friends of St Brigid's Association Inc](#)

Fireproofing our Precinct at Crossley: Improve community preparedness, resilience and engagement through an upgrade of the available water supply at the St Brigid's precinct.

[Crossley](#)

[Crossley Men's Shed](#)

Fencing in our Shed: Improve the security and safety of buildings and users by upgrading perimeter fencing at a well-used community precinct.

[Crossley](#)

[Kawarren Recreation Reserve](#)

Kawarren Family Nature Play Space: Strengthen community connectivity and enhance educational and social opportunities for children and their families through the construction of a nature play facility at the local recreation reserve.

[Kawarren](#)

[Nirranda and District Community Facility Inc](#)

Grass Busters: Improve volunteer support and the upkeep of community infrastructure through the purchase of appropriate gardening equipment.

[Nirranda](#)

[Warrnambool & District Historical Vehicle Club](#)

Club Room Kitchen and Toilet Block Fitout: Strengthen community connections and well-being by converting a disused building into a fit for purpose meeting room with appropriate kitchen and toilet facilities.

[Allansford](#)

[Woolsthorpe Primary School](#)

Wood Fire Pizza Oven: Strengthen the health and well-being of the school community through the construction of an outdoor cooking area that will enable an expansion of the successful kitchen garden program.

[Woolsthorpe](#)

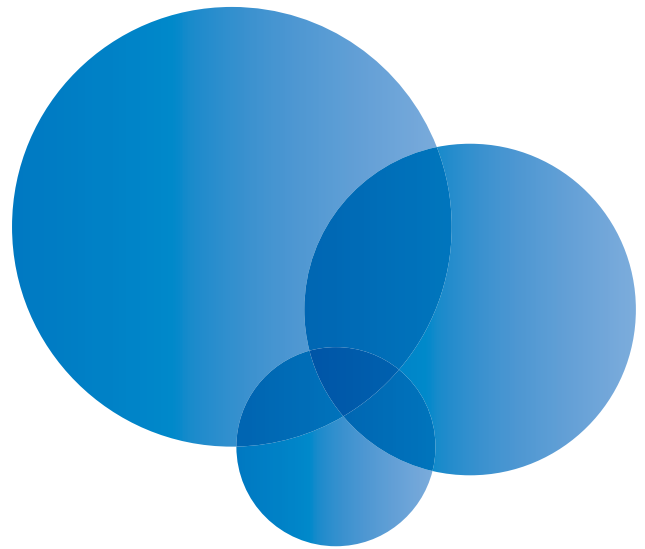


Industry Engagement and Support Program

Gardiner Dairy Foundation strategically invests in projects and activities to encourage and support the engagement of people across the dairy value chain. Such engagement enables the sharing of knowledge and ideas and fosters strong relationships that can support individuals and industry groups in the good times and challenging times.

Through the Industry Engagement and Support program, the Gardiner Dairy Foundation funds Thought Leadership events to stimulate discussion, debate and envisioning on issues that are current or on the horizon for the dairy industry. In 2018 the key Thought Leadership event supported was the Annual Dairy Leaders Luncheon on Global Trades by Michael Every from Rabobank. The Dairy Industry Leadership Dinner in December provided an opportunity for key industry leaders and many leadership alumni to come together and network. The Leadership Luncheon and the Foundation's post AGM reception were also used to highlight the results from a number of current and past Gardiner projects.

The Dairy Regional Development Programs (RDPs) provide an important regional contact and engagement point in each of Victoria's three dairy regions. The Gardiner Dairy Foundation works collaboratively with each of the Murray Dairy, Gipps Dairy and WestVic Dairy RDPs to support and publicise events that engage with the local dairy sector to inform on new technologies, offer leadership development opportunities and assist with business management skill development. In 2017/18 the Foundation provided over \$100,000 to support such activities through the RDPs.



In 2017/18 the Foundation provided over \$100,000 to support activities through the RDPs.



Sponsorships and Scholarships 2017/2018

The Crawford Fund

2017 Parliamentary Conference Scholarship.
Recipients: Molly Voss and Ruchika Perera.

Great South West Dairy Awards

Farm Business Manager of the Year.

United Dairyfarmers of Victoria

2018 UDV Conference.

WestVic Dairy

2017 Ladies Luncheon.

Developing Dairy Leaders Program

2018 DDLP Industry Networking Dinner.

Australian Dairy Conference

Satchell Insert – 2018 Farm Business Management Program Brochure.

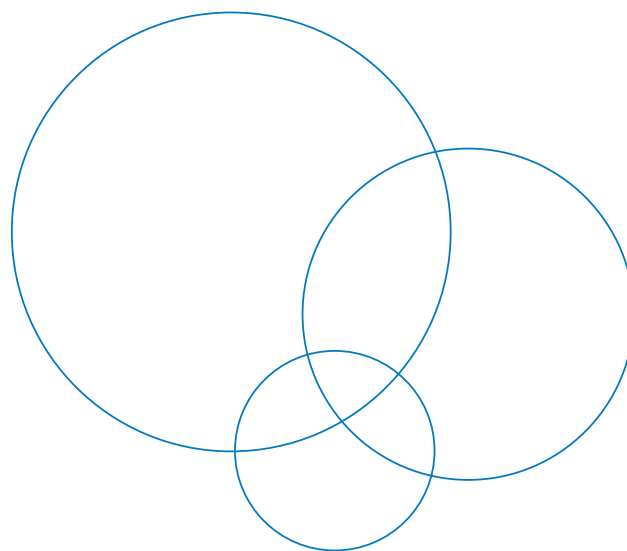


Photo by Ron Paynter.



Geoffrey Gardiner Dairy Foundation Limited

(Limited by Guarantee) **A.C.N.** 094 733 418

Annual Financial Report

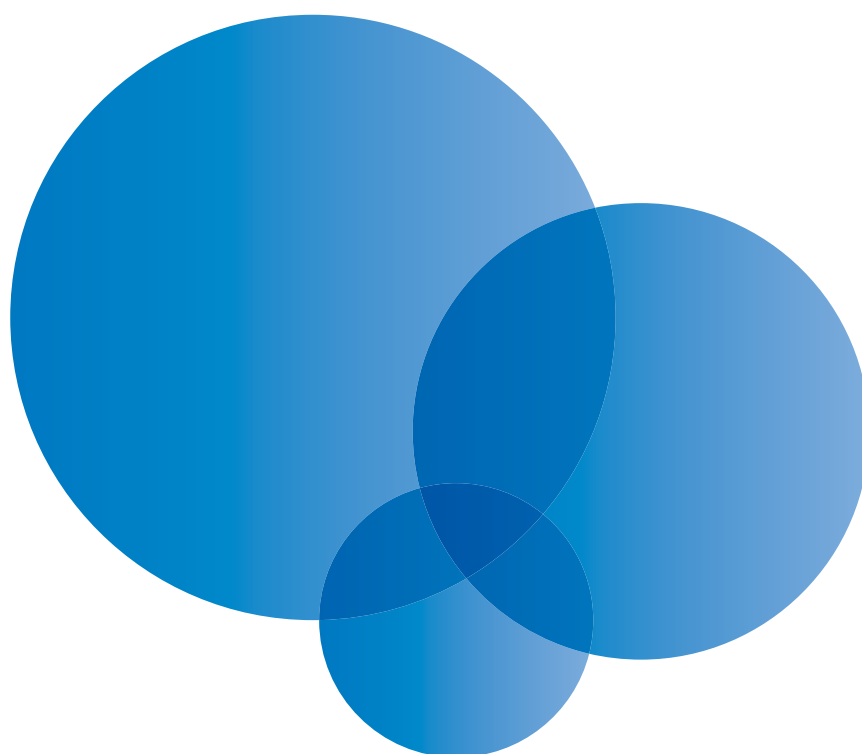
Year Ended 30 June 2018





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Company Particulars

Registered Office	Suite 3, Level 9, 470 Collins Street MELBOURNE VIC 3000 Telephone: (03) 8621 2900 Email: info@gardinerfoundation.com.au Website: www.gardinerfoundation.com.au
Board of Directors	B Kefford – Chairman A Maughan N Pye R Dedoncker J Slocombe
Chief Executive	C Noble
Company Secretary	J Lal
Solicitors	FAL Lawyers
Bankers	ANZ Business Bank
Investment Advisor	Frontier Advisors Pty Ltd
Investment Portfolio Managers	Plato Investments – Australian Equity Asset Class BlackRock Investments – International Equity Asset Class AMP Property – Property Asset Class IFM Investors – Cash Asset Class
Investment Portfolio Custodian	Pitcher Partners Investment Services Pty Ltd
Auditors	Grant Thornton Audit Pty Ltd



Directors' Report

The Directors of Geoffrey Gardiner Dairy Foundation Limited ("**Gardiner Dairy Foundation**") present their Report together with the financial statements for the financial year ended 30 June 2018.

Director details

During the financial year, a Director retired at the October 2017 AGM. The following persons were Directors of the Gardiner Dairy Foundation during the financial year.

Period		
1 Jul 2017 - 30 Jun 2018:	1 Jul 2017 - 12 Oct 2017:	12 Oct 2017 - 30 Jun 2018:
Dr Bruce Kefford	Mr Barry Irvin	Mr René Dedoncker
Mr Andrew Maughan		
Ms Naomi Pye		
Dr Judith Slocombe		

Company Secretary

Mr Jainesh Lal was appointed to the role of Company Secretary of the Gardiner Dairy Foundation at the November 2014 Annual General Meeting.

Entity

Gardiner Dairy Foundation is a public company, limited by guarantee and does not have share capital. The company is incorporated in Australia.

Principle Activity

Gardiner Dairy Foundation's principle 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 Gardiner Dairy Foundation's principle activities during the financial year.

Strategy

Our strategy objective is to support the dairy industry vision of 'Prosperous, trusted, world renowned nutrition', by funding and promoting RD&E, people and community development, and industry engagement and support activities that will benefit all sectors of the Victorian Dairy Industry and Victorian Dairy Communities.

Gardiner Dairy Foundation is embedded across the Victorian dairy value chain. The Foundation invests a 'meaningful' amount into a small number of well targeted projects, commonly as a co-investor to maximize the investment's critical mass and focus on innovative outcomes for end users. The Foundation has the ability to be agile and flexible in its response to emerging industry priorities. Our strategic project investments are categorized into three programs:

Research, Development & Extension:

The development and application of innovations to improve the profitability, sustainability and growth of Victoria's dairy industry, with a focus upon a small number of large investments in strategically important priorities.

Directors' Report

Community and People Development:

Our strategic approach is for building the capacity and capability of the Victorian dairy industry's people resources, with a focus on leadership and priority skill development, and the strengthening of dairy communities. Initiatives include small infrastructure grants to community groups and scholarships.

Industry Engagement and Support:

Our strategy is to proactively achieve wide industry engagement, together with the provision of strategic thought leadership and tactical projects to respond to emerging industry needs and opportunities.

Financial Key Performance Measures:

The Gardiner Dairy Foundation measures its performance through the use of both quantitative and qualitative benchmarks. These benchmarks are used by the Directors to assess the financial sustainability of the company and whether the company's short term and long-term objectives are being met.

With respect to the Gardiner Dairy Foundation's investment portfolio, following a comprehensive review of the Foundation's investment objective and strategy in financial year 2017, a new investment objective and strategy was adopted. During the 2018 financial year, the Foundation commenced implementation of the new investment strategy via an indirect pooled unit trust structure. Formerly, the Foundation managed its investment strategy through a direct Australian equities mandate. Under the new investment structure, any market or fair valuation movement in financial assets is recognised through profit and loss rather than Other Comprehensive Income, in line with Australian accounting standard AASB 9¹. This is reflected below the operating surplus for the year line in the Statement of Profit and Loss and Other Comprehensive Income.

The Gardiner Dairy Foundation's investment objective is to achieve a return equivalent to inflation plus 5.0% *per annum* over a rolling 10 - year period. For the 2018 financial year, the Foundation achieved a composite return on investment of 10.1% which compared favourably against its investment objective (this equated to 7.1% in the 2018 financial year)

The Gardiner Dairy Foundation's investment portfolio², over the twelve months to 30 June 2018 the performed well, mainly in the Australian and International equities asset classes. The value of the corpus was also bolstered by amalgamation of the Niel Black funds³, which saw an increase in the Gardiner Dairy Foundation portfolio from \$106.0m at the start of the year to \$127.7m at 30 June 2018. The closing value of the corpus over the last 12 months remains above the inflation adjusted value of \$62m⁴, thereby maintaining its real value (as per clause 29(4) of the Gardiner Dairy Foundation Constitution).

Income earned from investments (net of management fee) at the end of 30 June 2018 was \$5.67m, which was marginally lower than 30 June 2017 investment income of \$5.86m (net of management fees)⁵. Total project funding expensed from inception to 30 June 2018 is in excess of \$69.0m.

¹ Please refer to disclosure Notes 1(h) and 1(n) of the Annual Financial Report for further explanation on AASB 9 - Financial Instruments.

² The Gardiner Dairy Foundation's investment portfolio includes Australian Equities, International Equities, Unlisted Property and Cash and represented as Financial Assets in the Statement of Financial Position under the Non-Current Assets category (\$127.7m).

³ The value of the Niel Black bequest at the time of full receipt (November 2017) was \$10.14m and represents 8.35% of the total corpus at that time.

⁴ Funds received at inception of Gardiner Dairy Foundation in the year 2000 was \$62m.

⁵ Total Revenue posted during the 2017/18 financial year was \$6.23m, which constitutes of Net Investment Revenue (\$5.67m) and Other Income (\$0.56m). This is further explained in Note 2 of the Annual Financial Report



Directors' Report

Financial Overview

	\$	\$
Revenue		
Investment Revenue		
Interest Revenue	380,037	
Dividend Revenue	4,742,782	
Franking Credit Revenue	1,069,654	
Less Management Fee	(523,881)	
Net Investment Income	5,668,592	
Other Income		
Bequest Income	402,764	
Other Income	154,488	
Total Revenue		6,225,844
Project payments and other expenses		
Project Payments	(4,522,666)	
Other Expenses	(439,496)	
Total Operating Expenses		(4,962,162)
Operating Surplus for the Year		1,263,682
Net unrealised gains/(losses) on financial assets held at fair value to profit and loss (Pooled Unit Trust Structure)		5,173,381
Net realised gains/(losses) on financial assets held at fair value to profit and loss (Pooled Unit Trust Structure)		204,292
Total Operating Surplus for the Year		6,641,355
Net realised gains/(losses) on disposal of financial assets at fair value through Other Comprehensive Income (Direct Australian Equities mandate)	2,418,650	
Other comprehensive income		2,418,650
Net Surplus/(Deficit) for the year		9,060,005

Directors' Report

Meetings of Directors:

The number of board and board committee meetings held during the year ended 30 June 2018, and director attendance:

Directors	Board (6 Meetings)		Meetings of committees			
			FAIR (4 Meetings)		HR & Gov (1 Meeting)	
	A	B	A	B	A	B
B Kefford ⁽ⁱ⁾	6	6	4	4	1	1
B Irvin ⁽ⁱⁱ⁾	2	2				
A Maughan ⁽ⁱ⁾	6	6	4	4		
N Pye ⁽ⁱ⁾	6	6	1	1	1	1
R Dedoncker ⁽ⁱⁱⁱ⁾	5	5	3	2		
J Slocombe ⁽ⁱ⁾	6	6			1	1

A Number of meeting attended

B Meetings held or entitled to attend

(i) Indicates Director from 1 July 2017 – 30 June 2018

(ii) Indicates Director from 1 July 2017 – 12 October 2017 following rotation at 2017 AGM

(iii) Indicates Director from 12 October – 30 June 2018 following rotation at 2017 AGM

Index to Committees

FAIR	Finance, Audit, Investment and Risk Committee
HR & Gov	HR and Governance Committee

Retirement, election and continuation in office of Directors

Director Mr B Irvin retired by rotation at the 2017 AGM following conclusion of his term. Mr R Dedoncker was elected as the new Director to the Gardiner Dairy Foundation Board at the October 2017 AGM.

Members Guarantee

The Gardiner Dairy Foundation is incorporated under the *Corporations Act 2001* and is limited by guarantee. If the Gardiner Dairy Foundation is wound up, the Constitution states that each member is required to contribute an amount not exceeding \$10 towards meeting the liabilities and obligations of the Gardiner Dairy Foundation. At 30 June 2018, there were 3 Members. The total amount that members of the company are liable to contribute if the company is wound up is \$30 (2017: \$30).



Directors' Report

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s.60–40 of the *Australian Charities and Not-for-Profits Commission Act 2012* is attached to the annual financial report.

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



B Kefford
Chairman



A Maughan
Chairman, Finance, Audit, Investment & Risk Committee

Dated this 17 of August 2018

Directors' Declaration

The Directors of Gardiner Dairy Foundation declare that:

- 1) The financial statements of the Gardiner Dairy Foundation, comprising Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements set out herein, are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*:
 - a) comply with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-Profits Commission Regulation 2013.
 - b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date, of Gardiner Dairy Foundation;
- 2) In the Directors' opinion these are reasonable grounds to believe that Gardiner Dairy 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

B Kefford
Chairman

A Maughan
Chairman, Finance, Audit, Investment & Risk Committee

Dated this 17 of August 2018



Statement of Profit or Loss & Other Comprehensive Income

		\$	\$
REVENUE			
Investment Revenue	2	6,192,473	6,201,826
Less Management Fee		(523,881)	(337,941)
Net Investment Revenue		5,668,592	5,863,885
Other income	2	557,252	7,014,476
PROJECT PAYMENTS AND OTHER EXPENSES			
Project payments	3(a)	(4,522,666)	(3,934,394)
Other expenses	3(b)	(439,496)	(463,307)
OPERATING SURPLUS FOR THE YEAR		1,263,682	8,480,660
Net unrealised gains/(losses) on financial assets held at fair value to profit and loss (Pooled Unit Trust Structure)		5,173,381	-
Net realised gains/(losses) on financial assets held at fair value to profit and loss (Pooled Unit Trust Structure)		204,292	-
TOTAL OPERATING SURPLUS FOR THE YEAR		6,641,355	8,480,660
OTHER COMPREHENSIVE INCOME			
Net realised gains/(losses) on disposal of financial assets at fair value through Other Comprehensive Income (Direct Australian Equities mandate)		2,418,650	2,213,089
Net unrealised gains/(losses) with change in fair value of financial assets at fair value (Direct Australian Equities mandate)		-	3,496,984
TOTAL OTHER COMPREHENSIVE INCOME		2,418,650	5,710,073
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE ENTITY		9,060,005	14,190,733

The accompanying notes form part of these financial statements

Statement of Financial Position as at 30 June 2018

	Note	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4	728,455	22,625,640
Receivables	5	2,497,292	3,057,642
TOTAL CURRENT ASSETS		3,225,747	25,683,282
NON-CURRENT ASSETS			
Financial assets as FVTOCI	6	-	94,483,147
Financial assets as FVTPL	6	127,748,020	-
-Plant and Equipment	7	41,143	57,123
TOTAL NON-CURRENT ASSETS		127,789,163	94,540,270
TOTAL ASSETS		131,014,910	120,223,552
CURRENT LIABILITIES			
Payables	8	2,080,258	296,159
Provisions	9(a)	32,910	77,857
TOTAL CURRENT LIABILITIES		2,113,168	374,016
NON-CURRENT LIABILITIES			
Provisions	9(b)	5,703	13,504
TOTAL NON-CURRENT LIABILITIES		5,703	13,504
TOTAL LIABILITIES		2,118,871	387,520
NET ASSETS		128,896,039	119,836,032
EQUITY			
Capital Contribution		62,126,314	62,126,314
Financial Asset Revaluation Reserve		-	26,205,298
Retained Earnings		66,769,725	31,504,420
TOTAL EQUITY		128,896,039	119,836,032

The accompanying notes form part of these financial statements



Statement of Cash Flows for the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts in the course of operations includes			
- dividends and franking credits		6,223,011	5,700,119
- interest received		317,137	399,625
- bequest received		300,000	6,700,000
- other income		559,923	43,611
Payments in the course of operations			
- primarily includes project payments		(3,296,608)	(4,938,927)
- management fees paid		(523,881)	(337,942)
NET CASH INFLOW /(OUTFLOW) FROM OPERATING ACTIVITIES	10	3,579,582	7,566,486
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(8,218)	(20,551)
Proceeds from sale of plant and equipment		-	220
Proceeds from sale of available for sale financial assets at fair value		138,030,679	17,486,900
Purchase of financial assets at fair value		(163,499,228)	(21,093,556)
NET CASH INFLOW FROM INVESTING ACTIVITIES		(25,476,767)	(3,626,987)
Net increase in cash and cash equivalents		(21,897,185)	3,939,499
Cash and cash equivalents at beginning of the financial year		22,625,640	18,686,141
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	4	728,455	22,625,640

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the Year Ended 30 June 2018

	Capital Contribution	Financial Asset Revaluation Reserve	Retained Earnings	Total \$
Balance at 30 June 2016	62,126,314	20,495,225	23,023,760	105,645,299
Surplus for the year			8,480,660	8,480,660
Gain on sale of financial assets at fair value through Other Comprehensive Income		2,213,089		2,213,089
Net fair value gain on revaluation of financial assets		3,496,984		3,496,984
Total Comprehensive Income		5,710,073	8,480,660	14,190,733
Balance at 30 June 2017	62,126,314	26,205,299	31,504,421	119,836,034
Operating Surplus for the year			1,263,682	1,263,682
Net unrealised gains/(losses) on financial assets held at fair value to profit and loss (Pooled Unit Trust Structure)			5,173,381	5,173,381
Net realised gains/(losses) on financial assets held at fair value to profit and loss (Pooled Unit Trust Structure)			204,292	204,292
Transfer of accumulated realised gains to retained earnings		(26,205,299)	26,205,299	-
Net realised Gain/(Loss) on disposal of financial assets at fair value through Other Comprehensive Income (Direct Australian Equities mandate)			2,418,650	2,418,650
Total Comprehensive Income	-	(26,205,299)	35,265,304	9,060,005
Balance at 30 June 2018	62,126,314	-	66,769,725	128,896,039

* Note on Transfer of accumulated realised gains to retained earnings is disclosed under Note 1 (h) and 1(m)

The accompanying notes form part of these financial statements



Notes to the Financial Statements for the Year Ended 30 June 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements of Gardiner Dairy Foundation (the "Foundation") are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Australian Charities and Not-for-Profits Commission Act 2012*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 17 August 2018 by the Directors of the Gardiner Dairy Foundation.

(a) Revenue

Investment income

Investment income derived from the investment portfolio includes interest, dividend and franking credit income on an accruals basis.

- Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.
- Dividend revenue is recognised when the right to receive a dividend has been established.
- Franking credits are recognised when the right to the franking credit arises, which is at the same time when the right to receive a dividend has been established.

All revenue is stated net of amount of goods and services tax (GST).

Royalty Income

Royalty Income is recognised on an accrual basis in the period which the income relates to.

Will and Bequests Income

Bequeathed items are recognised as income when the entity has obtained a present legal right to, and therefore control of, the bequeathed items. This occurs when probate has been granted and the period for challenging the Will has expired and or the Will has been challenged and it is legally determined that the entity is entitled to particular assets or amounts.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less which are readily accessible and convertible to known amounts of cash and subject to insignificant risk of change in value.

(c) Plant and Equipment

Plant and equipment are measured on cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

Notes to the Financial Statements for the Year Ended 30 June 2018

(c) Plant and equipment (cont'd)

Depreciation of Plant, Equipment and Leasehold Improvements

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the entity 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 improvement.

The depreciation rates used for each class of depreciable asset are:

Class of Fixed Asset	Useful life
Plant and equipment	3 – 5 years
Leasehold improvements	4 – 5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

(d) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the company during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(e) Provisions

Provisions are recognised when Gardiner Dairy Foundation has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(f) Employee Expenses

Provision is made for Gardiner Dairy Foundation's liability for employee expenses arising from services rendered by employees to the end of the reporting period. Employee expenses that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee expenses payable later than one year have been measured at the present value of the estimated future cash outflows. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Gardiner Dairy Foundation does not expect the full annual leave balance to be settled within 12 months, however, as the Gardiner Dairy Foundation does not have an unconditional right of deferral, the full balance is presented as a current liability.



Notes to the Financial Statements for the Year Ended 30 June 2018

(g) Leases

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(h) Financial Instruments

The Foundation adopted the Australian Accounting Standard AASB 9 Financial Instruments in the 2014 financial year. AASB 9 Financial Instruments requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. AASB 9 Financial Instruments does not affect the Foundation's accounting for its financial liabilities, as the requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Foundation does not have any such liabilities.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when Gardiner Dairy Foundation becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Foundation commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instruments are classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Notes to the Financial Statements for the Year Ended 30 June 2018

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss (FVTPL) include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Until 31 October 2017, Gardiner Dairy Foundation held investments in form of direct Australian Equities. In 2015, following the early adoption AASB 9, these assets were treated as fair value through Other Comprehensive Income

Following a triennial review of the Foundation's investment performance in early 2017, the Foundation adopted a new investment objective and strategic asset allocation (SAA). In 2018 financial the Foundation commenced implementation of the new diversified SAA via an indirect pooled unit trust structure. Formerly, the Foundation's investment corpus was managed through a direct Australian Equities mandate.

Hence under the new investment structure, any market or fair valuation movement in financial assets will be recognised through profit and loss, which is reflected below the operating surplus line in the Statement of Profit and Loss and Other Comprehensive Income.

Transfer of accumulated realised Gains to retained earnings

Under the Direct Australian Equities mandate, any realised gains/losses through change in fair value of the financial assets was recognised through asset revaluation reserve under the Equity section of the Statement of Financial Position. Following transition to the pooled unit trust structure any realised gains/losses through change in fair value of the financial assets will be recognised through retained earnings under the Equity section of the Statement of Financial Position.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby Gardiner Dairy Foundation no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.



Notes to the Financial Statements for the Year Ended 30 June 2018

(i) 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 Taxation Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(j) Income Tax

Gardiner Dairy 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 1997*. The Foundation receives dividend and share buy-back franking credits in respect of investment activities from the Australian Taxation Office.

(k) Comparative Figures

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

(l) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key Judgments-Financial Assets

During the financial year, the Foundation adopted a new diversified SAA implemented via an indirect pooled unit trust investment structure where any gain or loss on financial assets held at fair value is recognised through profit and loss as disclosed under Note 1(h). On disposal of financial instruments with Fair Value through OCI, the asset revaluation reserve and any gain/loss on disposal was transferred to retained earnings.

The Directors, with the assistance of investment advisor Frontier Advisors, periodically review and adjust the SAA.

Long Service Leave

The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Notes to the Financial Statements for the Year Ended 30 June 2018

(m) Equity

The Gardiner Dairy Foundation is limited by guarantee and does not have share capital. The 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 Communities in accordance with Section 65 of *the Dairy Act 2000*.

The Foundation is prohibited by the Constitution from making distributions to its members. In the event of winding up, the assets of Gardiner Dairy Foundation 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 Foundation. 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 Dairy Foundation is wound up, any surplus will be transferred to the Minister on behalf of the State of Victoria.

Under the Direct Australian Equities mandate, any realised gains/losses through change in fair value of the financial assets was recognised through asset revaluation reserve. Following transition to the pooled unit trust structure any realised gains/losses through change in fair value of the financial assets is recognised through retained earnings

(n) Change in accounting standards

A number of new and revised standards became effective for the first time to annual periods beginning after 1 July 2017. Information on the more significant standard(s) is presented below:

AASB 15: replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations: – establishes a new revenue recognition model, it changes the basis for deciding whether revenue is to be recognised over time or at a point in time – provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) – expands and improves disclosures about revenue. The standard is effective from 1 January 2019 for not-for-profit entities.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 16: replaces AASB 117 Leases and some lease-related Interpretations. It requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. Further, it provides new guidance on the application of the definition of lease and on sale and lease back accounting. It largely retains the existing lessor accounting requirements in AASB 117 and requires new and different disclosures about leases.

The standard is effective beginning on or after 1 January 2019 for annual reporting periods. The Foundation is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Company's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020. The major operating lease relates to the lease of office premises and on adoption of this Standard a lease asset (right to use) and an offsetting lease liability would be recognised at the present value of future lease payments. The net impact on profit or loss is not expected to be significant.



Notes to the Financial Statements for the Year Ended 30 June 2018

	2018 \$	2017 \$
NOTE 2: REVENUE		
Operating Activities		
Interest Revenue	380,037	325,918
Dividend Revenue	4,742,782	4,371,388
Franking Credit Revenue	1,069,654	1,504,520
Less Management Fee	(523,881)	(337,941)
Investment Revenue	5,668,592	5,863,885
Non-Operating Activities		
Other Revenue	154,488	314,476
Bequest Income	402,764	6,700,000
	557,252	7,014,476
Total Revenue	6,225,845	12,878,361

NOTE 3: PROJECT PAYMENTS AND OTHER EXPENSES

(a) Project payments		
Industry Wide projects		
Research, Development and Extension	2,648,425	2,196,447
Community and People Development	1,452,381	1,120,160
Industry Support	421,860	617,787
Total project payments	4,522,666	3,934,394

Research, Development & Extension (RD&E): The RD&E projects support the development and application of innovations to improve the profitability, sustainability and growth of Victoria's dairy industry, with a focus upon a small number of large investments in strategically important priorities. Projects in this category include the Dairy Feedbase Joint Venture Program.

Community and People Development (CPD): The CPD projects support building the capacity and capability of the Victorian dairy industry's people resources, with a focus on leadership and priority skill development, and the strengthening of dairy communities. Projects in this category include the Small Grants program administered via the Foundation for Rural & Regional Renewal (FRRR), the Victorian Rural Community Leadership Programs and Tertiary Scholarships, Nuffield and Farm Business Management scholarships.

Industry Engagement and Support – supports wide industry engagement, together with the provision of strategic thought leadership and tactical projects to respond to emerging industry needs and opportunities such as funding the Dairy Australia Taking Stock Project in the milk price reduction event of 2016.

Notes to the Financial Statements for the Year Ended 30 June 2018

NOTE 3: PROJECT PAYMENTS AND OTHER EXPENSES (con't)

	2018 \$	2017 \$
(b) Other Expenses		
Occupancy expenses	17,565	19,669
Depreciation expense	24,197	21,619
Rental expenses on operating leases	985	1,519
Remuneration of auditor- audit fees	25,000	19,392
Consultants fees	43,828	31,042
Legal fees	5,221	4,666
Insurance	3,313	2,600
Record management	1,101	1,213
Director's costs	57,426	39,456
Employment expense	194,500	237,698
Other administration expenses	66,360	84,433
Total Other expenses	439,496	463,307
Total Project payments and other expenses	4,962,162	4,397,701
Other administration expenses/Total Expenditure		
(c) Project related employee expenses are allocated to the project for which they have been incurred. Administration employment expenses are included in 3(b) Other expenses		
Employee expenses	659,762	717,774
Superannuation	61,693	64,122
Total Employee Expense	721,455	781,896

NOTE 4: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	621,555	148,260
Includes capital cash held	-	11,543,038
Includes liquid cash held	-	1,096,818
Niel Black Bequest Fund	-	9,774,724
Project Bank Account	106,900	62,800
Total Cash and Cash Equivalent	728,455	22,625,640

The Foundation holds units under the Cash asset class. Given, the Cash asset holding is periodically revalued, it is disclosed as financial asset under Note 6: Financial Asset at FVTPL

NOTE 5: RECEIVABLES

Sundry debtors including GST and other taxes receivable	207,686	357,512
Income accrued	2,289,606	2,700,130
Total receivables	2,497,292	3,057,642

Income accrued includes dividends owed but not received, franking credits on dividends received and franking credits earned on dividends accrued. Franking credits are claimed from the Australian Taxation Office after the year end.



Notes to the Financial Statements for the Year Ended 30 June 2018

	2018 \$	2017 \$
NOTE 6: FINANCIAL ASSETS		
Financial Assets		
Financial assets at fair value through Other Comprehensive Income (FVTOCI) by asset class:		
Australian Equities		94,483,147
Financial assets at fair value through profit and loss (FVTPL) by asset class:		
Australian Equities	80,644,697	
International Equities	28,802,476	
Unlisted Property	15,199,334	
Cash	3,101,513	
Total Financial assets at fair value	127,748,020	94,483,147

NOTE 7: PLANT AND EQUIPMENT**NON CURRENT**

Plant and equipment at cost	83,951	75,733
Less accumulated depreciation	(63,225)	(52,010)
	20,726	23,723
Leasehold improvements at cost	77,908	77,908
Less accumulated depreciation	(57,491)	(44,508)
	20,417	33,400
Total plant and equipment	41,143	57,123

	Plant & Equipment \$	Leasehold Improvements \$	Total \$
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.			
Balance at 1 July 2016	14,213	44,961	59,174
Additions	19,314	1,237	20,551
Disposals	(983)		(983)
Depreciation expense	(8,821)	(12,798)	(21,619)
Balance at 30 June 2017	23,723	33,400	57,123
Additions	8,218	0	8,218
Disposals	0		0
Depreciation expense	(11,215)	(12,983)	(24,198)
Balance at 30 June 2018	20,726	20,417	41,143

Notes to the Financial Statements for the Year Ended 30 June 2018

	2018 \$	2017 \$
NOTE 8: PAYABLES		
Trade and other payables	1,792,145	49,840
Accrued Expenses	288,113	246,319
Total payables	<u>2,080,258</u>	<u>296,159</u>

Trade and other payables include \$1.65m relating to Dairy feedbase joint venture program

NOTE 9(a): CURRENT PROVISIONS

Employee expense	37,190	77,857
Other Provisions	(4,280)	0
Total Current Provisions	<u>32,910</u>	<u>77,857</u>

NOTE 9(b): NON-CURRENT PROVISIONS

Employee expense	3,743	8,516
Rent Free Provision	1,960	4,988
Total Non-Current Provisions	<u>5,703</u>	<u>13,504</u>
Total Provisions	<u>38,613</u>	<u>91,361</u>

Provision for Long-term Employee Expenses

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of leave, the probability of leave being taken is based on estimates and judgements. The measurement and recognition criteria relating to employee expenses have been included in Note 1 to these financial statements.

Other Provisions

Other Provisions consists of Fringe Benefit Tax Payable for 2017/18 and rent-free provision has been recognised for straight line annual rental increases over the duration of the lease (five years).

	2018 \$	2017 \$
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NOTE 10: CASH FLOW INFORMATION

Reconciliation of cash flow from operations with surplus/(deficit) for the year:

Surplus/(Deficit) for the year	6,641,357	8,480,660
Non Cash flows		
Net fair value gain on revaluation of financial assets	(5,377,673)	
Depreciation and amortisation	24,197	21,619
Loss on sale of assets	-	762
Increase/(decrease) in provisions	(52,748)	(37,300)
Changes in assets and liabilities		
Decrease/(increase) in receivables	560,351	(369,186)
Increase/(decrease) in payables	1,784,098	(530,069)
Cash flow from operating activities	<u>3,579,582</u>	<u>7,566,486</u>



Notes to the Financial Statements for the Year Ended 30 June 2018

	2018 \$	2017 \$
NOTE 11: CAPITAL AND LEASING COMMITMENTS		
(a) Operating lease commitments		
Non-cancellable operating leases contracted but not capitalised in the financial statements:		
Payable – minimum lease payments		
- Not later than 1 year	80,729	68,111
- Later than 1 year but not later than 5 years	27,697	16,767
	<u>108,426</u>	<u>84,878</u>
(b) Project expenditure commitments		
The following funding commitments for projects existed at 30 June:		
Payable not later than 1 year	3,733,887	4,061,146
Later than 1 year but not later than 5 years	8,000,000	5,869,650
	<u>11,733,887</u>	<u>9,930,796</u>

The project expenditure commitment includes both contractual obligations for projects supported by Gardiner Dairy Foundation and other costs associated with servicing the contractual obligations

NOTE 12: EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs in future financial years.

NOTE 13: RELATED PARTY TRANSACTIONS

Other than payment to directors under Note 13, there were no other related party transactions.

NOTE 14: DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Foundation, directly or indirectly, including any Director (whether executive or otherwise) is considered key management personnel. Key management personnel compensation includes Directors fees, and compensation paid to the CEO and Company Secretary.

The amounts paid or payable to Directors and key management personnel employed by Gardiner Dairy Foundation are:

Directors and key management personnel compensation	<u>603,215</u>	<u>594,361</u>
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Notes to the Financial Statements for the Year Ended 30 June 2018

	2018 \$	2017 \$
NOTE 15: FINANCIAL RISK MANAGEMENT		
Financial Assets		
Cash and cash equivalents	728,455	22,625,640
Receivables	2,497,291	3,057,642
Financial assets at fair value by asset class:		
Australian Equities	80,644,697	94,483,147
International Equities	28,802,476	-
Unlisted Property	15,199,334	-
Cash	3,101,513	-
Total Financial assets at fair value:	127,748,020	94,483,147
Total Financial Assets	130,973,766	120,166,429
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	1,792,145	49,840
Total Financial Liabilities	1,792,145	49,840

Previously financial assets comprised of equity instruments designated as financial assets at fair value through other comprehensive income. Following transition to a pooled unit trust investment structure during the year, movement in equity instrument is as reflected as net realised gains/(losses) and net unrealised gains/losses through profit and loss as per disclosure notes 1(h) and 1(l)

NOTE 16: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In February 2014, the Gardiner Dairy Foundation (the Foundation) was advised by the executors of the Estate of Niel Black, that the Foundation is one of a number a beneficiaries of the late Mr Black's estate in accordance with his Will (the Will). The late Mr Black bequeathed a significant portion (the residuary estate) of his estate to the Foundation.

One of the conditions stipulated in the Will was that the Trustees of the estate will service and maintain Mr Black's Mt Noorat Homestead property (Homestead property), currently occupied by Mr Black's widow Mrs Eve Marie Black (life tenant). The Will however did not specify the amount to be set aside for the service and maintenance of the Homestead property. The maintenance obligation amongst other things include repairs, insuring the Homestead property against loss and damage by fire, keeping the house, garden and grounds in good order and condition and pay and discharge all rates, taxes and other outgoings while the life tenant resides at the property.

An agreement was reached between the Trustees and the Foundation for the Trustees to set aside out of the estate the sum of \$1.0 million (Trustees funds) to fulfill the maintenance obligations for the Homestead property.

In the event that the Trustees funds for the maintenance obligation is insufficient under a deed between the Trustees and the Foundation, the Foundation will be required to make a payment or payments to the Trustees up to a maximum amount in aggregate of \$1.0m to enable the Trustees to fulfil the maintenance obligations.

In the event that the life tenant vacates the Homestead property, the balance of the Trustees funds will be made available to the Foundation.



Independent Auditor's Report

To the Members of Geoffrey Gardiner Dairy Foundation Limited

Report on the audit of the financial report

Opinion

We have audited the accompanying financial report of Geoffrey Gardiner Dairy Foundation Limited (the "Foundation"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the Directors' declaration of the Foundation.

In our opinion, the financial report of Geoffrey Gardiner Dairy Foundation Limited has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- a giving a true and fair view of the Foundation's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Auditor's opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Foundation in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Foundation's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Foundation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. A description of our responsibilities can be found on the Auditing and Assurance Standards Board website <http://www.auasb.gov.au/Home.aspx> (ref: para. Aus A57.1).



Grant Thornton Audit Pty Ltd
Chartered Accountants



T S Jackman
Partner – Audit & Assurance

Melbourne, 17 August 2018

Auditor's Independence Declaration

To the Directors of Geoffrey Gardiner Dairy Foundation Limited

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of Geoffrey Gardiner Dairy Foundation Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



T S Jackman
Partner - Audit & Assurance

Melbourne, 17 August 2018

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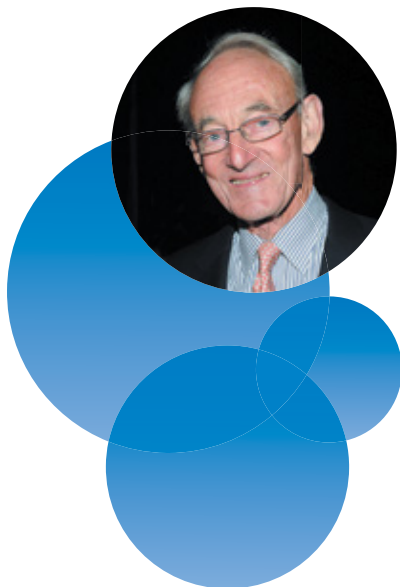
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NIEL BLACK

(1935–2012)

“Niel has made an enormous impact on the dairy industry, he has implemented innovation and change, improved process by sharing knowledge and has left a lasting legacy.”

— NOEL CAMPBELL —

Past President of Australian Dairy Farmers and Dairy Farmer

Niel Black was involved in almost every aspect of the Australian Dairy Industry. His contribution towards herd improvement made him a pioneer of the industry.

He's best known for his founding partnership of the DemoDAIRY research centre in Terang, Victoria and being the President of the Noorat Show committee for 11 years. He was also an advocate and supporter of United Dairy Farmers of Victoria for over 50 years.

A forward thinker, Niel Black was never afraid of a challenge that would in turn benefit the overall dairy industry. His inquisitive nature knew no boundaries, he studied artificial breeding in the USA and applied his knowledge back in Australia to achieve a thorough understanding in herd improvement.

On a personal level, he was a modest quiet achiever who never sought personal glory but this didn't prevent many accolades being bestowed upon him. In 2012 he was inducted onto the Western Victorian Dairy Industry honour roll. Mr Black always generously shared his knowledge with newcomers and he was an experienced farmer who kept active on his own farm throughout his life.

Mr Black was an advocate of the Gardiner Dairy Foundation and he made a considerable bequest to the foundation in his will. The Gardiner Dairy Foundation will use these funds to honour Neil's legacy.

His generous donation will go towards supporting the entire Victorian dairy industry through the programs of the Gardiner Dairy Foundation.

GARDINER FOUNDATION

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