



Barossa Infrastructure

LIMITED

ANNUAL REPORT | 2018

Corporate Directory

Domicile of Barossa
Infrastructure Ltd: Australia

Barossa Infrastructure Ltd
incorporated in: South Australia

Legal form of Barossa
Infrastructure Ltd:
Unlisted Public Company

Board of Directors

Robert Chapman (Chairman)
Grant Burge
Geoffrey Davis
Gayle Grieger
John Kerr
Timothy McCarthy
Victor Patrick

General Manager

Paul Shanks

Company Secretary

Geoffrey Davis

Corporate Adviser

Capital Strategies Pty Ltd
A.C.N. 008 181 173

Auditors

KPMG

Lawyers

Minter Ellison

Customer Service Centre

2 Basedow Road
Tanunda, SA 5352
Phone 08 8563 2300
Fax 08 8563 1266

Registered Office

A.C.N. 084 108 958
Barossa Infrastructure Ltd
C/- Level 6
81 Flinders Street
Adelaide, SA 5000

Website

<http://barossainfrastructure.com.au>

Front cover image
The Hoffmann Storage

Directors



MR ROBERT CHAPMAN
Chairman



MR GRANT BURGE
Director



MR GEOFFREY DAVIS
Director



DR GAYLE GRIEGER
Director



MR JOHN KERR
Director



MR TIMOTHY MCCARTHY
Director



MR VICTOR PATRICK
Director

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With the substantial completion and commencement of filling of the 500 Megalitre (ML) water storage facility in late June 2018 a major milestone was reached in expanding the capacity by 2,000 ML a year. Expenditure for the expansion is within the budget of \$20 million, which is financed with a loan of up to \$13 million from Bendigo and Adelaide Bank together with share capital and income from the sale of the additional water.

In addition to the 500 ML storage and its associated pumping station, new works include a pumping station at Lyndoch and about 6 kilometres of new and interconnecting pipe mains north of the Sturt Highway. These are complete and in use. Upgrades to the four existing pump stations are well underway and will all be in use for the coming summer.

The Company is paying SA Water for costs associated with a number of new works necessary for the supply of the additional 2,000 ML. These include duplication of sections of both the Mannum Adelaide pipeline and the Warren transfer main as well as a new pumping station adjacent to their existing pump station near Birdwood. This work is behind schedule. The Company has been advised the works will be complete in October ahead of the 2018/19 summer.

Difficult Weather Conditions

The year to June 2018 was difficult for Barossa Infrastructure (BIL) customers with the lack of spring rain in 2017 and a hot dry summer followed by well below average winter rainfall in 2018. This led to BIL's highest ever supply of 9,182 ML in the year to 30 June 2018. A

number of customers have requested additional water to their contracted volume. This has usually been met by internal transfers between customers. 1,055 ML has been transferred to date and there remains further demand for additional water.

The Company is concerned the Warren Reservoir will not be full at the commencement of the high demand period due to lack of winter rainfall. SA Water are transferring as much water as their current capacity permits.

Financial

The Company made a profit after tax of \$1,768,000 compared with last year of \$1,363,000. Sale of water amounted to \$8,555,000 compared with \$4,876,000 last year. The Statement of Cash Flows records a cash outflow of \$2,693,000 for the year with expenditure associated with the Scheme Expansion and the purchase of River Murray Water Rights amounting to \$10,700,000. This has been partially offset by cash inflows from increased sales volumes of \$5,300,000 and loan drawdowns of \$2,500,000. Net assets increased from \$25,784,000 to \$27,782,000. The Board did not recommend a rebate.

River Murray Water Rights

It is a requirement that the Company hold River Murray water allocations for all water transported to BIL by SA Water. To meet this requirement the Company has a mixture of permanent water entitlements, long term leases and temporary allocation purchases. The objective is to increase the holding of permanent entitlements as funds permit. The Company purchased 494 Megalitres of high reliability zone 7 River Murray Victorian, 279 ML class 3a SA Water rights and 75 ML of General Security NSW Water Rights during the year. The Company owns 2,700 ML of permanent water entitlements. The outlook for water allocations for the 2018/19 water year is poor with less than 50% being allocated in the Victorian Murray and no allocation of NSW General Security; fortunately SA allocation has started at 100%. Over the past year, rainfall in the connected Murray catchment is close to the all-time low. Reservoirs in early August are 59% of capacity compared with 69% last year with a total active storage of 5,000 Gigalitres. Further increases

in allocation of NSW and Victorian water are expected. Temporary River Murray Water Allocations are priced at nearly double that of last year.

Customer Contracts

Customers who contracted to the Company prior to 2017 will have the opportunity of exercising their right of renewal from 1 April to 30 June 2019. This will extend the expiry date to 30 September 2040 from the current 2020. It is a great credit to the foresight of the original customers and Board that this opportunity is available.

It is expected that with the current demand for water and the price and quality of alternative sources, all customers will exercise this right for Premium Water and most for Off Peak water. If there is any water not taken up there is an existing waiting list of unfilled demand. The agreement with SA Water has been extended to 2040 with provision to extend to 2060. Customers are expected to have a right of renewal to this date. The Board is examining the best way to amend the customer contract to include this right.

Warren Reservoir Works

SA Water have advised the Company that the outlet and the scour from the Warren Reservoir where BIL sources its water must be upgraded in the future. This will result in the Reservoir being emptied in late March 2020 or 2021 and refilled once the works are complete. Supply during that time will be from the filtered water supply. The expected impact on customers is that those customers with Off Peak Water may be asked to schedule their water differently. The Company is discussing these changes with SA Water with a view to avoiding any inconvenience to customers.

The additional capacity, as part of the expansion, will be utilized in the 2019 year, which is likely to be hot and dry. BIL has upgraded pumping capacity and, from October, when SA Water complete their works there will be a 50% increase in the capacity to transfer water from the River Murray to the Warren Reservoir. The expansion included 170 either new or modified connections so that many customers have increased flow at their vineyards to meet the expected demand.

Acknowledgement of Hon John Olsen AO

The BIL pump station at Rowland Flat has been officially named the 'Olsen Pump Station' in recognition of the significant contribution to the Barossa Water Project of former South Australian Premier the Hon John Olsen AO, who showed enormous foresight in recognising more than twenty years ago the importance of a reliable supply of drought-proofing supplementary irrigation water to the Barossa economy. The Board of Directors wished to acknowledge the former Premier's strong support of the Project which facilitated the ongoing partnership between the Company and SA Water.

Staff Retirements

Ms Patsy Biscoe AM has announced her retirement in December and the General Manager Mr Paul Shanks will retire in June 2019. Patsy has 21 years of service and Paul has managed the Company since its commissioning. My thanks to both for their service to the Company and thanks to Mrs Lisa Buckley and Mr Neville Skipworth for their continuing service.

Corporate Governance

The Company, as a part of the Barossa, is committed to the long term sustainability of supplementary irrigation of Barossa vineyards. This is achieved through monitoring the environmental risks, providing additional water to customers to meet climate change, keeping prices as low as possible and planning for future maintenance and replacement of assets.

There were no work, health and safety issues reported to the Board.



Robert I Chapman

Chairman

11 September 2018



Last year in my report I commented on the dry start to winter. The hot and dry weather has continued and resulted in record demand for water. For the year to 1 August 2018 maximum temperatures averaged 1.4 degrees above average while minimum temperatures were close to normal. Rainfall was about 80% of usual.

The upgrading of one pump at Olsen station (formerly Airfield), the completion of the new pumping station

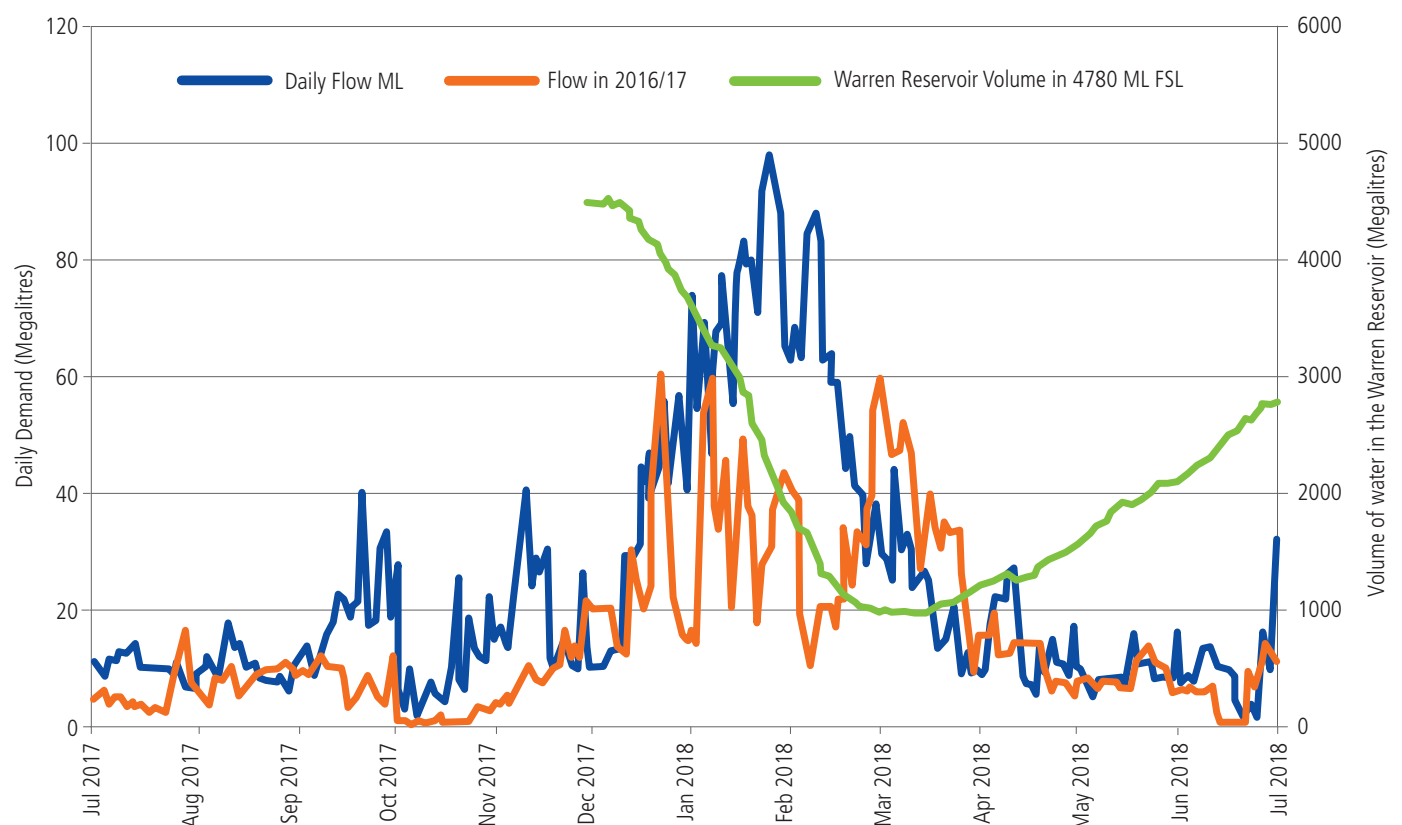
at Lyndoch and laying about 6 kilometres of inter-connecting pipework enabled supply to be maintained during the summer.

Construction of the new Hoffmann storage and upgrading of all 4 existing pump stations is near complete, the Hoffmann pumping station is due for completion in October.

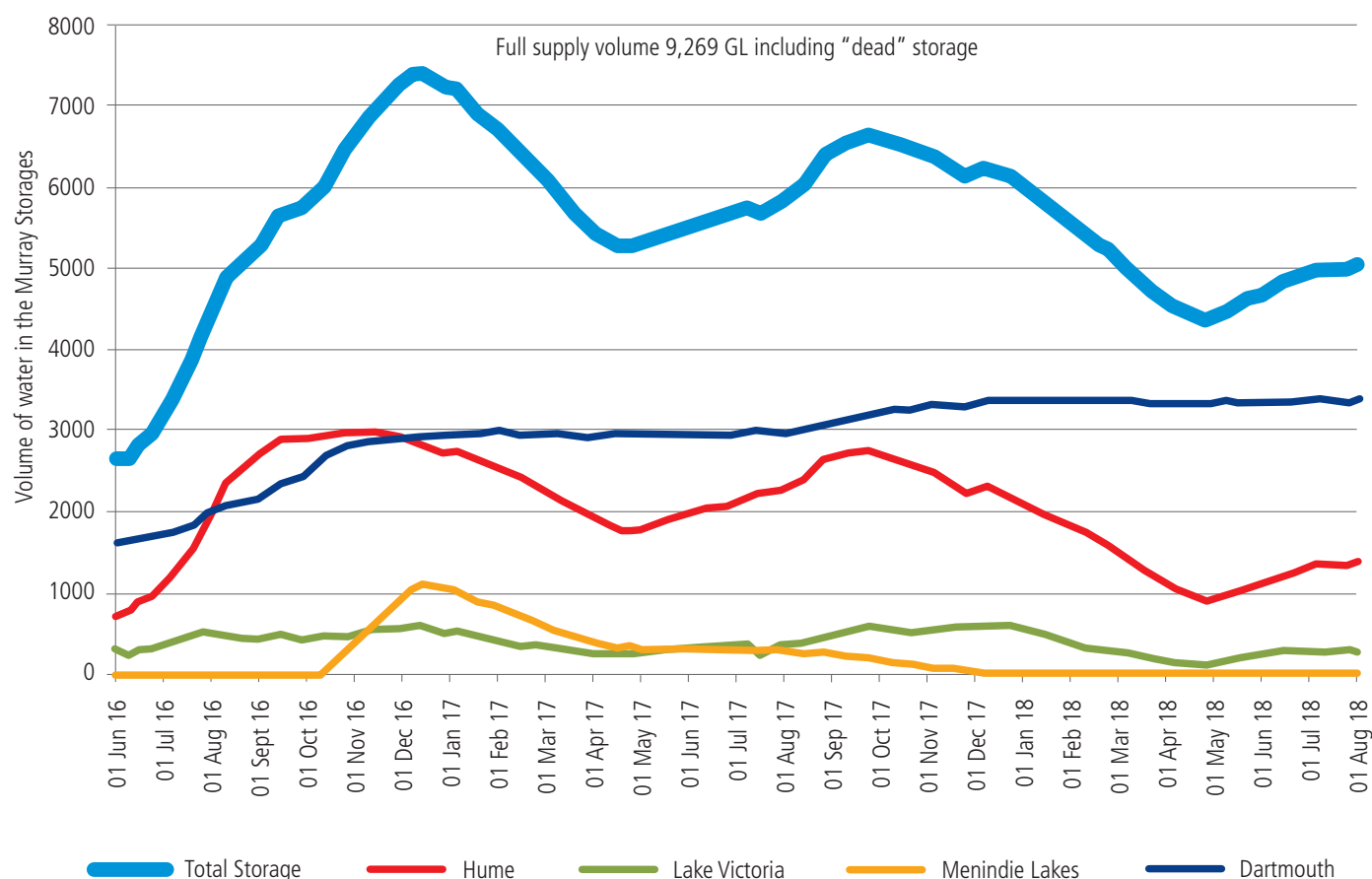
The expansion is being implemented over 3 years to enable customers to plan and source materials for their plantings. Maximum demand in the water year to 30 September 2018 has increased to 10,200 Megalitres, including about 500 Megalitres to fill the new Hoffmann storage.

Those customers who passed by the Warren Reservoir would have noted the impact of the high demand.

Daily Customer Demand compared with the previous year and the impact in 2018 on water level in the Warren Reservoir



Active Storage Volumes in the River Murray and Menindee Lakes



River Murray

There have been no restrictions on River Murray allocations during the year and water quality is high. The outlook in 2018/2019 is not as good as in past years. While the quality will remain high there will be considerably less water available. This is due to the dry winter and poor intakes to the River Murray storages that supply water to the southern Murray Darling Basin. An example of the impact of the dry weather on these storages is the severe reduction in the inflows. In 2016 intake to the storages averaged 24 Gigalitres per day, in 2017 intake averaged 8.6 Gigalitres per day and intake to the storages for this year, 2018, is at a rate of 6.6 Gigalitres per day during the last few months.

The impact of continued dry weather will be high costs of annual allocation water. These costs currently are close to double last year's price.

The difference between the water lease year which ends on 30 June and BIL water year ending on 30 September is BIL incurs the high annual allocation water costs since 1 July 2018 on an increased volume of water as customers water their dry subsoil.

Expansion and Impact on Workload

Expansion of the Scheme has resulted in some inconvenience to customers for which I apologise. The benefits to all customers are lower long term prices, the

extension to 2060 and funds to purchase permanent water entitlements. The take up of the water by mainly existing customers has also supported the expansion.

The increased workload due to the expansion, the shorter battery life than expected of the web connection of the flowmeters and the scheduled replacement of the meter batteries contributed to the high Infrastructure Maintenance Services team workload.

The supplier of the faulty web connection (wasps) has supported their product and provided replacements that do not disadvantage the Company. The total result has been a significant additional workload on the maintenance team and my thanks go to Steve and Caleb for the professional way in which they responded to these challenges.

Environmental Considerations

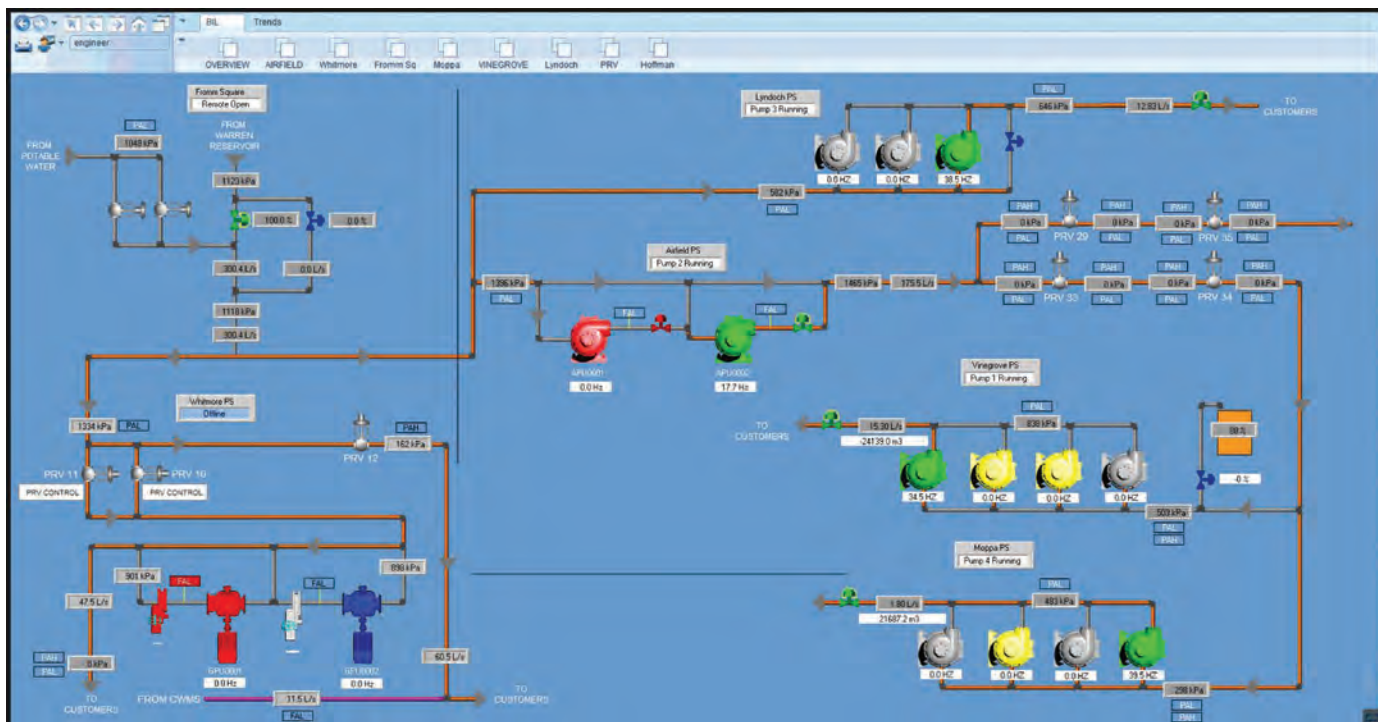
An important part of the Company's responsibility is to ensure that supplementary irrigation water is used in an

effective manner and that no detrimental environmental impact occurs. A detailed environmental assessment was carried out in consultation with the Natural Resources Management Board and the Department of Water. In addition, assistance is provided with annual monitoring of stream flows at critical ground water locations to ensure there are no long term detrimental effects of the use of Barossa Infrastructure Ltd water. As part of the site use approval application a detailed environmental study was carried out. The results are on the website.

Nuriootpa Community Wastewater Management Scheme

A total of 270 Megalitres of water from Nuriootpa CWMS, or 4.1% of BIL supply, was delivered. Water quality supplied by The Barossa Council was satisfactory. Total dissolved solids averaged 804 parts per million (mg/L) and 250 mg/L for the Company's supply from the Warren Reservoir. With dilution flow, the average dissolved solids were 310 mg/L for customers on Gomersal Road.

Overview of main screen with live data



Operations

Infrastructure Maintenance Services has been contracted to provide repairs and maintenance services as well as operational support. Again, our thanks to Steve Dewar and Caleb Staehr for the high level of service provided.

The expansion requires further automation with continuous monitoring of the storage and camera feeds of the pumping stations that will reduce call outs for false alarms. This information, while providing data, also enables operations with minimal staff.

Pressure sensors are installed to ensure the system is kept within design parameters. During expansion, four locations will be continuously monitored providing control over Pressure Reducing Valves and the Hoffmann pumping station. This will enable pressures to be maintained and to respond to changes in demand.

Safety of our staff and contractors is most important. Audits of procedures and spot checks ensure these steps are documented.

Customers and Staff

This will be my last report before my planned retirement in 2019. It is a pleasure to work with the staff and contractors to BIL. I have a great admiration for our customers who through their diligence, hard work and skills have created a reputation for the fine wines of the Barossa. I hope by providing a high quality water supply at a sustainable price, BIL has been able to contribute to the production of these fine wines. This is a double departure as at the end of the year Ms Patsy Biscoe will also retire after more than 20 years, first working with Mark Whitmore and, then once incorporated, the Company. Her knowledge and hard work for the community was recognised 2 years ago with membership of the Order of Australia.

My thanks go to Mrs Lisa Buckley, Ms Patsy Biscoe and my assistant, Mr Neville Skipworth, for their commitment, efficiency and support throughout the

year. Mr Borvin Kracman has been a great source of advice to both myself and the Board. As Project Manager for the Scheme expansion, Borvin has ensured the work proceeded at high quality and on schedule to meet our commitment to our customers.

Thank you to all customers for your support and I urge you to contact me if you require assistance with the operation of your connection or have any suggestions on how the system may be improved.



Paul Shanks

General Manager

11 September 2018

Corporate Governance Statement

Barossa Infrastructure Ltd's Board and Management are committed to the sustainable provision of supplementary irrigation water for viticulture in the Barossa region. All profits from operations are returned to the shareholders in the form of the lowest sustainable price for water.

The Board updates this statement annually, considering any further issues that may require attention.

The Company sources its water through the Water Transport Agreement with SA Water and as part of that agreement is required to have a Water Allocation from the River Murray. These rights are dependent on water availability. The Murray Darling Basin Plan, approved by Federal Parliament, is to be implemented progressively to 2019 and will assure the supply of quality water to irrigators in South Australia and better regulate the trading of water allocations and licences.

Board Role

The Board is composed of from three to twelve Directors including at least two Independent Directors. An Independent Director is defined in the Company's Constitution as one who has no financial interest in the Company or any commercial interests in any vineyard or winery in the Barossa Valley.

The Board is accountable to the shareholders and the Barossa community for the sustainable performance of the Company. The Board meets at least six times annually and sets policies and monitors performance at these meetings.

In addition to this, input from relevant organisations assists in meeting the Company's objectives and environmental requirements. This includes meeting ongoing environmental monitoring requirements.

The Board has delegated to the Executive Committee, consisting of the Chairman, Company Secretary, one Director and the General Manager, the day to day operational decisions within approved policies and budgets.

Scheme Expansion

The Company is currently expanding the Scheme by 2,000 Megalitres per annum to an annual capacity of 11,250 Megalitres, including water taken from the Barossa Council's Nuriootpa Community Wastewater Management Scheme. Customers will complete the take of water in the 2019/2020 water year. The work, including a large water storage facility, has been undertaken by contractors and prior to taking possession safe work procedures have been implemented. The water storage facility will be certified by a qualified engineer prior to acceptance.

In addition to the work being managed by the Company, SA Water are increasing their capacity to the Company to ensure the supply can be met. This work is about 12 months behind schedule. The Company is closely monitoring progress and provided the works are commissioned by late November this year the Company will meet its commitments to its customers.

Risk Management

Risk management for Barossa Infrastructure is summarised in the Corporate Governance Statement in the Annual Report. The risks were prioritised by the Board in 2013 and reviewed in 2018.

1. Work Health and Safety

- *Workplace health and safety is a paramount consideration; an audit was completed and recommendations actioned to ensure that the Company is fully compliant with the new WHS Act*
- *Further regular audits will document compliance and be included in the Board's agenda*

2. SA Water - Water Transport Agreement

- *As well as a contractual relationship, the business relationship is actively managed with meetings and mutual cooperation on operational issues aimed at achieving win-win outcomes*
- *An updated Water Transport Agreement was signed in June 2017 which provides for the agreement to now end in 2040 with an option for the Company*

to extend it to 2060; the agreement provides more certainty in costs escalation and allows for further expansions

- The new agreement is essentially similar to the previous with updated clauses for further expansion to 13,000 Megalitre capacity and a right to extend to 2060
- Includes principle of 'good faith decisions' in reviewing charges

3. Management and Board Succession

- A new database has been developed to contain all customer records and billing; with procedures in place for backup and off site secure storage
- Program of Board renewal underway to progressively introduce a range of new members with the appropriate mix of skills and experience to take the Company through its next stage, whilst retaining corporate knowledge
- An assistant to the General Manager and an independent engineer advisor have been appointed to assist the General Manager in his role and provide mutual cover to ensure business continuity

4. Environmental Risks

- The impact of importing water to the Barossa is monitored annually (refer below) and is subject to a region wide Irrigation Management Plan
- Climate variability (and change) and the effect of rationing on demand form part of the water and environment management strategy
- The Nuriootpa Community Wastewater Management Scheme risk plan has been reviewed; annual reports are made to the Department of Health
- BIL has paid for existing monitoring sites and 6 additional sites as part of the storage safety procedures
- A regular review is carried out of the surface water aquifers which may be impacted by irrigation
- Site use approval for up to 12 Gigalitres a year was received on 8 February 2018

5. Safety of Pipeline and Pumping Stations

- The life of various assets has been analysed and asset management strategies developed to minimise the risks of disruptions to supply
- A spares policy has been implemented to ensure rapid repair of minor leaks and bursts
- An Asset Management Plan has been developed and is being implemented, including monitoring of pressures at critical locations
- Safety was a major consideration in the design, construction and operation of the new storage; an electrified fence has been provided to keep out wildlife
- Safe Operating Procedures have been developed for all items of plant and equipment
- Audits are carried out to confirm the actual process is compliant

6. Sustainability

- Ongoing environmental, financial and operational performance and issues are regularly monitored and action taken by management as necessary

7. Funding

- Construction of the works by BIL are substantially complete and within budget; the loan for the works has been provided by Bendigo and Adelaide Bank
- Impact of the state of the wine industry and the ability of customers to pay their accounts is routinely monitored and supported by debtor monitoring and control mechanisms
- The original long term debt has been paid in full. The Board is developing an asset upgrade and replacement policy as part of the asset management plan; provision will be made annually to accumulate funds to meet these future needs
- Customers who participated in the expansion will fully cover the repayment of the debt

8 Scheme Expansion

- The expansion of the Scheme was supported by a risk analysis to ensure all risks were identified and successfully managed

Corporate Governance Statement

- *Delays by SA Water in the provision of additional capacity are being mitigated by a close working relationship and sharing of data*

9 River Murray Water Rights

- *The Basin Plan, when implemented, is likely to reduce the reliability of the allocations but improve the water quality and flow through South Australia*
- *A portfolio strategy for ownership, long term lease or short term lease of water rights has been developed and is being implemented; it involves the Company as well as individual shareholders holding water rights from interstate as well as from South Australia*

10. Water Quality

- *Regular testing of water quality is undertaken and has never proven to be a negative issue; despite popular misconceptions, River Murray water provides a high quality irrigation water resource which is, in general, better irrigation quality than most ground waters in the region*
- *BIL is interested in the Northern Adelaide Irrigation Scheme (NAIS) expansion from Bolivar; this water must meet the BIL water quality contract requirements; if this additional source of water is available it will improve the sustainability of the Company*

11. Customer Contracts

- *Customer contracts entered into up to 2015 need to be renewed by the customers to be extended beyond the expiry date in 2020; they will require a notice of renewal between April and June 2019*
- *BIL will assist customers in renewing their contracts*

12. Government Policy Changes

- *Recent Government policy changes that have impacted on Barossa Infrastructure Ltd were mainly as a result of COAG agreements and the Basin Plan*
- *SA Water's decision to upgrade the outlet from the Warren Reservoir highlights an area of risk where the Company has little control; BIL is advised of the process*

- *The late delivery of new infrastructure by SA Water is of concern but offset by good communication*

Environmental Performance

The Company is aware of the variable nature of the Australian climate and that the supplementary irrigation used by our customers should be sufficient to mitigate these climate impacts without detrimental effect on either the local environment or the underground water supplies.

Review of gauging stations and shallow aquifer monitoring has indicated no areas of concern. This monitoring is at an early stage and more useful information will be available in the future.

Barossa Infrastructure Ltd assists relevant organisations in the collection and dissemination of information that will enhance the environment and promote good viticulture practices.

The Company has joined a number of organisations that promote sustainable irrigation and environmental concerns in the Murray Darling Basin. These include:

- South Australian Murray Irrigators Incorporated
- National Irrigators' Council
and
- Irrigation Australia

As part of the process of examining the taking of treated wastewater from the Nuriootpa Community Wastewater Management Scheme, Barossa Infrastructure Ltd engaged Seed Consulting Pty Ltd to prepare a detailed risk management plan and make a submission to the Department of Health for approval, and to audit the Scheme.

Sustainability

The Board is committed to the long term sustainability of the supply of Barossa Infrastructure Ltd water to shareholders and customers.

Directors' Report

The Directors present their report together with the financial report of Barossa Infrastructure Limited ("the Company") for the financial year ended 30 June 2018 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the financial year are:

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Grant Walker Burge Director <i>Appointed 14 September 1998</i>	67	Vigneron Chief Executive Grant Burge Corp Pty Ltd, Illaparra Winery Pty Ltd, Burge Vineyard Services Pty Ltd Burge Pastoral Co Pty Ltd, Burge Estates Barossa Valley Strategic Water Management Study 'Vision 2045' Baron of the Barossa – Inducted 1990 Former Chief Executive Grant Burge Wines Pty Ltd Past Director Krondorf Ltd, Mildara Ltd, Rycroft Vineyards Pty Ltd Past Member Barossa Water Resources Board Past Councillor The Barossa Council Past President & Committee Member Barossa Winemakers Association Past Committee Member SA Wine Industry Association
Robert Ian Chapman Independent Director Assoc Dip Bus, FAICD, F Fin Chairman <i>Appointed 4 June 2012</i> <i>Member Executive Committee</i>	54	Adelaide Football Club (Chairman 2008 – present) Fortisago (Chairman 2015) Perks Accounting & Financial Services (Chairman 2012) Member of The Economic Development Board Member SA Economic Development Committee Member Next Generation Manufacturing Investment Programme Interim Committee Past President of Business SA - (2005/07) Past President of CEDA SA – (2003/06) Past Chief Executive Officer St. George Group (2010/12) Past Managing Director Bank SA (2002/10) Past Regional General Manager, WA, SA, NT Commonwealth Bank of Australia Past Chairman Kelly & Co Business Advisory Panel (2012) Past Chairman Bank SA Advisory Board (2012) <i>Former Memberships:</i> cando4kids (Ambassador) Catholic Church Diocesan Finance Council (Chairman 2004) Flinders Medical Centre Foundation History Trust of South Australia Olympic Games Fundraising Committee Premier's Climate Change Council UniSA MBA Program (Past Chairman)

Directors' Report

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Geoffrey Maxwell Davis B Ec, FCA, CTA Independent Director Company Secretary <i>Appointed 3 August 1999</i> <i>Member Executive Committee</i>	70	Chartered Accountant, Principal Geoff Davis & Associates Past Chairman AC Johnston Pty Ltd (Pirramimma Wines) Former Partner Ernst & Young Board Member of Sevenhill Cellars Past Chair of Saint Ignatius College Council Former Member SA Egg Board
Gayle Robin Grieger B Sc (Hon), PhD Independent Director <i>Appointed 2 February 2004</i>	46	Environmental Scientist Senior NRM Policy Officer, Adelaide and Mt Lofty Ranges NRM Board Member Australian Soil Science Society Past Member Australian Society of Viticulture & Oenology Past Committee Member 7th South Australian Rural Women's Gathering
John Leslie Kerr B Ec, FCA, F Fin <i>Appointed 2 May 2017</i>	54	Chartered Accountant Director – Capital Strategies Pty Ltd Director – Capital Family Office Pty Ltd Director – Aged Care Homes Inc Director – The Creeks Pipeline Company Ltd Former Member – Premier's Climate Change Council (2008-2011) Former Board Member – Cancer Council of South Australia Inc (2003-2010) Former Chair – Advisory Board – South Australia Centre for Economic Studies (2000-2008)
Timothy James McCarthy Director <i>Appointed 28 February 2017</i>	37	Vigneron Director Janimiti Pty Ltd Viticulture Operations Manager – Pernod Ricard Winemakers Barossa Grape and Wine Association Board Member Grape Barossa Committee Member Past Member Coonawarra Grape Growers Committee Past Member Padthaway Grape Growers Committee Past Member Limestone Coast Wines Technical Committee 2015-2011 National Vineyard Manager, Pernod Ricard Winemakers 2011-2007 Regional Manager South East, Pernod Ricard Winemakers 2007-2005 Vineyard Manager Yarra Valley, Fosters Group

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Victor John Patrick Independent Director <i>Appointed 28 April 2008</i> <i>Member Executive Committee</i>	74	Director Red Dirt Estate Joint Venture Director Graymoor Estate Joint Venture Director Farmer Eden Valley/Kalangadoo Diploma – Viticulture, Vinification, Wine Chemistry & Technology Oenological Diploma Agriculture 2004-1996 Director Viticulture Foster's Group 1996-1987 Director Global Viticulture Mildara Blass Ltd 1987-1985 Ass. General Manager Vineyards Southcorp Wines Chairman Wine Grape Growers Australia Member Wine Grape Council of SA Member SA Wine Industry Assoc. Environment Committee Member University of Adelaide School of Agriculture Food & Wine Advisory Board Former Chairperson SE Soil Conservation Board Former Chairperson SA Wine Industry Council Former President SA Wine Industry Association Former Member SA Soil Conservation Board Former Member Lower SE Water Resources Committee Former Member SE Catchment Management Board Former Member SA Water Resources Council
Steven James Wilson Director <i>Appointed 14 September 1998</i> <i>Resigned 23 October 2017</i>	63	Vigneron Managing Director Anandale Vineyards Pty Ltd, Linfield Rd Wines Pty Ltd Past Member Wine Grape Growers Council – Tanunda branch Member & Past Secretary South Australian Farmers Federation Past Member SAFF Research & Development Board Past Director BREDA

Directors' Report

Directors' Meeting Attendance

For the year ended 30 June 2018, there have been 7 meetings of Directors. Those Directors and their attendance at meetings are as follows:

Director	Board Meetings	
	A	B
G W Burge	7	7
R I Chapman	7	7
G M Davis	7	7
G R Grieger	7	7
J L Kerr	7	7
T J McCarthy	7	7
V J Patrick	7	7
S J Wilson	3	3

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Principal Activities

The principal activities of the Company during the year consisted of:

- The delivery of water to customers from the pipeline
- The continual addressing of technical and operating matters to ensure the reliable operation of the pipeline system
- Securing sufficient River Murray Water Rights to enable delivery of water in accordance with the supply contract with SA Water
- Construction of infrastructure, including a 500ML water storage, for extending the volume of water supplied under the scheme from 9GL to 11GL

Review of Operations

The net profit after providing for income tax amounted to \$1,768,359 (2017: profit \$1,363,359).

No water restrictions applied to River Murray Water Rights for the 2018 year and customers were entitled to take 100% of their contracted amounts. The dry 2017 spring and hot 2018 summer resulted in record delivery of water for the financial year to 30 June

2018. In addition, unused water resulting from the cooler 2017 vintage was charged to customers in October 2017.

State of Affairs

The Company commenced a capital expenditure program, estimated at \$17.0 million, to increase the water supply to 11GL. This involves SA Water infrastructure upgrades as well as BIL's own infrastructure to deliver the further 2GL at contracted pressure and flow rates.

Loan facilities of \$13.0 million have been entered into to part finance the expansion project and acquire additional River Murray Water Rights. The facilities have been drawn down to \$2.5 million at 30 June 2018.

Further share capital of \$229,250 was issued during the year and now takes total share capital at 30 June 2018 to \$15,395,637.

In the opinion of the Directors there were no other significant changes in the state of affairs in the Company that occurred during the financial year under review.

Directors

Total compensation for all Directors, last voted upon by shareholders at the 2017 AGM, is not to exceed \$210,000 per annum. Directors' fees and the 9.50% super guarantee for 2018 amounted to \$177,602.

Environmental Regulation

The project for delivery of River Murray Water to the Barossa Region is subject to strict environmental regulation. Initially an independent consultant prepared the environmental report to assist in the Company's application to the Development Approval Commission and the relevant Water Catchment Board. Environmental approvals have been obtained for the expanded supply of 11GL. The Company works closely with the Department of Environment, Water & Natural Resources and Mount Lofty Ranges Natural Resources Management Board for ongoing monitoring of water usage and changes in water tables.

Likely Developments

The objective of the Company continues to be the reliable delivery of quality water to its customers at the lowest appropriate commercial price. The Company will complete its sixteenth full "water year" on 30 September 2018.

The progressive expansion over 3 years has resulted in new and upgraded pumps and pump stations, additional pipelines and a large water storage north of the Sturt Highway. This new infrastructure will be ready for the water year commencing October 2018. The increased infrastructure costs payable under the Water Transport Agreement and the additional BIL own infrastructure, including significant storage, have been funded by share capital and ongoing levies raised on the new water contracts.

Indemnification

The Company has agreed to indemnify all of the Directors of the Company against all liabilities to another person that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the future amount of any such liabilities, including costs and expenses.

The Company has paid premiums amounting to \$12,313 to insure against such liabilities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage

Events Subsequent to Reporting Date

Since the end of the financial year the State Government has announced 100% water allocations for 2019.

The expansion project continues to run on time and within planned projects costs.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Auditor's Independence Declaration by KPMG is set out on page 48 and forms part of the Directors' Report for the financial year ended 30 June 2018.

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



R I Chapman

Director



G M Davis

Director

Tanunda, S.A.

11 September 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Sale of Water		8,554,943	4,876,455
Cost of Sales		(7,997,026)	(5,750,212)
Gross Profit/(Loss)		557,917	(873,757)
Infrastructure Levies Revenue		3,778,419	4,069,358
Other Income		60,778	73,931
Administrative Expenses		(1,124,808)	(1,466,303)
Results From Operating Activities		3,272,306	1,803,229
Financial Income		66,013	39,818
Financial Expenses		(29,775)	(1,079)
Net financing income		36,238	38,739
Profit Before Tax		3,308,544	1,841,968
Income Tax Expense	4 (a)	(1,540,185)	(478,609)
Profit After Tax		1,768,359	1,363,359
Total Comprehensive Income		1,768,359	1,363,359

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2018

	Attributable to equity holders of the Company		
	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2016	12,179,000	9,254,601	21,433,601
Total comprehensive income			
Profit after tax	-	1,363,359	1,363,359
Contributions by Owners of the Company			
Issue of ordinary shares	2,987,387	-	2,987,387
Balance at 30 June 2017	15,166,387	10,617,960	25,784,347
Balance at 1 July 2017	15,166,387	10,617,960	25,784,347
Total comprehensive income			
Profit after tax	-	1,768,359	1,768,359
Contributions by Owners of the Company			
Issue of ordinary shares	229,250	-	229,250
Balance at 30 June 2018	15,395,637	12,386,319	27,781,956

The accompanying notes form part of these financial statements

Statement of Financial Position

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	2,602,217	5,294,893
Trade and Other Receivables	6	1,999,491	1,885,588
Other Assets	7	1,392,841	1,049,255
Current Tax Assets	4 (c)	-	23,327
Total Current Assets		5,994,549	8,253,063
Non-current Assets			
Other Assets	7	3,598,349	3,767,607
Property, Plant and Equipment	8	20,479,037	14,649,979
Intangible Assets	9	10,022,173	5,647,070
Total Non-current Assets		34,099,559	24,064,656
TOTAL ASSETS		40,094,108	32,317,719
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	1,655,620	781,919
Employee Benefits	15	137,062	127,869
Deferred Income	16	4,388,655	3,812,061
Total Current Liabilities		6,181,337	4,721,849
Non-current Liabilities			
Loans & Borrowings	11	2,500,000	-
Deferred Income	16	1,398,558	1,119,451
Deferred Tax Liabilities	4 (d)	2,232,257	692,072
Total Non-current Liabilities		6,130,815	1,811,523
TOTAL LIABILITIES		12,312,152	6,533,372
NET ASSETS		27,781,956	25,784,347
EQUITY			
Issued Capital	12	15,395,637	15,166,387
Retained Earnings	12	12,386,319	10,617,960
TOTAL EQUITY		27,781,956	25,784,347

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			
Cash Receipts from Customers		13,088,068	8,534,747
Cash Paid to Suppliers and Employees		(7,813,465)	(5,810,937)
Cash from Operating Activities		5,274,603	2,723,810
Interest Received		68,109	37,682
Interest Paid		(1,025)	(5,070)
Income Taxes Refunded/(Paid)		23,327	(435,073)
Net Cash from Operating Activities	14	5,365,014	2,321,349
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		-	10,909
Acquisition of Property, Plant and Equipment		(6,587,335)	(242,989)
Acquisition of Intangibles		(4,112,505)	(65,736)
Net Cash used in Investing Activities		(10,699,840)	(297,816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the Issue of Share Capital		168,000	3,048,500
Proceeds from Borrowings		2,500,000	-
Repayment of Borrowings		-	(1,368,210)
Borrowing Expenses		(25,850)	
Transaction costs related to capital raising		-	(84,294)
Net Cash from Financing Activities		2,642,150	1,595,996
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,692,676)	3,619,529
Cash and Cash Equivalents at 1 July*		5,294,893	1,675,364
Cash and Cash Equivalents at 30 June	5	2,602,217	5,294,893

*Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

The accompanying notes form part of these financial statements

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Barossa Infrastructure Limited (the "Company") is a company domiciled in Australia. The financial statements were approved by the Board of Directors on 11th September 2018. The Company is a for-profit entity.

(a) Basis of Accounting

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

(b) Basis of Measurement

The financial statements are presented in Australian dollars and have been prepared on the historical cost basis.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier adoption is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

A Estimated impact of the adoption of AASB 9 and AASB 15

The Company is required to adopt AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The Company has assessed the estimated impact that the initial application of AASB 9 (see (B)) will have on its financial statements and believes no material impact will occur as a result of the new standard. The Company is finalising the impact of the adoption of AASB 15 on its financial statements (see (C)).

B AASB 9 Financial Instruments

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

i. Classification – Financial Assets

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through Other Comprehensive Income (FVOCI) and fair value through Profit and Loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and loans.

ii. Impairment – Financial assets and contract assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. This

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investment in equity instruments, and to contract assets.

Under AASB 9, loss allowances will be measured on either of the following bases:

- *12 month ECLs*; these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*; these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivable and contract assets without a significant financing component.

The Company does not believe that impairment losses are likely to increase and become more volatile for assets in the scope of the AASB 9 impairment model. The Company has been transacting with the majority of its customers for over 10 years and no losses have been incurred to date.

Cash and cash equivalent

The cash and cash equivalents are held with bank and financial institution counterparties.

The estimated impairment on cash and cash equivalents was calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the reputation of the counterparties.

The Company estimated that application of AASB 9's impairment requirements as at 1 July 2018 will not have any impact over the impairment recognised under AASB 39.

iii. Classification – Financial Liabilities

AASB 9 largely retains the existing requirement in AASB 139 for the classification of financial liabilities.

However, under AASB 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under AASB 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The Company has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Company's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 July 2018.

iv. Disclosures

AASB 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. As a result of the low impact that the changes in AASB 9 will have in comparison to AASB 139 for the Company, the current processes in place will be sufficient to capture the required data for reporting the disclosures.

v. Transition

The Company does not expect any changes in accounting policies resulting from the adoption of AASB 9, and any changes that do occur will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 will generally be recognised in retained earnings and reserves as at 1 July 2018.

C AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and AASB Interpretation 13 *Customer Loyalty Programmes*.

i. Sale of water

For the sale of water, revenue is currently recognised when the water passes through the customer's meter and the related risks and rewards of ownership transfer.

ii. Infrastructure Levies

Revenue from infrastructure levies is currently recognised in the water year to which they relate.

The Company is finalising its evaluation of contracts against the framework provide by AASB 15, including its assessment of the potential impact of AASB 15 on its financial statements.

D AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 17 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact on applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 July 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Company will recognise new assets and liabilities for its operating leases of long term water leases, water storage site, office and warehouse facilities. As at 30 June 2018, the Company's future minimum lease payments under non-cancellable operating leases amounted to \$1,837,220, on an undiscounted basis.

In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

i. Transition

As a lessee, the Company can either apply the standard using a:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

The Company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients.

Going Concern basis of preparation

The financial statements disclose a net working capital deficiency of \$186,788 as at 30 June 2018. However included in current liabilities is \$4,388,655 of 'deferred income' which does not require repayment. The Company has sufficient funds to meet its working capital requirements such that the Directors consider the use of the going concern basis of preparation to be appropriate.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Use of Estimates and Judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 1 (g) – valuation of financial instruments
- note 1 (h), (i) and (j) – useful lives of fixed assets, intangibles and amortisation

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, net of the amount of goods and services tax (GST) payable to the taxation authority.

Sale of Water

Revenue from the sale of water is recognised (net of discounts and allowances) when the water passes through the customer's meter and the risks and rewards of ownership have therefore passed to the customer.

Infrastructure Levies

Revenue from Infrastructure Levies is recognised in the water year to which they relate. Infrastructure Levies due by 30 June in any year apply to the water year commencing the following 1 October.

Finance Income

Finance income comprises interest income on funds invested and interest charged on overdue accounts in accordance with the customer contract. Interest income is recognised as it accrues in Statement of Profit or Loss, using the effective interest method.

Sale of Non-current Assets

The gain or loss on non-current asset sales is recognised as revenue or expense at the date in which control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(d) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(e) Finance Expenses

Finance expenses comprise interest expense on borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Interest payments in respect of financial instruments classified as liabilities are included in finance expenses.

Finance costs are expensed as incurred.

(f) Income Tax – Note 4

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or receivable that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- unused tax losses to the extent that it is not probable that future tax profits will be available against which they can be used

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(g) Financial Instruments

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

Loans and receivables

(ii) Non-derivative financial assets - measurement

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iv) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with AASB 112.

(h) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of property, plant and equipment is recognised in profit or loss.

The costs of assets constructed or internally generated by the Company, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Complex Assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

Useful Lives

All assets, excluding River Murray Water Rights, have limited useful lives and are depreciated over their estimated useful lives on a prime cost or diminishing value basis.

Assets are depreciated from the date they are installed and ready for use, or in respect of internally constructed assets, from the date an asset is completed and held ready for use.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Depreciation methods, useful lives and residual values are reviewed at each reporting date. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed. The depreciation rates used for each class of asset are as follows:

	2018	2017
Pipeline & Installation	3.75% - 40%	3.75% - 40%
Water Storage – 500ML	8.99% - 20%	-
Pumps & Installation	3.75% - 50%	3.75% - 20%
Meters & Installation	10% - 40%	10% - 40%
Office Furniture & Equipment	7.5% - 66.6%	7.5% - 66.6%
Motor Vehicles	16.6% - 25%	16.6% - 25%
Leasehold Improvements	2.5% - 13.3%	2.5% - 13.3%

(i) Intangible Assets

(i) River Murray Water Rights

River Murray Water Rights, that are acquired by the Company and are considered to have an indefinite life, are stated at cost less any impairment losses (see 1(j)). The Company is required to test intangible assets for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

(ii) Other Intangible Assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The amortisation rates for the current and comparative periods are as follows:

	2018	2017
Software	20%	25%
SA Water Capital Works	4%	4%

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(j) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives the recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Financial Risk Management

Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry in which customers operate. All customers are shareholders who have a direct interest in the Company. The Company's customer base is located in the prime sector of the Barossa Valley which is less impacted by the recent problems facing the wine industry. The Company does not have a significant exposure to any one customer as no single customer is in excess of approximately 7 percent (2017: 7%) of the Company's revenue.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The majority of the Company's customers have been transacting with the Company for over ten years, and no losses have occurred.

The Company has not established an allowance for impairment due to the historical success in controlling receivables. The credit policy of the Company requires that all overdue receivables are actively followed up. Receivables are reviewed bi-annually to assess whether any indications of impairment are evident.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company prepares long-term cash flow models to project the liquidity needs of future years.

Market Risk

Market risk is the risk that changes in market prices, namely interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company is carrying debt at variable rates due to favourable market rates, but continues to monitor developments in the market that would influence a change from the current position.

Capital Management

The Board's policy is to maintain a strong capital base and a balance between borrowings and share capital. The policy is not to maximise dividend returns to shareholders but to deliver water at the lowest price that is sustainable in the long term.

(I) Employee Benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(m) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(n) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

	2018	2017
	\$	\$

Note 2: PERSONNEL EXPENSES

Wages, salaries and directors fees	503,069	502,161
Other associated personnel expenses	13,390	7,515
Contributions to defined contribution superannuation funds	65,579	127,286
Increase in liability for annual leave	181	5,683
Increase in liability for long service leave	9,012	8,254

	591,231	650,899

Note 3: AUDITOR'S REMUNERATION

Auditors of the Company: KPMG Australia		
Audit of the financial statements	33,900	34,132
Other Services: Taxation Advice	3,229	15,477

	37,129	49,609

2018	2017
\$	\$

Note 4: INCOME TAX EXPENSE

(a) Recognised in the statement of comprehensive income

Current period	-	154,615

Deferred tax expense

Origination/(Reversal) of temporary differences	1,540,185	323,515
Reduction in the tax rate	-	(35,613)
Adjustment for overprovision of prior years	-	36,092

Total income tax expense	1,540,185	478,609

(b) Numerical reconciliation between tax expense and pre-tax accounting profit

Profit before tax	3,308,544	1,841,968
Income tax using company tax rate of 27.5%	909,850	506,541
Increase/(Decrease) in income tax expense due to:		
Reduction in tax rate	-	(35,613)
Non-deductible expenses	510	632
Non-deductible depreciation	6,644	7,049
Current year losses for which no deferred tax asset is recognised	623,181	
Income tax expense on pre-tax net profit	1,540,185	478,609

Deferred tax assets have not been recognised in respect of unassessed carried forward tax losses of \$2,266,116, because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(c) Current Tax Liabilities

Movements during the year:

Balance at beginning of year	(23,327)	257,132
Overprovision of 2016 tax liability	-	(36,092)
Income tax refunded/(paid): operating activities – prior year	23,327	(221,040)
Current year's income tax expense on pre-tax profit	1,540,185	478,609
Current year's timing differences for accounting and income tax purposes	(1,540,185)	(287,902)
	-	190,707
Less Instalments Paid	-	214,034
	-	(23,327)

Note 4 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

	2018 \$	2017 \$
Note 4: INCOME TAX EXPENSE <i>continued</i>		
(d) Deferred Tax Assets and Liabilities		
<i>Deferred tax liability is attributable to :</i>		
Property, plant and equipment	1,733,891	374,425
Accrued interest income	367	943
Prepaid Expenses	236,064	163,380
Intangible Assets – Capital Works	324,111	218,271
	2,294,433	757,019
<i>Deferred tax asset is attributable to:</i>		
Employee benefits	38,406	35,729
Borrowing Costs	6,792	389
Government Grant	-	10,283
Cost of Equity	13,908	18,546
Legal Fees	3,070	-
	62,176	64,947
Net Deferred Tax Liabilities	2,232,257	692,072
(e) Movement in temporary differences during the year all recognised in income		
Property, plant and equipment	(1,359,466)	(123,687)
Interest income	576	(587)
Prepaid Expenses	(72,686)	(72,318)
Intangible Assets – Capital Works	(105,840)	(105,840)
Employee benefits	2,677	3,422
Borrowing Costs	6,403	(147)
Government Grant	(10,283)	(19,722)
Cost of Equity	(4,636)	(4,636)
Legal Fees	3,070	-
Net movement	(1,540,185)	(323,515)

(f) Dividend Franking Account

The amount of franking credits available to shareholders of Barossa Infrastructure Ltd for subsequent financial years is \$3,909,472 (2017 : \$3,932,800). The ability to utilise the franking credits is dependent upon the capacity to declare dividends.

2018
\$

2017
\$

Note 5: CASH AND CASH EQUIVALENTS

Cash and cash equivalents

2,602,217

5,294,893

Note 6: TRADE AND OTHER RECEIVABLES

Trade Debtors

1,632,760

1,796,467

Sundry Debtors

25,004

-

Net GST Receivable

341,727

89,121

1,999,491

1,885,588

Note 7: OTHER ASSETS

Current

Prepayments

219,988

322,257

Accrued Income – Water Sales

1,005,700

723,570

Accrued Income – Infrastructure levies and Interest

6,333

3,428

Other Assets

160,820

-

Total Current Other Assets

1,392,841

1,049,255

Non-Current

Prepayments

3,598,349

3,767,607

Total Non-Current Other Assets

3,598,349

3,767,607

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

	2018 \$	2017 \$
Note 8: PROPERTY, PLANT & EQUIPMENT		
Pipeline and Installation		
At cost	29,146,345	28,369,141
Less: Accumulated Depreciation	(16,131,860)	(15,437,697)
Total Pipeline and Installation	13,014,485	12,931,444
Water Storage		
At cost	3,993,280	-
Less: Accumulated Depreciation	-	-
Total Water Storage	3,993,280	-
Pumps and Installation		
At cost	2,440,197	2,183,691
Less: Accumulated Depreciation	(1,294,966)	(1,225,069)
Total Pumps and Installation	1,145,231	958,622
Meters and Installation		
At cost	2,406,076	2,291,032
Less: Accumulated Depreciation	(1,855,668)	(1,719,545)
Total Meters and Installation	550,408	571,487
Capital Works in Progress		
At cost	1,676,063	70,926
Less: Accumulated Depreciation	-	-
Total Capital Works in Progress	1,676,063	70,926
Office Equipment		
At cost	82,127	86,490
Less: Accumulated Depreciation	(61,324)	(65,337)
Total Office Equipment	20,803	21,153
Motor Vehicles		
At cost	91,836	91,410
Less: Accumulated Depreciation	(26,866)	(9,434)
Total Motor Vehicles	64,970	81,976
Leasehold Improvements		
At cost	15,606	15,606
Less: Accumulated Depreciation	(1,809)	(1,235)
Total Leasehold Improvements	13,797	14,371
Total Property Plant & Equipment net book value	20,479,037	14,649,979

	2018 \$	2017 \$
Note 8: PROPERTY, PLANT & EQUIPMENT <i>continued</i>		
Reconciliations		
Pipeline and Installation		
Carrying Amount at Beginning of Year	12,931,444	13,252,221
Acquisitions	777,204	411,280
Depreciation	(694,163)	(732,057)
Carrying Amount at End of Year	13,014,485	12,931,444
Water Storage		
Carrying Amount at Beginning of Year	-	-
Acquisitions	3,993,280	-
Depreciation	-	-
Carrying Amount at End of Year	3,993,280	-
Pumps and Installation		
Carrying Amount at Beginning of Year	958,622	903,515
Acquisitions	256,506	118,306
Depreciation	(69,897)	(63,199)
Carrying Amount at End of Year	1,145,231	958,622
Meters and Installation		
Carrying Amount at Beginning of Year	571,487	635,892
Acquisitions	115,044	126,735
Depreciation	(136,123)	(191,140)
Carrying Amount at End of Year	550,408	571,487
Capital Works in Progress		
Carrying Amount at Beginning of Year	70,926	548,121
Acquisitions	6,740,279	70,926
Transfers to Assets and Expenses	(5,135,142)	(548,121)
Carrying Amount at End of Year	1,676,063	70,926
Office Equipment		
Carrying Amount at Beginning of Year	21,153	19,907
Acquisitions	8,906	9,608
Disposals	(377)	(374)
Depreciation	(8,879)	(7,988)
Carrying Amount at End of Year	20,803	21,153
Motor Vehicles		
Carrying Amount at Beginning of Year	81,976	60,057
Acquisitions	426	45,702
Disposals	-	(11,430)
Depreciation	(17,432)	(12,353)
Carrying Amount at End of Year	64,970	81,976

Note 8 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

	2018 \$	2017 \$
Note 8: PROPERTY, PLANT & EQUIPMENT <i>continued</i>		
Leasehold Improvements		
Carrying Amount at Beginning of Year	14,371	6,343
Acquisitions	-	8,554
Depreciation	(574)	(526)
Carrying Amount at End of Year	13,797	14,371
Total Depreciation Expense for Year	927,068	1,007,263

Note 9: INTANGIBLE ASSETS

River Murray Water Rights – at cost

Carrying Amount at Beginning of Year	3,382,065	3,130,770
Acquisitions	2,708,061	251,295
Carrying Amount at End of Year	6,090,126	3,382,065

The Board has chosen to carry intangible assets at cost and has assessed the recoverable amount, which is in excess of the carrying amount, on the active market basis.

In assessing the useful life of River Murray Water Rights consideration is given to the contractual right granted to each non-cancellable share of water access entitlement to the River Murray resources. In light of the water access entitlement rights being non-cancellable and the Company's intention to continue using such water access entitlement rights in its operations, no factor could be identified that would result in the water access entitlement rights having a finite useful life and accordingly are assessed as having an indefinite useful life.

SA Water Capital Works – at cost

Carrying Amount at Beginning of Year	2,236,713	2,332,839
Acquisitions	1,770,000	-
Less: Amortisation and Impairment	(96,126)	(96,126)
Carrying Amount at End of Year	3,910,587	2,236,713

This is the portion of the increased capacity fee paid to SA Water to specifically build infrastructure to enable the project to move from 8GL to 11GL. The fee is amortised over the period of the contract with SA Water to 2040.

Software – at cost

Carrying Amount at Beginning of Year	28,292	3,573
Acquisitions	-	33,141
Disposals	(191)	
Less: Amortisation & Impairment	(6,641)	(8,422)
Carrying Amount at End of Year	21,460	28,292

Total Intangible Assets at net book value	10,022,173	5,647,070

	2018 \$	2017 \$
Note 10: TRADE AND OTHER PAYABLES		
Current		
Trade Creditors	510,132	349,956
Other Creditors and Accruals	1,145,488	431,963
	1,655,620	781,919

Note 11: INTEREST BEARING LOANS AND BORROWINGS

Non-Current		
Secured Loan – Bendigo Bank Ltd	2,500,000	-
Total Non-Current Interest Bearing Loans and Borrowings	2,500,000	-

Bank Loans

The loan is secured by a registered Deed of Charge over the assets of the Company and specific Registered Charges over customer contracts, water transport agreement and leases over water rights. The Company has seasonal overdraft facilities of \$1.0 million which is secured by the same Deed of Charge.

The Company has entered into a Construction Loan with a total facility of \$13m. During the year drawdowns of \$2.5m occurred resulting in cash inflows from financing activities of \$2.5m. The Construction Loan will revert to a Principal and Interest loan facility on completion of construction and will be repayable over 7 years. The interest rate on the current facility is carried at variable rates that amounted to 4.59% at 30 June 2018 plus a line fee of 1% during construction. The Company has met all covenants under the loan facility for the 2018 financial year.

Note 12: MOVEMENTS IN EQUITY

Ordinary Shares

Balance at the Beginning of the Year	15,166,387	12,179,000
Shares Issued	229,250	2,987,387
Total Share Capital	15,395,637	15,166,387

During the year 229,250 ordinary shares were issued at an exercise price of \$1 per share (2017 : 3,048,500 less the net cost of equity of \$61,113).

Retained Earnings

Retained earnings at beginning of year	10,617,960	9,254,601
Total recognised income and expense	1,768,359	1,363,359
Balance at end of year	12,386,319	10,617,960

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

2018
\$

2017
\$

Note 13: LEASES

Non-cancellable operating leases are payable as follows

Within one year	467,366	253,680
One year or later and not later than five years	1,193,366	637,123
Later than five years	176,488	48,771
	1,837,220	939,574

The Company leases River Murray Water Rights under non-cancellable operating leases for periods from 1 to 9 years. Lease payments comprise a base amount plus a movement in the Consumer Price Index.

Note 14: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Profit after tax	1,768,359	1,363,359
Adjustments for:		
Depreciation and Amortisation	1,199,093	1,281,069
Loss on Sale of Non-Current Assets	568	896
Finance Costs	25,850	-
Income Tax Expense	1,540,185	478,609
Operating profit before changes in working capital	4,534,055	3,123,933

Changes in assets and liabilities (attributable to the operating activities of the Company):

Decrease in Receivables	288,897	384,991
Increase/(Decrease) in Deferred Income, including government grant	855,701	(200,272)
Net GST (Paid)/Received	(15,607)	4,985
Increase in Prepayments & Accrued Income	(182,766)	(520,649)
(Decrease)/Increase in Creditors	(210,113)	176,688
Increase/(Decrease) in Accruals	62,327	(227,191)
Increase in Provisions and Employee Benefits	9,193	13,937
Income Taxes Refunded/(Paid)	23,327	(435,073)

Net Cash from Operating Activities	5,365,014	2,321,349

	2018 \$	2017 \$
Note 15: EMPLOYEE BENEFITS		
Aggregate Liability for Employee Entitlements		
Current		
- Liability for annual leave	55,341	55,160
- Liability for long service leave	81,721	72,709
	137,062	127,869
Number of Employees at Year End	5	5

Note 16: DEFERRED INCOME

Current		
Income in Advance	4,388,655	3,774,669
Government Grants	-	37,392
Total Current Deferred Income	4,388,655	3,812,061
Non-Current		
Income in Advance	1,398,558	1,119,451
Total Non-current Deferred Income	1,398,558	1,119,451

Deferred Income

Of the income in advance \$941,701 relates to Infrastructure Levies billed and due at 30 June 2017. These levies related to the water year 1 October 2017 – 30 September 2018. Therefore, one quarter of the total Infrastructure Levies billed at 30 June 2017 is income in advance at 30 June 2018.

By the same principle, the majority of Infrastructure Levies billed and due at 30 June 2018 relate to the water year 1 October 2018 – 30 September 2019. Therefore the total amount billed of \$4,332,015 is income in advance at 30 June 2018 of which \$2,802,017 has been received in cash and \$1,529,998 is due by customers, as at reporting date. Subsequent to reporting date and up to and including the 31 July 2018, a further \$921,734 has been received in cash.

Note 17: RELATED PARTY DISCLOSURES

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 2) are as follows:

Short-term employee and director benefits	360,156	309,092
Other long term benefits	8,165	9,434
Post employment benefits	33,332	43,394
	401,653	361,920

Note 17 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

2018
\$

2017
\$

Note 17: RELATED PARTY DISCLOSURES *continued*

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the Company. There were no material contracts involving key management personnel interests existing at year end, other than water contracts entered into by the key management personnel as customers of the water project on the same terms and conditions as all other investors/customers.

Directors' holdings of shares

The interests of Directors of the reporting entity and their Director related entities, in shares with the Company at year end are as follows:

	2018 Number Held	2017 Number Held
G W Burge	-	-
Burge Corporation Pty Ltd	563,500	563,500
T J McCarthy	-	-
M McCarthy	17,500	17,500
Total Number of Shares in the Company held by Directors and their Director Related Entities:	581,000	581,000

Other Transactions with the Company

The Company Secretary, G M Davis and Director, J L Kerr, of Barossa Infrastructure Limited, hold positions in other entities that result in them having control or significant influence over these entities. G M Davis is a key management person who is the principal of the firm Geoff Davis & Associates, Chartered Accountants, resulting in him having significant influence over the financial and operating policies of that entity. Geoff Davis & Associates has provided secretarial, consulting and accounting services to the Company in the ordinary course of business for the year ended 30 June 2018. J L Kerr is a key management person and is the principal of the firm Capital Strategies Pty Ltd, Chartered Accountants, resulting in him having significant influence over the financial and operating policies of that entity. Capital Strategies Pty Ltd is engaged as Barossa Infrastructure Limited's corporate adviser and has provided services to the Company associated with this appointment. The terms and conditions of the transactions with G M Davis and J L Kerr and their related entities, were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related parties on an arm's length basis.

Details of amounts other than Directors' fees paid to the above mentioned Director Related Entities are as follows:

Director	Director Related Entity	2018 \$	2017 \$
G M Davis	Geoff Davis & Associates	187,696	186,530
J L Kerr	Capital Strategies Pty Ltd	26,580	11,058
Current Payable	Geoff Davis & Associates	24,658	26,700

Note 18: FINANCIAL INSTRUMENTS:

(i) Credit Risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

		Carrying Amount	
	Note	2018	2017
		\$	\$
Cash and cash equivalents	5	2,602,217	5,294,893
Trade and other receivables	6	1,999,491	1,885,588
		4,601,708	7,180,481

Impairment losses

The aging of the Company's trade receivables at the reporting date was:

	Gross 2018	Gross 2017
	\$	\$
Not past due	1,520,779	1,572,307
Past due 31-60 days	-	-
Past due 61-90 days	71,310	139,406
Past due 91 days and >	40,671	84,754
	1,632,760	1,796,467

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables that are not past due or past due by up to 30 days.

(ii) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Non-derivative financial liabilities	Carrying	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Overdraft facility	-	-	-	-	-	-	-
Bank Loan	2,500,000	(2,675,812)	(72,510)	(58,943)	(2,544,359)	-	-
Trade and other payables	1,655,620	(1,655,620)	(1,638,265)	(17,355)	-	-	-
	4,155,620	(4,331,432)	(1,710,775)	(76,298)	(2,544,359)	-	-

In addition, the Company maintains a \$1 million overdraft facility to cover seasonal fluctuations of cash flow that is secured over the assets of the Company. Interest would be payable at the rate of 9.30%.

Note 18 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2018

Note 18: FINANCIAL INSTRUMENTS *continued*

(iii) Interest Rate Risk

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying Amount	
	2018	2017
	\$	\$
Fixed rate instruments		
Financial liabilities	-	-
Variable rate instruments		
Financial assets	2,602,217	5,294,893
Financial liabilities	(2,500,000)	-
	102,217	5,294,893

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Note 19: COMMITMENTS

The Company, pursuant to the new Water Transport Agreement, has a commitment to SA Water of \$7,456,000 for infrastructure upgrades for the delivery of a further 2GL of water. An amount of \$1,770,000 was paid late June and a further amount of \$5,686,000 is payable in November 2018. The Company has provided a bank guarantee to SA Water for this amount payable

Completion of the construction of the water storage facility, the laying of additional pipeline, the installation of replacement pumps with increased capacity and the construction of the Lyndoch pump station have been completed at a cost of \$6,740,279. The Company is committed to the completion of the Company's infrastructure upgrade, including a pump station at the water storage site, installation of further upgraded pumps and associated infrastructure, at an expected cost of \$2.5 million. Specific contracts to complete the project amounted to \$409,500 at year end. The Company is managing the project itself and expects the total costs to be within the \$10.0 million planned expenditure.

Note 20: EVENTS SUBSEQUENT TO REPORTING DATE

Since reporting date, the South Australian State Government has announced that 100% water allocations (last year 100%) will apply to entitlements for River Murray Water for 2019. Water storage in the Murray Darling system is at 52% as at 25 July 2018, compared to 69% at 19 July 2017.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Directors' Declaration

In the opinion of the Directors of the Company:

- (a) the financial statements and notes that are set out on pages 18 to 46, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the Directors draw attention to note 1 (a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.



R I Chapman

Director



G M Davis

Director

Tanunda, S.A.

11 September 2018

Auditor's Independence Declaration



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Barossa Infrastructure Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Barossa Infrastructure Limited for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

The KPMG logo, consisting of the letters 'KPMG' in a bold, sans-serif font, with a stylized graphic of four squares above the 'K'.

KPMG

A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko
Partner

Adelaide

11 September 2018



Independent Auditor's Report

To the shareholders of Barossa Infrastructure Limited

Opinion

We have audited the **Financial Report** of Barossa Infrastructure Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Statement of financial position* as at 30 June 2018;
- *Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows* for the year then ended;
- Notes including a summary of significant accounting policies; and
- *Directors' Declaration*.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company in accordance with *the Corporations Act 2001* 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 fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Barossa Infrastructure Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.



Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

The KPMG logo, consisting of the letters 'KPMG' in a bold, sans-serif font, with a stylized graphic of four squares above the 'M'.

KPMG

A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko
Partner

Adelaide
11 September 2018



Customer Service Centre

2 Basedow Rd,
Tanunda, SA 5352
Phone 08 8563 2300
Fax 08 8563 1266

Registered Office

Barossa Infrastructure Ltd
A.C.N. 084 108 958
Level 6, 81 Flinders St,
Adelaide, SA 5000