

Barossa Infrastructure Limited

31 December 2011
Interim Financial Report

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Barossa Infrastructure Limited

Directors' report

The directors of Barossa Infrastructure Limited (the "Company") present their report together with the financial report for the six months ended 31 December 2011 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
David John Klingberg Chairperson	Since 29/09/98
Wendy Kay Allan	Since 04/06/08
Grant Walker Burge	Since 14/09/98
Geoffrey Maxwell Davis	Since 03/08/99
Gayle Robin Grieger	Since 02/12/03
Victor John Patrick	Since 28/04/08
Martin Paul Pfeiffer	Since 18/12/98
Edgar Gordon Schild	Since 14/09/98
Steven James Wilson	Since 14/09/98

Review of operations

The net profit for the half year ended 31 December 2011 after providing for income tax amounted to \$937,610 (2010 loss \$372,584).

Revenue of \$2,980,619 for the 6 months is up by \$2,063,482 on the same period last year.

The Company set customer water allocations at 100% for the 2011 water year and coupled with consistent rainfall this resulted in significant unused water bills for most customers in October 2011.

The State Government has announced 100% water allocations for 2012. The Company has sufficient water rights to cover customer contracts and will not need to stand in the market for additional water rights.

The Company did not acquire additional permanent River Murray Water Rights during the 6 months but has and will continue to monitor the movements in water rights prices for opportunities to acquire additional water rights as they present themselves.

Meter upgrades under the PIIP scheme continued throughout the course of the year and are due for completion by December 2012 under the agreement.

A loan repayment of \$1,432,000 was made in July 2011 bringing the bank loan outstanding to \$7,151,719.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 14 and forms part of the directors' report for the six months ended 31 December 2011.

Rounding off

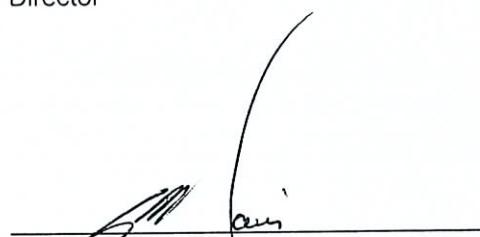
The Company is not of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and therefore cannot 'round off' any amounts in the financial report and directors' report to the nearest thousand dollars. The company must show the amounts in the directors' report and financial report at the nearest whole dollar of the amount.

Dated at Adelaide this 14^h day of February 2012.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'D J Klingberg', written over a horizontal line.

D J Klingberg
Director

A handwritten signature in black ink, appearing to read 'G M Davis', written over a horizontal line.

G M Davis
Director

Barossa Infrastructure Limited

Condensed interim statement of comprehensive income

For the six months ended 31 December 2011

	<i>Note</i>	31 Dec 2011 AUD \$	31 Dec 2010 AUD \$
Sale of Water		2,980,619	917,137
Cost of sales		<u>(2,114,089)</u>	<u>(1,980,223)</u>
Gross profit/(loss)		866,530	(1,063,086)
Infrastructure Levies Revenue		1,077,120	1,222,396
Other Income		36,960	1,105
Administrative expenses		<u>(424,677)</u>	<u>(375,021)</u>
Profit/(Loss) from operating activities		1,555,933	(214,606)
Finance income		62,232	48,132
Finance expenses		<u>(270,264)</u>	<u>(337,178)</u>
Net finance costs		<u>(208,032)</u>	<u>(289,046)</u>
Profit/(Loss) before income tax		1,347,901	(503,652)
Income tax (expense)/benefit	8	<u>(410,291)</u>	131,068
Profit/(Loss) After Tax		<u>937,610</u>	<u>(372,584)</u>
Total comprehensive profit/(loss) for the period		<u>937,610</u>	<u>(372,584)</u>

The condensed notes on pages 8 to 10 are an integral part of these interim financial statements.

Barossa Infrastructure Limited

Condensed interim statement of changes in equity

For the six months ended 31 December 2011

	Note	Attributable to equity holders of the Company		
		Share capital	Retained earnings	Total equity
Balance at 1 July 2010		9,526,000	3,889,373	13,415,373
Total comprehensive income for the period				
Loss		-	(372,584)	(372,584)
Contributions by owners				
Issue of ordinary shares		38,500	-	38,500
Balance at 31 December 2010		<u>9,564,500</u>	<u>3,516,789</u>	<u>13,081,289</u>
Balance at 1 July 2011		9,564,500	3,457,746	13,022,246
Total comprehensive income for the period				
Profit			937,610	937,610
Contributions by owners				
Issue of ordinary shares		-	-	-
Balance at 31 December 2011		<u>9,564,500</u>	<u>4,395,356</u>	<u>13,959,856</u>

The condensed notes on pages 8 to 10 are an integral part of these interim financial statements.

Barossa Infrastructure Limited

Condensed interim statement of financial position

As at 31 December 2011

	Note	31 Dec 2011 AUD \$	30 Jun 2011 AUD \$
Assets			
Current assets			
Cash and cash equivalents		1,808,882	2,476,522
Trade and other receivables		711,478	1,471,764
Other Assets		910,516	358,124
Current Tax Assets		-	39,149
Total current assets		3,430,876	4,345,559
Non-current assets			
Property, plant and equipment	9	18,383,352	18,801,330
Intangible assets	10	2,371,147	2,369,589
Total non-current assets		20,754,499	21,170,919
Total assets		24,185,375	25,516,478
Liabilities			
Current liabilities			
Trade and other payables		2,276,142	2,899,518
Employee benefits		72,527	64,950
Current Tax Liabilities		343,712	-
Interest-bearing loans & borrowings	11	1,432,000	1,432,000
Deferred income		15,500	15,500
Total current liabilities		4,139,881	4,411,968
Non-current liabilities			
Trade and other payables		-	618,560
Interest-bearing loans & borrowings	11	5,719,719	7,151,781
Deferred income		139,500	139,500
Deferred tax liabilities		226,419	172,423
Total non-current liabilities		6,085,638	8,082,264
Total liabilities		10,225,519	12,494,232
Net assets		13,959,856	13,022,246
Equity			
Issued capital		9,564,500	9,564,500
Retained earnings		4,395,356	3,457,746
Total equity		13,959,856	13,022,246

The condensed notes on pages 8 to 10 are an integral part of these interim financial statements.

Barossa Infrastructure Limited

Condensed interim statement of cash flows

For the six months ended 31 December 2011

	Note	31 Dec 2011 AUD \$	31 Dec 2010 AUD \$
Cash flows from operating activities			
Cash receipts from customers		3,377,181	2,259,340
Cash paid to suppliers and employees		(2,322,269)	(1,815,356)
Cash generated from operations		1,054,912	443,984
Interest received		63,037	49,555
Interest paid		(287,901)	(341,902)
Income taxes refunded/(paid)		26,566	(34,593)
Net cash from operating activities		856,614	117,044
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	(90,168)	(7,515)
Acquisition of intangibles – Software		(2,024)	(1,350)
Net cash used in investing activities		(92,192)	(8,865)
Cash flows from financing activities			
Proceeds from the issue of share capital		-	38,500
Repayment of borrowings	11	(1,432,062)	(1,426,870)
Net cash used in financing activities		(1,432,062)	(1,388,370)
Net decrease in cash and cash equivalents		(667,640)	(1,280,191)
Cash and cash equivalents at 1 July		2,476,522	2,937,369
Cash and cash equivalents at 31 December		1,808,882	1,657,178

The condensed notes on pages 8 to 10 are an integral part of these interim financial statements.

Barossa Infrastructure Limited

Condensed notes to the interim financial statements

1. Reporting entity

Barossa Infrastructure Limited (the "Company") is a company domiciled in Australia. The annual financial report of the Company as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at C/- Level 6, 81 Flinders Street Adelaide SA 5000 or at <http://barossainfrastructure.com.au>.

2. Statement of compliance

The condensed interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

The condensed interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2011.

This condensed interim financial report was approved by the Board of Directors on the 14th of February 2012.

The Company is not of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and therefore cannot "round off" any amounts to the nearest thousand dollars.

3. Basis of preparation

The condensed interim financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 31 December 2011, current liabilities exceed current assets because of the loan repayment of \$1.43 million in July 2011 reducing cash balances. The current asset ratio is further impacted by the recognition of a current liability at December 2011 for the loan repayment of \$1.43 million in July 2012, which is funded by the infrastructure levies that are not due to be billed until May 2012.

The directors are of the opinion that the Company will be able to pay its debts as and when they fall due and to fund near term business and corporate activities and that the going concern basis of accounts preparation is appropriate.

4. Significant accounting policies

The accounting policies applied by the Company in the condensed interim financial report are the same as those applied by the Company in its financial statements as at and for the year ended 30 June 2011.

Barossa Infrastructure Limited

Condensed notes to the interim financial statements - continued

5. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed interim financial report the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2011.

6. Financial risk management

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2011. Currently \$7.1 million of secured bank loans are carried at interest rates ranging from 6.85% to 6.89% fixed to December 2014. The debt due is to be repaid by July 2016.

7. Seasonality of operations

In a normal irrigation season the majority of the water taken by customers occurs in the second half of the financial year. Sales for the first 6 months to 31 December 2011 are up by 225% on the same period last year due to the significant unused water for the 2011 water year. The amount of unused water billed at the end of the water year 30 September 2011, was 6 times that of the previous year. The actual volumes taken by customers were up 46% on that taken in the previous corresponding six month period. The Company's operations for the prior year were impacted by significant increases in rainfall and lower temperatures, affecting the capacity of the Company to maintain sales volumes at sufficient levels to cover overheads and attain profitability.

8. Income tax expense

The Company recognised an income tax expense of \$410,291 for the period ended 31 December 2011 (six months ended 31 December 2010: income tax benefit \$131,068).

9. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2011 the Company acquired assets with a cost of \$90,168 (six months ended 31 December 2010: \$7,515). Assets with a carrying value of \$13,629 were disposed of during the six months ended 31 December 2011 (six months ended 31 December 2010: \$871), resulting in a loss on disposal of \$13,629, which is included in administrative expenses.

10. Intangibles

The Company performed impairment testing of intangibles during the six months ended 31 December 2011. As a result of this testing, the carrying amount of the River Murray water rights was determined to be lower than its recoverable amount and therefore no impairment loss was recognised.

Barossa Infrastructure Limited

Condensed notes to the interim financial statements - continued

11. Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2011:

	Currency	Interest rate nominal	Face value	Carrying amount	Year of maturity
Balance at 1 July 2011				8,583,781	
Repayments					
Secured bank loan	AUD	7.87%	1,432,062	<u>1,432,062</u>	2011
Balance at 31 December 2011				<u>7,151,719</u>	2016

There were no new loans and borrowings in the prior interim period and an amount of \$1,432,062 was repaid.

12. Related parties

Key management personnel receive compensation in the form of short-term employee benefits and post-employment benefits. Key management personnel received total compensation of \$154,711 for the six months ended 31 December 2011 (six months ended 31 December 2010: \$149,390)

Other related party transactions

	Transaction value Six months ended		Balance outstanding	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	30 Jun 2011
Director				
Expenses				
Geoff Davis & Associates – administrative services	58,980	49,496	5,568	9,979
M P Pfeiffer – management services	12,037	12,037	-	-
	<u>71,017</u>	<u>61,533</u>	<u>5,568</u>	<u>9,979</u>

All outstanding balances with these related parties are to be settled in cash within one month of the balance sheet date. None of the balances are secured.

13. Subsequent event

There are no subsequent events to report.

Barossa Infrastructure Limited

Directors' declaration

In the opinion of the directors of Barossa Infrastructure Limited ("the Company"):

1. the financial statements and notes set out on pages 4 to 10, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 14th day of February 2012.

Signed in accordance with a resolution of the directors:



D J Klingberg
Director



G M Davis
Director



Independent auditor's review report to the members of Barossa Infrastructure Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Barossa Infrastructure Limited (the Company), which comprises the condensed interim statement of financial position as at 31 December 2011, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the period ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2011 and its performance for the period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Barossa Infrastructure Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Barossa Infrastructure Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Scott Fleming
Partner

Adelaide
14 February 2012



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 review for the interim period ended 31 December 2011 there have been:

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

KPMG

Scott Fleming
Partner

Adelaide

14 February 2012