



Barossa Infrastructure

LIMITED

Annual Report 2012

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

David Klingberg AO FTSE (Chairman)
Wendy Allan
Grant Burge
Robert Chapman
Geoffrey Davis
Gayle Grieger
Victor Patrick
Martin Pfeiffer
Edgar Schild
Steven Wilson

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

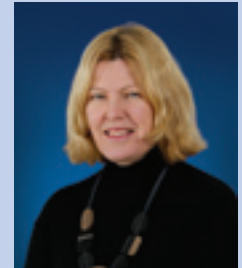
Website

<http://barossainfrastructure.com.au>

Directors



MR DAVID KLINGBERG
Chairman



MS WENDY ALLAN
Director



MR GRANT BURGE
Director



MR ROBERT CHAPMAN
Director



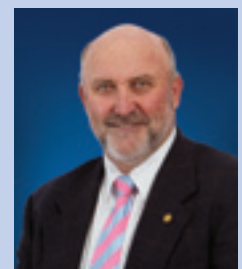
MR GEOFFREY DAVIS
Director



DR GAYLE GRIEGER
Director



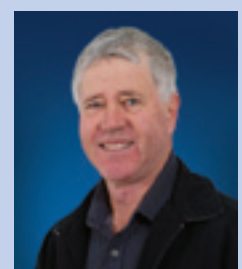
MR VICTOR PATRICK
Director



MR MARTIN PFEIFFER
Director



MR EDGAR SCHILD
Director



MR STEVEN WILSON
Director

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The year has ended with Barossa Infrastructure Ltd in a sound financial position and a profit sufficient to meet all our obligations after a difficult year in 2011. This is again a tribute to our shareholder-customers who continue to support the Company at times of continued stress in the wine grape industry. The Company bank debt continues to decrease and it is now \$5.66 million with final payment scheduled for 2016.

The continued rain in the Murray catchment with record March intakes means water rationing has ceased and good flows are refreshing the system, with watering of a number of important environmental sites. Inflows continue at their highest rate since 1995, with storages now 95% full compared with 83% at the same time last year, the catchment saturated and high flows in the Darling. The outlook for the next two years is good flows of high quality water in the Murray.

There was no carryover of unused water allocations in South Australia in 2011/12. As a prudent measure the Company arranged to carry over 1,000 Megalitres in Victoria. This with other long term water rights meant there was no need to purchase water allocations on the annual temporary market. A new carryover policy has been announced for South Australian irrigators and, once implemented, will assist the Company in managing risk associated with the volatility of demand.

Consumption this year to 30 June 2012 was well below budget but considerably up on last year. Consumption was 4,140 Megalitres compared with 2,540 Megalitres in the year to 30 June 2011. This was 68% of the Company's contracted amount. Only 170 Megalitres of Nuriootpa Community Wastewater Management Scheme (CWMS) water was taken due to the early end to the irrigation

season in 2011 and water quality problems later in the year. It was pleasing that with most large customers now using more accurate electronic meters, losses in the system were reduced to 1.3%.

River Murray Water Rights

The Company is required as a condition of its bank loan to have 'Water Access Entitlements' (River Murray Water rights) for at least 50% of the estimated demand secured for 3 years and 60% secured for the next water year. This has been achieved by owning about 25% of these entitlements and long term leases to cover the balance required. A long term objective remains to secure a higher percentage of permanent water access entitlements as finances and market conditions permit.

A second version of the Proposed Basin Plan has been released and contains an unchanged reduction in sustainable diversion limit of 2,750 Gigalitres per year (21% of current average diversions). Modelling is also proposed at a 3,200 Gigalitres reduction. The South Australian Government is not satisfied with the level of reduction and, as reported in the media, will challenge any inadequate amount. The effect of this and the current rural situation is to create a high degree of uncertainty in the market and to see prices for water rights fluctuate widely.

As Barossa Infrastructure Ltd is committed to holding these rights into the future, fluctuations in the market are not of significance to our long term objective of securing a higher percentage of permanent water access entitlements.

The Company did not purchase additional water access entitlements in the 2011/12 year.

Technical Upgrades

Installation of the new meters continues with the majority now installed. As previously mentioned, the benefits have commenced with losses in the system being reduced. The cost of the meters has come in under budget and with the remaining funds there is now an opportunity to enhance a number of meters to provide remote reading capability. For some connections the addition of a pressure transducer provides additional information to improve the reliability of the system. The Company has also been able to source locally manufactured low cost and lower maintenance flow control valves. These have slightly higher head loss but will make smaller connections practical.

Finances

At the 2011 Annual General Meeting a resolution to reduce the water price by 2 cents a kilolitre (\$20 per Megalitre) below the automatic price set as a result of increasing SA Water price was passed. This is the first saving being passed on to customers and has been made possible by the end of the drought and the efficiencies in metering. A larger saving is likely to be recommended early next year in the form of a fully franked dividend which reflects savings made with the end of the drought and improved metering efficiency. The franked dividend enables the unlocking of imputation credits held by the Company for the benefit of shareholder-customers.

It is pleasing to report an after tax profit of \$1,210,000 compared with last year's loss of \$468,000. This was mainly as a result of billing for water not taken of \$1,940,000 as a consequence of the low consumption in 2010/11. Total water sales were up by \$2,970,000 compared with the previous year, reflecting the sales of water not taken and increased consumption. There has been an increase in the cash position of \$1,522,000, resulting from this profit and reduced debtors.

Debtors remain low and reflect the value with which the Company's customers regard both the scheme and their asset in the Company.

Future

The Barossa Water Scheme was designed with an annual capacity of 10 Gigalitres per year including 6 Gigalitres of Premium Water. At present the scheme contracted capacity is 7 Gigalitres including 5 Gigalitres of Premium Water. The opportunity to expand the scheme expires in 2015.

Reports from the Adelaide and Mount Lofty Natural Resources Management Board indicate the Company supplies less than 50% of the irrigation water in the proclaimed area and the Company has decided to explore whether there is a demand from further Barossa growers for connection to the Scheme.

If the capacity of the Scheme were to be increased, this would result in the fixed costs being spread over a larger volume of water and reduced prices to customers. Using lower cost flow control valves connections that take quantities as low as 1 Megalitre are now practical. The Company has advertised in the local press seeking expressions of interest.

Corporate Governance

Barossa Infrastructure Ltd's corporate governance objectives are restated in this report, including the Company's ongoing commitment to the long term sustainable use of supplementary irrigation water. The Board assesses its direction and performance against these goals, which are regularly reviewed.

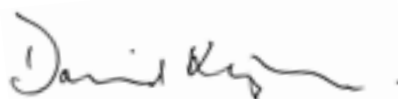
It is with regret that I tell you this will be my last report, but good corporate governance means that there should at this time be a renewal of the Board of Barossa Infrastructure. I am pleased to report that the Board has sought out an excellent replacement. Mr Rob Chapman has joined the Board as a Director and subject to shareholders' approval at the Annual General Meeting will become Chairman of Barossa Infrastructure.

Rob brings enthusiasm for the wine industry and especially the Barossa. His corporate knowledge and experience will be an asset to the Board. Rob joins the Board at a time when new issues and challenges will need to be met. The Company firstly needs to decide if the Scheme can be increased in size to the benefit of existing customers and secondly in 2020 to decide whether to renew the agreement with SA Water.

The Company continues to be indebted to our General Manager, Mr Paul Shanks, for the extremely professional and efficient ongoing operation of the Scheme. Our thanks also are due to his staff, Ms Patsy Biscoe and Mrs Lisa Buckley, and to Mr Martin Pfeiffer who provides back up to the General Manager.

My thanks go to all of the Directors for their continued diligence and support and for the skills and knowledge they bring to the Company. It has been an honour to contribute to the initiation, formation and development of the Company over the past 14 years and I have no doubt the business will continue to be a fundamental and important part of the growth and wealth of the Barossa.

Best wishes to all stakeholders.



David J Klingberg AO FTSE
Chairman

25 September 2012



With the second year of good rainfall in the Murray Darling Basin, water supplies appear guaranteed for the next few years. The Basin Plan is nearing completion with the second version of the Proposed Basin Plan released in August 2012. However, with the improvement in water resources over the last two years, it is hoped that interest in the Plan has not been lost. It remains critical to secure flows of usable water to South Australian irrigators and their communities.

Following the flood in 2011, flow into South Australia in 2011/12 has reduced to 10,250 Gigalitres compared with last year's 15,130 Gigalitres and the annual entitlement of 1,805 Gigalitres. This "entitlement" is part of the current system where the connected River Murray system is shared between

New South Wales and Victoria provided they give South Australia entitlement flows when they are available.

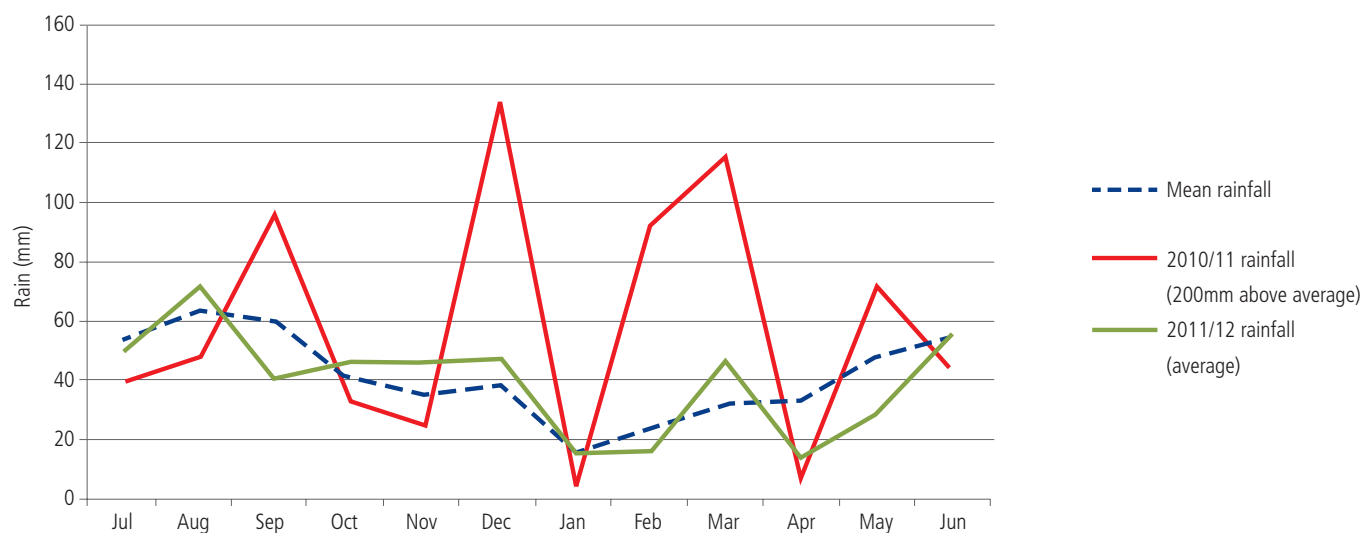
Once again there were a number of service disruptions during the irrigation season. These were due to a number of causes. These may be summarised as corrosion of fittings laid in reactive soils; aging of PVC glued fittings and poorly laid pipes where rocks eventually crack or pierce the pipe. All in all however the Company's maintenance costs remain relatively small and very well controlled. One other cause of failure is a too-rapid operation of customer valves causing surges in the system, resulting in pipe bursts. Recently installed monitoring now allows pressure surges to be monitored and sources of surges identified.

Replacement of flow meters continues, with most difficulties being resolved quickly. The operation of these meters has led to significant reductions in unmetered water and lower maintenance costs for the meters. This benefit is being passed on to customers and has already contributed to the price reduction voted for at last year's Annual General Meeting.

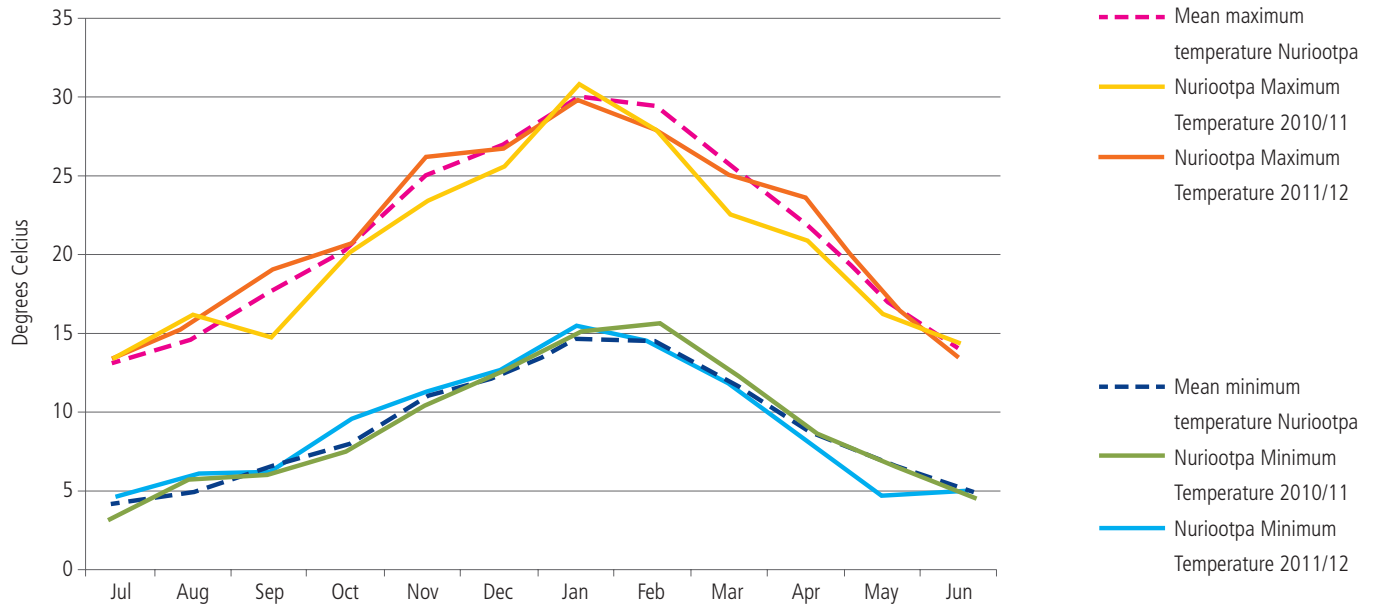
Water Demand

Prior to the rain event at the beginning of March water usage was close to budget. The irrigation season virtually ends at that time. Temperatures were close to average without extreme days. Graphs illustrate the rainfall and temperatures in the past two years.

Monthly Average Rainfall in Nuriootpa



Monthly Average Temperatures in Nuriootpa



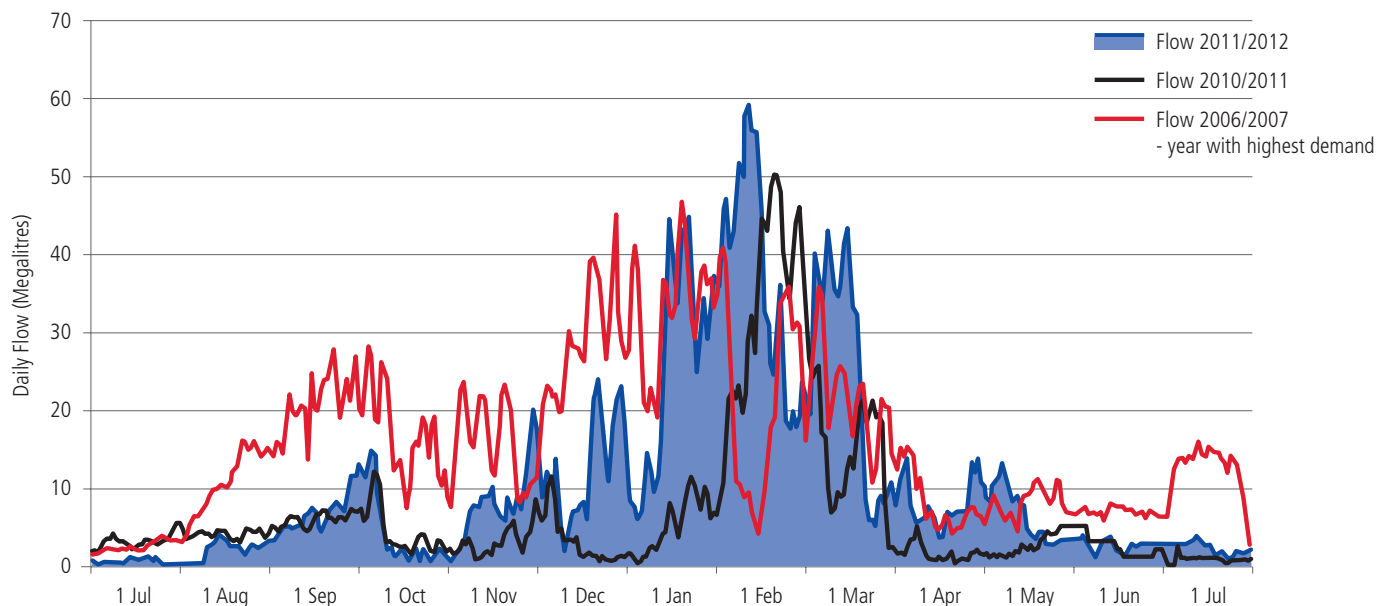
Water supplied in 2011/12 was 4,128 Megalitres and 85% was supplied in the 8 months to 1 March 2012 compared with an average year when it would be closer to 70%. The drop off in demand is compared with the previous years on the attached graph. Peak daily demand was 59 Megalitres on 24 January compared with the connected capacity of 105 Megalitres per day.

Operations

Mr Martin Pfeiffer continues to support me and takes over if I am unavailable. Martin is engaged on a retainer and spends one day a month with me to ensure he is up to date with operating issues and can respond to customer needs. Additionally, our maintenance contractor provides valuable operational support.

Barossa Infrastructure Daily Consumption in Megalitres

Comparison of Flow in 2010/11 and 2011/12



Good corporate governance requires such critical operational back up and it is pleasing it can be provided on such a cost effective basis.

Valley Irrigation ceased trading early in the year and we engaged Infrastructure Management Services to carry out maintenance and repairs to the system. There were a total of 8 leaks or pipe failures including one case where the pipe was damaged during installation of a road sign. There were 6 leaks at customer connections. The number of leaks is similar to past years and although annoying, does not indicate an increased risk of failure.

After a number of years of operation it is now possible to see how demand varies on an annual basis. Graphs indicate the variable nature of demand over the past three years.

River Murray

The Proposed Basin Plan is now in the final stages and will be presented to Parliament late this year. The South Australian Government considers the total volume of environmental water is not adequate to ensure quality water is available for the environment and delivery to

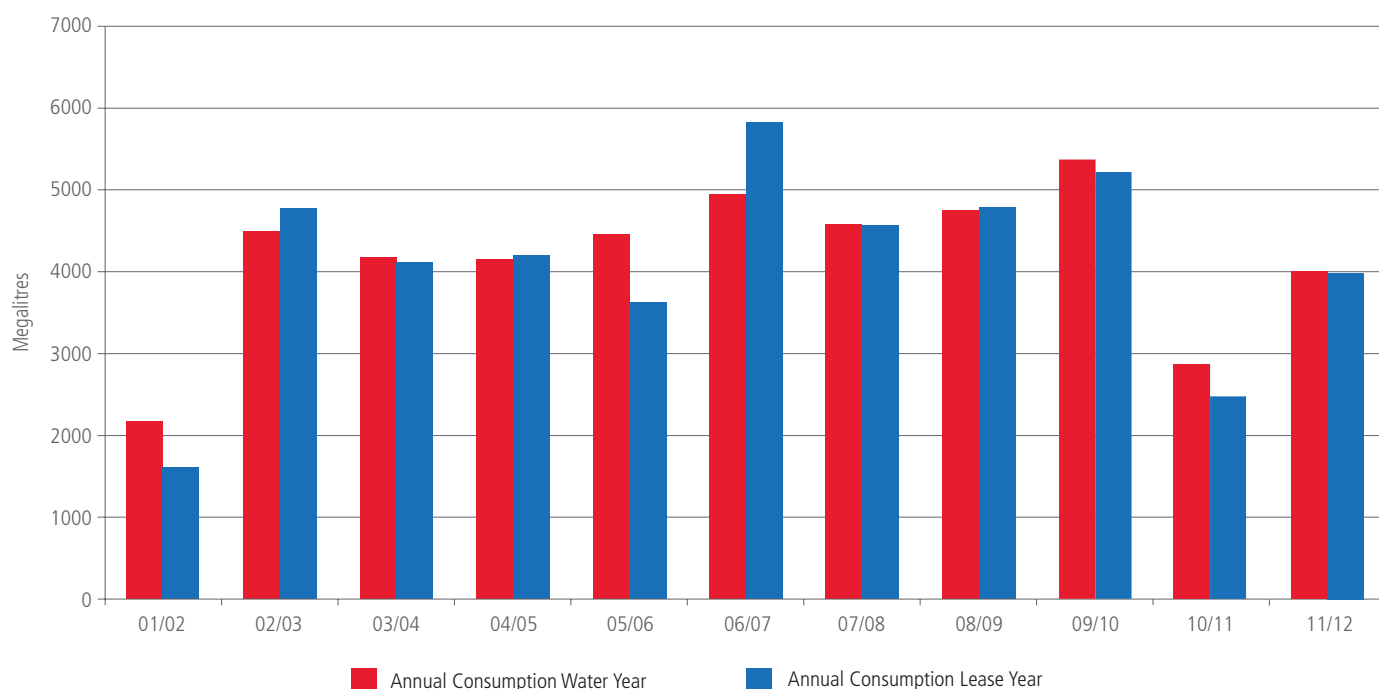
irrigators. The current plan is to transfer 2,750 Gigalitres from consumptive use to the environment by 2019. To 30 June 2012 the Australian Government has purchased 1,547 Gigalitres leaving 1,203 Gigalitres to be recovered. A total of 99 Gigalitres has been purchased from South Australia.

Key issues likely in the Basin Plan for Barossa Infrastructure Ltd are:

- no compulsory buy backs of water entitlements,
- significantly more water for the environment and the Murray Mouth,
- investment in infrastructure to improve the efficiency of both irrigation and watering of environmental assets,
- enhanced and reduced barriers to water trading and
- less water for irrigation in dry years in South Australia.

Barossa Infrastructure Ltd is required to provide River Murray water rights equivalent to the amount of water taken. This means the Company is subject to the same conditions as other South Australian water users of River Murray water.

Barossa Infrastructure Annual Consumption in Megalitres



Technical Upgrade

Barossa Infrastructure Ltd has nearly completed the upgrade of the monitoring and control systems at the pumping stations. We now have daily reports and monitoring of all parameters and alarms of all faults. With the new meters the system upgrade has been completed at relatively low cost.

The next stage is further automation of the meters and installation of pressure sensors at critical locations in the pipeline, so faults can be more rapidly located and system efficiency improved. The Company is pleased that this has been possible through funding from the Commonwealth Government's "Water for the Future" program.

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 Catchment Board and the Department of Water. In addition, assistance is provided with annual monitoring of stream flows and critical ground water locations to ensure there are no long term detrimental effects of the use of Barossa Infrastructure Ltd water. A separate statement is included in the section covering corporate governance to indicate the importance of this issue.

Before the commencement of the Nuriootpa Wastewater Management Scheme a detailed risk assessment was carried out by Green Ochre Pty Ltd, environmental consultants, as part of the approval process from the Department of Health. An annual audit is also required to ensure the safe use of this water. During the year



some unsuitable water was provided. This caused an algae bloom in customers' dams. After extensive discussions with customers and the Company's consultant the water was treated with chlorine and irrigation lines flushed as necessary.

The Barossa Council is providing regular test results that confirm the quality of the wastewater.

Customers and Staff

My thanks go to Mrs Lisa Buckley and Ms Patsy Biscoe for their commitment, efficiency and support throughout the year. 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.

A handwritten signature in black ink, appearing to read "Paul Shanks".

Paul Shanks
General Manager

25 September 2012

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 and the Company is monitoring and commenting on the preparation of the Basin Plan and its impacts. It is expected that the Plan when implemented will assure the supply of quality water to irrigators in South Australia and better regulate the trading of water allocations and licenses.

Board Role

The Board is composed of from three to twelve Directors including four 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 Region.

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, the Board invites participation from relevant organisations which will assist in meeting the Company's objectives and environmental requirements. This includes meeting ongoing environmental monitoring requirements. The Water Industry Act 2012 has been passed by the South Australian Parliament and regulations are currently being prepared. The Company expects that compliance with the requirements will not incur significant cost or have any detrimental impact on customers.

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

Risk Management

The Board is committed to the management of the major areas of risk as identified below:

- the Basin Plan and its long term impact on water availability
- water leasing costs and relevant Government policy that may affect the leasing costs of water rights
- environmental risks which are identified and monitored
- additional environmental monitoring and reporting to the Department of Health of the impact of the use of reclaimed wastewater
- potential future expansion of the Scheme when conditions in the wine grape industry are sustainable, with water sales contracts having now reached the first target of 7,000 Megalitres per annum

- access to funds to purchase a percentage of the required River Murray water leases
- interest costs of outstanding loans
- occupational health and safety of employees and contractors
- safety of pipe and pumping assets and management of any bursts and defects
- drought and water restrictions
- climate change and climate variability affecting the long term access to water
- quality of water including monitoring the risk of contamination of the water source from the Warren Reservoir and supply from SA Water
- management succession issues
- the state of the Australian Wine Industry and economic changes that affect customers and suppliers
- SA Water Industry Act 2012 and increased regulations that may be imposed, and
- ACCC rules for Infrastructure Operators.

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 impact to 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:

- Murray Darling Association
- South Australian Murray Irrigators Incorporated 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 Green Ochre 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 year ended 30 June 2012 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
Wendy Kay Allan Director	46	Vigneron Director – Owner/Operator Pindarie Pty Ltd Graduate Diploma in Wine Business Associate Diploma in Farm Management – Viticulture Former Viticultural Lecturer TAFE Barossa Campus Former Viticultural Consultant, Winemakers Federation of Australia Former Senior Viticulturist, Southcorp Wines 1998 - 1995 Wine Industry Study Tours Chile, France Former Barossa Vineyard Manager, Southcorp Wines Former Viticultural Extension Manager, Penfolds Wine Group 1992 Viticulture Research and New Technology Study Tour Israel, Italy, France and Germany 1989 Study Trip Geyser Peak Winery California <i>Appointed 4 June 2008</i>
Grant Walker Burge Director	61	Vigneron Chief Executive Grant Burge Wines Pty Ltd Barossa Valley Strategic Water Management Study 'Vision 2045' Baron of the Barossa – Inducted 1990 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 <i>Appointed 14 September 1998</i>
Geoffrey Maxwell Davis B Ec, FCA, CTA Independent Director Company Secretary	64	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 <i>Appointed 3 August 1999, Member Executive Committee</i>
Gayle Robin Grieger B Sc (Hon), PhD Independent Director	40	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 <i>Appointed 2 February 2004</i>

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Robert Ian Chapman Independent Director Assoc Dip Bus, FAICD, F FIN	48	Bank SA Advisory Board (Chairman 2012) Adelaide Football Club (Chairman 2008 – present) Kelly & Co Business Advisory Panel (Chairman 2012) Perks Accounting & Financial Services (Chairman 2012) Member of The Economic Development Board 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 <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) <i>Appointed 4 June 2012</i>
David John Klingberg AO FTSE Btech(Civil), DUniSA, FIEAust, FAusIMM, FAICD Independent Director Chairman	68	Professional Engineer Former Managing Director Kinhill Ltd Engineering Group Immediate Past Chancellor University of South Australia <i>Fellow of:</i> Australian Academy of Technological Sciences & Engineering Institution of Engineers Australia Australasian Institute of Mining and Metallurgy Chairman Centrex Metals Limited Chairman Mawson Lakes Joint Venture (project completed 30 June 2011) Director Snowy Hydro Ltd Director E & A Limited Director Codan Limited Board Member Renewables SA Past Chairman Premiers Climate Change Council Patron Cancer Council of South Australia and St Andrew's Hospital Foundation <i>Appointed 29 September 1998, Member Executive Committee</i>
Martin Paul Pfeiffer Director	60	Vigneron Director – Owner/Operator Whistler Wines, Heysen Estate Vineyards 1998 Wine Industry Study Tour France, Italy, Germany, Spain 1999 Irrigation Technology Tour Israel, California Member Barossa Wine & Tourism Association Member Barossa Winemakers Past President Barossa Lions Club <i>Appointed 18 December 1998</i>

Directors' Report

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Victor John Patrick Director	68	<p>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 <i>Appointed 28 April 2008, Member Executive Committee</i></p>
Edgar Gordon Schild Director	71	<p>Vigneron Managing Director EG & LF Schild Pty Ltd, Schild Estate Wines Wine Industry Study Tour Australia, Europe, California, South Africa 1996 Barossa Valley Vigneron of the Year Member Barossa Grape Growers Council Life Member Rowland Flat Agricultural Bureau <i>Appointed 14 September 1998</i></p>
Steven James Wilson Director	57	<p>Vigneron Managing Director Anandale Vineyards Pty Ltd, Lindfield 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 BRED <i>Appointed 14 September 1998</i></p>

Directors' Meeting Attendance

For the year ended 30 June 2012, there have been 8 meetings of Directors. Those Directors and their attendance at meetings are as follows:

Director	Board Meetings	
	A	B
W K Allan	8	8
G W Burge	6	8
R K Chapman	1	1
G M Davis	7	8
G R Grieger	7	8
D J Klingberg	8	8
V J Patrick	8	8
M P Pfeiffer	5	8
E G Schild	7	8
S J Wilson	6	8

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, and
- Securing sufficient River Murray Water Rights to enable delivery of water in accordance with the supply contract with SA Water.

Review of Operations

The net profit after providing for income tax amounted to \$1,236,034 (2011: loss \$431,627).

No water restrictions applied to River Murray Water Rights for the 2012 year and customers were entitled to take 100% of their contracted amounts. The return to profitability is due to \$1.9 million of unused water charges being billed in 2012 as a result of low customer

consumption during the 2011 water year. The billing of unused water charges also significantly improved the cash flow position of the Company.

Under the PIIP scheme, 206 meters were upgraded and installed at 30 June 2012 with the financial assistance of Commonwealth Government Funding. The remaining upgrades are to be completed by December 2012 under the funding agreement.

The Company owns or leases on a long term basis approximately 97% of the River Murray Water Rights it requires to supply customers. Due to weather conditions, customer demand for water decreased throughout the year and the Company did not need to stand in the market to obtain additional leases to cover demand. The cancellation of carryover water and cooler weather conditions resulted in the Company having surplus temporary water leases to its needs. 2,500ML of temporary water leases were sold at \$8/ML in June to offset some of the cost of leasing.

State of Affairs

During July 2011, a loan repayment of \$1,432,000 was made. Subsequent to the end of the financial year a further loan repayment of \$1,432,000 has occurred, bringing the bank loan outstanding to \$5,664,212.

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.

Remuneration Report – audited

Principles of compensation – audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including Directors of the Company and other Executives. Key management personnel comprise the Directors of the Company and the General Manager.

Directors' Report

Compensation levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. No element of the compensation is dependent on the satisfaction of a performance condition.

The annual review takes into account the Executive's achievement of preset performance targets. The General Manager has a five year contract expiring in June 2015 and this provides for annual reviews taking into account achievement of performance targets and market conditions. The service contract can be terminated by the Company or General Manager providing three months notice. The Company may make a payment in lieu of notice equivalent to three months base salary.

No part of any Directors' or Executive's remuneration is related to performance, and is fixed for the year.

The agreed performance targets used for annual remuneration reviews are based on the Board's policy of delivering water at the lowest possible cost on a long term sustainable basis.

Directors

Total compensation for all Directors, last voted upon by shareholders at the 2008 AGM, is not to exceed \$160,000 per annum. Directors' fees and the 9% super guarantee for 2012 amounted to \$143,542 excluding the retainer paid to Martin Pfeiffer to keep up to date with operating issues so he may support and takeover for the General Manager should the need arise.

Details of the nature and the amount of each major element of remuneration of each Director of the Company and the named Company executives are:

2012		Short-term			Post-employment	Other long term	Termination benefits	Share-based payments	
Directors - Non-executive	Year	Salary & Fees	STI cash bonus	Non-monetary benefits	Superannuation benefits			Options and rights	Total
Mr D J Klingberg <i>(Chairman)</i>	2012	\$55,140	-	-	-	-	-	-	\$55,140
	2011	\$53,534	-	-	-	-	-	-	\$53,534
Ms W K Allan	2012	\$8,874	-	-	\$799	-	-	-	\$9,673
	2011	\$8,615	-	-	\$775	-	-	-	\$9,390
Mr G W Burge	2012	\$8,874	-	-	\$799	-	-	-	\$9,673
	2011	\$8,615	-	-	\$775	-	-	-	\$9,390
Mr R K Chapman	2012	\$1,460	-	-	\$131	-	-	-	\$1,591
	2011	-	-	-	-	-	-	-	-
Mr G M Davis	2012	\$19,100	-	-	-	-	-	-	\$19,100
	2011	\$18,540	-	-	-	-	-	-	\$18,540
Dr G R Grieger	2012	\$8,874	-	-	\$799	-	-	-	\$9,673
	2011	\$8,615	-	-	\$775	-	-	-	\$9,390
Mr V J Patrick	2012	\$8,874	-	-	\$799	-	-	-	\$9,673
	2011	\$8,615	-	-	\$775	-	-	-	\$9,390
Mr M P Pfeiffer	2012	-	-	-	\$33,747	-	-	-	\$33,747
	2011	-	-	-	\$33,464	-	-	-	\$33,464
Mr E G Schild	2012	\$8,874	-	-	\$799	-	-	-	\$9,673
	2011	\$8,615	-	-	\$775	-	-	-	\$9,390
Mr S J Wilson	2012	\$8,874	-	-	\$799	-	-	-	\$9,673
	2011	\$8,615	-	-	\$775	-	-	-	\$9,390
Executive									
Mr A P Shanks	2012	\$88,444	-	-	\$49,992	\$1,579	-	-	\$140,015
<i>(General Manager)</i>	2011	\$82,476	-	-	\$50,000	\$5,912	-	-	\$138,388
Total compensation: key management personnel (company)									
	2012	\$217,388	-	-	\$88,664	\$1,579	-	-	\$307,631
	2011	\$206,240	-	-	\$88,114	\$5,912	-	-	\$300,266

Each key management person held the position described above for the entire reporting period, except for Mr R K Chapman who was appointed on the 4/6/12.

Environmental Regulation

The project for delivery of River Murray Water to the Barossa Region is subject to strict environmental regulation. An independent consultant prepared the environmental report to assist in the Company's final application to the Development Approval Commission and the relevant Water Catchment Board. All necessary approvals have been received. The Company works closely with the Department of Water, Land & Biodiversity Conservation and the Adelaide and Mt. Lofty 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 tenth full "water year" on 30 September 2012.

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 \$6,060 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 2013. The Company has sufficient water rights to cover estimated

customer demand and therefore will not need to stand in the market for additional water rights.

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 44 and forms part of the Directors' Report for the financial year ended 30 June 2012.

Rounding of Amounts

The Company is not of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission and therefore cannot 'round off' any amounts 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.

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



D J Klingberg AO FTSE

Director

G M Davis

Director

Tanunda, S.A.

25 September 2012

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Sale of Water		5,068,060	2,078,082
Cost of Sales		(4,448,842)	(3,888,918)
Gross Profit/(Loss)		619,218	(1,810,836)
Infrastructure Levies Revenue		2,314,241	2,451,516
Other Income		81,273	1,380
Administrative Expenses		(779,840)	(656,556)
Results from operating activities		2,234,892	(14,496)
Financial Income		124,467	103,480
Financial Expenses		(511,178)	(671,152)
Net financing costs		(386,711)	(567,672)
Profit/(Loss) before tax		1,848,181	(582,168)
Income Tax (Expense)/Benefit	4 (a)	(612,147)	150,541
Profit/(Loss) After Tax		1,236,034	(431,627)
Total Comprehensive Income/(Loss) for the year		1,236,034	(431,627)

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2012

	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	-	(431,627)	(431,627)
Contributions by owners			
Issue of ordinary shares	38,500	-	38,500
Balance at 30 June 2011	9,564,500	3,457,746	13,022,246
Balance at 1 July 2011	9,564,500	3,457,746	13,022,246
Total comprehensive income for the period			
Profit	-	1,236,034	1,236,034
Contributions by owners			
Issue of ordinary shares	-	-	-
Balance at 30 June 2012	9,564,500	4,693,780	14,258,280

The accompanying notes form part of these financial statements

Statement of Financial Position

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	4,028,997	2,476,522
Trade and Other Receivables	6	867,726	1,471,764
Other Assets	7	457,816	358,124
Current Tax Assets	4 (c)	-	39,149
Total Current Assets		5,354,539	4,345,559
Non-current Assets			
Property, Plant and Equipment	8	18,213,635	18,801,330
Intangible Assets	9	2,370,834	2,369,589
Total Non-current Assets		20,584,469	21,170,919
TOTAL ASSETS		25,939,008	25,516,478
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	172,567	429,278
Employee Benefits	15	63,974	64,950
Current Tax Liabilities	4 (c)	585,418	-
Loans & Borrowings	11	1,432,000	1,432,000
Deferred Income	16	2,555,992	2,485,740
Total Current Liabilities		4,809,951	4,411,968
Non-current Liabilities			
Loans & Borrowings	11	5,719,712	7,151,781
Deferred Income	16	964,496	758,060
Deferred Tax Liabilities	4 (d)	186,569	172,423
Total Non-current Liabilities		6,870,777	8,082,264
TOTAL LIABILITIES		11,680,728	12,494,232
NET ASSETS		14,258,280	13,022,246
EQUITY			
Issued Capital	12	9,564,500	9,564,500
Retained Earnings	12	4,693,780	3,457,746
TOTAL EQUITY		14,258,280	13,022,246

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers		7,755,688	4,795,370
Cash Paid to Suppliers and Employees		(4,240,689)	(3,344,661)
Cash Generated from Operating Activities		3,514,999	1,450,709
Interest Received		118,509	108,755
Interest Paid		(522,372)	(671,453)
Income Taxes Refunded/(Paid)		26,566	(157,410)
Net Cash from Operating Activities	14	3,137,702	730,601
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		1,200	-
Proceeds from sale of Intangibles – RMWR		-	160,000
Proceeds from Government Funding		315,000	155,000
Acquisition of Property, Plant and Equipment		(467,194)	(111,597)
Acquisition of Intangibles – Software	9	(2,233)	(1,351)
Net Cash (used)/from Investing Activities		(153,227)	202,052
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from the Issue of Share Capital		-	38,500
Repayment of Borrowings		(1,432,000)	(1,432,000)
Net Cash used in Financing Activities		(1,432,000)	(1,393,500)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,552,475	(460,847)
Cash and Cash Equivalents at 1 July		2,476,522	2,937,369
Cash and Cash Equivalents at 30 June	5	4,028,997	2,476,522

The accompanying notes form part of these financial statements

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

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 25th September 2012. The Company is a for-profit entity.

(a) Statement of Compliance

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.

New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for AASB 9 Financial Instruments, which becomes mandatory for the Company's 2016 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRSs 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) and (i) – fixed assets 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.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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. Refer Note 1(m) for details of income in advance.

Government Grants

Government grants related to assets are presented in the statement of financial position as deferred income when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

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 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 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).

(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 unless they relate to qualifying assets in which case they are capitalised to the cost of the asset as occurred during the construction of the pipeline.

(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.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Financial Instruments

(i) Non-derivative financial assets

The Company recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal 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:

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value, and are used by the Company in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal 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 liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate 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 flow.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(h) Acquisition of Assets

All assets acquired including 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.

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. Finance costs are capitalised to qualifying assets as set out in Note 1(e).

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(i) 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 have limited useful lives and are depreciated over their estimated useful lives on a 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.

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:

	2012	2011
Pipeline & Installation	3.75% - 20%	3.75% - 20%
Pumps & Installation	3.75% - 20%	3.75% - 20%
Meters & Installation	15% - 20%	15% - 20%
Office Furniture & Equipment	3% - 66.6%	3% - 66.6%
Motor Vehicles	25%	25%

(j) 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(k)). 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 accumulated impairment losses.

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

	2012	2011
Software	4 years	2.5 years

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*

(k) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

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 and indications that a debtor will enter bankruptcy.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its 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 against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in 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.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(I) Financial Risk Management

Overview

The Company has exposure to the following risks from their use of 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 Board of Directors has overall responsibility for the establishment and oversight of the 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, aim 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. 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 current 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 (2011: 7%) of the Company's revenue.

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 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.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 has reduced its exposure to interest rate increases on borrowings by entering into an arrangement to fix forward interest rates up to November 2014 at rates of 6.85% and 6.89%.

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. The Board's aim is to continue to reduce the bank debt and improve the flexibility of the Company to take advantage of investment opportunities, such as the acquisition of permanent River Murray Water Rights or the entering into long term contracts for the purchase of water from other sources such as town CWMS.

(m) Income in Advance – Note 16

Of income in advance \$618,560 relates to Infrastructure Levies billed and due at 30 June 2011. These levies related to the water year 1 October 2011 – 30 September 2012. Therefore, one quarter of the total Infrastructure Levies billed at 30 June 2011 is income in advance at 30 June 2012.

By the same principle the total Infrastructure Levies billed and due at 30 June 2012 relate to the water year 1 October 2012 – 30 September 2013. Therefore the total amount billed of \$2,476,241 is income in advance at 30 June 2012 of which \$1,804,671 has been received in cash and \$672,357 is due by customers, as at reporting date. Subsequent to reporting date and up to 17 August 2012, a further \$347,059 has been received in cash.

(n) Employee Benefits

Annual Leave

Liabilities for employee benefits for annual leave represent present obligations that are expected to be settled within 12 months of the reporting date, resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date.

Long Service Leave

Liabilities for employee benefits for long service leave are calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and are discounted using the weighted average borrowing rate of the Company at the balance sheet date.

Defined contribution superannuation funds

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 pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

At 30 June 2012 the Company had three employees.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(o) 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.

(p) Interest Bearing Borrowings – Note 11

Bank loans are recognised at their principal amount. Interest paid was capitalised to “Other Construction Related Costs” during the construction of the pipeline and associated infrastructure up to 31 December 2001. From 1 January 2002, interest paid and accrued has been recognised as an expense.

(q) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

(r) Operating Segment

The Company has one business segment which operates a pipeline network to supply irrigation water in the Barossa Valley. Information regarding the result of the single segment is included below. Performance is measured based on profit before income tax as included in the internal management reports that are reviewed by the Board. Segment profit is used to measure performance as the Board believes that such information is the most relevant in evaluating the results of the operation relative to other entities that operate within the same industry.

Comparative segment information has been represented in conformity with the requirement of AASB 8 *Operating Segments*.

Information about individual reportable segment

	2012	2011
	\$	\$
External revenue	7,419,261	4,530,978
Interest income	124,467	103,480
Interest Expense	511,178	671,152
Depreciation and Amortisation	1,038,977	1,047,799
Reportable segment profit/(loss) before income tax	1,848,181	(582,168)
Reportable segment assets	25,939,008	25,516,478
Capital expenditure	467,195	361,121

	2012 \$	2011 \$
Note 2: PERSONNEL EXPENSES		
Wages, salaries and Directors fees	247,433	236,493
Other associated personnel expenses	4,217	3,484
Contributions to defined contribution superannuation funds	91,498	90,626
(Decrease)/Increase in liability for annual leave	(4,234)	5,230
Increase in liability for long service leave	3,258	4,916
	342,172	340,749

Note 3: AUDITOR'S REMUNERATION

Auditors of the Company: KPMG Australia	30,000	30,000
Other Services: KPMG Australia		
Taxation Advice	3,800	3,500
	33,800	33,500

Note 4: INCOME TAX (BENEFIT)/EXPENSE

(a) Recognised in the statement of comprehensive income

Current period	598,001	(66,207)
Adjustment for prior periods	46,540	11,319
Deferred tax expense		
Reversal of temporary differences	(32,394)	(95,653)
Total income tax (benefit)/expense	612,147	(150,541)

Note 4 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

	2012 \$	2011 \$
Note 4: INCOME TAX EXPENSE <i>continued</i>		
(b) Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit/(Loss) before tax	1,848,181	(582,168)
Income tax using company tax rate of 30% (2011: 30%)	554,454	(174,651)
Increase/Decrease in income tax expense/(benefit) due to:		
Non-deductible expenses	685	1,265
Non-deductible depreciation	10,468	11,168
Current year capital losses for which no deferred tax asset was recognised	-	358
Under/over provided in prior periods	46,540	11,319
Income tax expense/(benefit) on pre-tax net profit	612,147	(150,541)
(c) Current Tax Assets/(Liabilities)		
<i>Movements during the year:</i>		
Balance at beginning of year	39,149	(120,312)
Income tax (refunded)/paid: operating activities – prior year	(39,149)	118,261
Current year's income tax expense/(benefit) on pre-tax profit	612,147	(150,541)
Timing differences for accounting and income tax purposes	(14,146)	152,592
	598,001	-
Less Instalments Paid	12,583	39,149
	(585,418)	39,149
(d) Deferred Tax Assets and Liabilities		
<i>Deferred tax liability is attributable to:</i>		
Property, plant and equipment	326,628	299,477
Accrued interest income	6,925	5,138
	333,553	304,615
<i>Deferred tax asset is attributable to:</i>		
Employee benefits	19,278	19,485
Unearned revenue	127,706	46,500
2011 carried forward tax loss	-	66,207
	146,984	132,192
Net Deferred Tax Liabilities	186,569	172,423

	2012 \$	2011 \$
Note 4: INCOME TAX EXPENSE <i>continued</i>		
(e) Movement in temporary differences during the year all recognised in income		
Property , plant and equipment	(27,151)	11,782
Interest income	(1,788)	1,582
Leasing charge	-	23,477
Employee benefits	(206)	3,044
Government Grant	81,206	46,500
Carried forward tax losses	-	66,207
Carried forward tax losses utilised	(66,207)	-
Net movement	(14,146)	152,592

(f) Dividend Franking Account

The amount of franking credits available to shareholders of Barossa Infrastructure Ltd for subsequent financial years is \$1,433,873 (2012 : \$1,460,439). The ability to utilise the franking credits is dependent upon the ability to declare dividends.

Note 5: CASH AND CASH EQUIVALENTS

Cash at Bank – Adelaide Bank (Infrastructure Levy) – refer Note 11	3,555,831	2,123,848
Cash at Bank – Bank SA Tanunda Cheque Account	463,806	86,541
Cash at Bank – Bendigo Bank (PIIP Funding Account)	9,360	266,133
	4,028,997	2476,522

Cash at bank is restricted under a Memorandum of Set-off with Adelaide Bank Limited. Refer Note 11 for further details.

Note 6: TRADE AND OTHER RECEIVABLES

Trade Debtors	814,436	1,401,035
Sundry Debtors	4,906	-
Net GST Receivable	48,384	70,729
	867,726	1,471,764

Note 7: OTHER CURRENT ASSETS

Prepayments	43,083	195,709
Accrued Income – Water Sales	391,650	145,290
Accrued Income – Interest Income	23,083	17,125
	457,816	358,124

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

	2012 \$	2011 \$
Note 8: PROPERTY, PLANT & EQUIPMENT		
Pipeline and Installation		
At cost	27,864,439	27,824,815
Less: Accumulated Depreciation	(11,742,104)	(10,894,965)
Total Pipeline and Installation	16,122,335	16,929,850
Pumps and Installation		
At cost	2,061,928	2,058,493
Less: Accumulated Depreciation	(961,284)	(914,799)
Total Pumps and Installation	1,100,644	1,143,694
Meters and Installation		
At cost	1,629,918	1,199,014
Less: Accumulated Depreciation	(937,001)	(846,280)
Total Meters and Installation	692,917	352,734
Capital Works in Progress		
At cost	251,894	324,175
Less: Accumulated Depreciation	-	-
Total Capital Works in Progress	251,894	324,175
Office Equipment		
At cost	75,140	73,599
Less: Accumulated Depreciation	(48,551)	(48,397)
Total Office Equipment	26,589	25,202
Motor Vehicles		
At cost	40,016	40,016
Less: Accumulated Depreciation	(20,760)	(14,341)
Total Motor Vehicles	19,256	25,675
Total Property, Plant & Equipment net book value	18,213,635	18,801,330

	2012 \$	2011 \$
Note 8: PROPERTY, PLANT & EQUIPMENT <i>continued</i>		
Reconciliations		
Pipeline and Installation		
Carrying Amount at Beginning of Year	16,929,850	17,828,354
Acquisitions	39,624	-
Depreciation	(847,139)	(898,504)
Carrying Amount at End of Year	16,122,335	16,929,850
Pumps and Installation		
Carrying Amount at Beginning of Year	1,143,694	1,225,530
Acquisitions	41,375	-
Disposals	(12,724)	(15,101)
Depreciation	(71,701)	(66,735)
Carrying Amount at End of Year	1,100,644	1,143,694
Meters and Installation		
Carrying Amount at Beginning of Year	352,734	399,790
Acquisitions	445,567	20,669
Disposals	(3,134)	-
Depreciation	(102,250)	(67,725)
Carrying Amount at End of Year	692,917	352,734
Capital Works in Progress		
Carrying Amount at Beginning of Year	324,175	-
Acquisitions	373,286	324,175
Transferred costs to Meters and Installation	(445,567)	-
Carrying Amount at End of Year	251,894	324,175
Office Equipment		
Carrying Amount at Beginning of Year	25,202	15,604
Acquisitions	12,910	16,277
Disposals	(902)	(871)
Depreciation	(10,621)	(5,808)
Carrying Amount at End of Year	26,589	25,202
Motor Vehicles		
Carrying Amount at Beginning of Year	25,675	34,233
Acquisitions	-	-
Disposals	-	-
Depreciation	(6,419)	(8,558)
Carrying Amount at End of Year	19,256	25,675
Total Depreciation Expense for Year	1,038,130	1,047,330

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

2012
\$

2011
\$

Note 9: INTANGIBLE ASSETS

River Murray Water Rights – at cost

Carrying Amount at Beginning of Year	2,368,379	2,529,573
Disposals	-	(161,194)
Carrying Amount at End of Year	2,368,379	2,368,379

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 value in use basis. Cash flow assumptions, which are consistent with the latest 5 year plan, are based on water sales established on past years experience and costs directly attributable to such sales for a projected period of four years. It is assumed that no water rationing will apply for the projected period and no change to water volumes will occur. A 5% growth rate has been applied to water prices for the projected period per annum, together with a discount rate of 10%. No residual value for the water rights has been incorporated into the cash flow model at the end of the projected period which adds further to the conservatism of the modelling.

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.

Software – at cost

Carrying Amount at Beginning of Year	1,210	328
Acquisitions	2,233	1,351
Disposals	(141)	-
Less: Amortisation & Impairment	(847)	(469)
Carrying Amount at End of Year	2,455	1,210

Total Intangible Assets at net book value	2,370,834	2,369,589
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Note 10: TRADE AND OTHER PAYABLES

Current

Trade Creditors	5,793	270,392
Other Creditors and Accruals	166,774	158,886

172,567 429,278

	2012 \$	2011 \$
Note 11: INTEREST BEARING LOANS AND BORROWINGS		
Current		
Secured Loan – Adelaide Bank Ltd	1,432,000	1,432,000
Total Current Interest Bearing Loans and Borrowings	1,432,000	1,432,000
Non-current		
Secured Loan – Adelaide Bank Ltd	5,664,212	7,096,281
Other Non-current Loans	55,500	55,500
Total Non-current Interest Bearing Loans and Borrowings	5,719,712	7,151,781

Bank Loans

The Adelaide Bank Ltd loan was refinanced during the year into two separate loans of \$4.3m and \$2.8m set at fixed interest rates of 6.85% and 6.89% respectively until the 29th November 2014. The loans are 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. In addition the Company is required to have a minimum balance equivalent to the following year's interest payments (estimated at \$390,176) at July each year in deposit funds pursuant to a Memorandum of Set-off against the outstanding loans.

Loan principal is repaid over a 15 year period – July 2002 to July 2016, at \$1,432,000 per annum.

Note 12: MOVEMENTS IN EQUITY

Ordinary Shares		
Balance at the Beginning of the Year	9,564,500	9,526,000
Shares Issued at \$1 each	-	38,500
Total Share Capital	9,564,500	9,564,500
Retained Earnings		
Retained earnings at beginning of year	3,457,746	3,889,373
Total recognised income and expense	1,221,545	(431,627)
Balance at end of year	4,679,291	3,457,746

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

2012
\$

2011
\$

Note 13: LEASES

Non-cancellable operating leases are payable as follows

Within one year	380,186	623,316
One year or later and not later than five years	764,209	1,015,615
Later than five years	-	1,290
	1,144,395	1,640,221

The Company leases River Murray Water Rights under non-cancellable operating leases for periods from 1 to 5 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/(Loss) for the period	1,236,034	(431,627)
<i>Adjustments for:</i>		
Depreciation and Amortisation	1,038,977	1,047,799
Loss on Sale of Non Current Assets	15,701	2,064
Income Tax Expense/(Benefit)	612,147	(150,541)
Operating profit before changes in working capital	2,902,859	467,695

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

Decrease/(increase) in receivables	581,693	(14,490)
Increase in Deferred Income , including government grant	(38,313)	51,625
Net GST received/(paid)	22,344	(3,487)
(Increase)/decrease in Prepayments & Accrued Income	(99,691)	407,229
(Decrease)/increase in Creditors	(264,599)	(14,849)
Increase/(decrease) in Accruals	7,819	(15,859)
(Decrease)/increase in Provisions and Employee Benefits	(976)	10,147
Income Taxes Refunded/(Paid)	26,566	(157,410)

Net Cash from Operating Activities	3,137,702	730,601
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	2012 \$	2011 \$
Note 15: EMPLOYEE BENEFITS		
Aggregate Liability for Employee Entitlements		
Current		
- Liability for annual leave	21,581	25,814
- Liability for long service leave	42,393	39,136
	63,974	64,950
Number of Employees at Year End		
	3	3

Note 16: DEFERRED INCOME

Current		
Income in Advance	2,475,741	2,470,240
Government Grants	80,251	15,500
Total Current Deferred Income	2,555,992	2,485,740
Non-Current		
Income in Advance	619,060	618,560
Government Grants	345,436	139,500
Total Non-current Deferred Income	964,496	758,060

The Company is the recipient of a government grant payable in four instalments over two years and subject to performance milestones. The grants are required to be used for the acquisition of more accurate and reliable electronic meters to replace existing mechanical meters. The Company is required to contribute \$334,000 cash and a further \$100,000 in kind to the project. A condition of the grant is to supply progress reports acceptable to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities and compliance with this requirement is not seen as a risk. The cost of meters is fixed by contract leaving the cost of installation as the only variable. Any risk associated with this is seen as minimal.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

2012
\$

2011
\$

Note 17: RELATED PARTY DISCLOSURES

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 3) are as follows:

Short-term employee and director benefits	217,388	206,240
Other long term benefits	1,579	5,912
Post employment benefits	88,664	88,114
	307,631	300,266

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:

	2012 Number Held	2011 Number Held
W K Allan	-	-
A Brooks	7,000	7,000
H & A Brooks	43,750	43,750
G W Burge	-	-
Burge Corporation Pty Ltd	493,500	493,500
E G Schild	-	-
E G & L G Schild Pty Ltd	91,000	91,000
M P Pfeiffer	-	-
M P & C J Pfeiffer	17,500	17,500
Total Number of Shares in the Company held by Directors and their Director Related Entities:	652,750	652,750

Note 17: RELATED PARTY DISCLOSURES *continued*

Other Transactions with the Company

The Company Secretary of Barossa Infrastructure Limited, 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 2012. The terms and conditions of the transactions with G M Davis and his related entity 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	2012 \$	2011 \$
G M Davis	Geoff Davis & Associates	103,400	92,857
Current Payable	Geoff Davis & Associates	10,978	9,979

M P Pfeiffer has provided staffing support in the absence of the General Manager during the year ended 30 June 2012 amounting to \$24,074 (2011 : \$24,074).

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:

	Note	Carrying Amount 2012 \$	2011 \$
Cash and cash equivalents	5	4,028,997	2,476,522
Trade and other receivables	6	867,726	1,471,764
		4,896,723	3,948,286

Impairment losses

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

	Gross 2012 \$	Gross 2011 \$
Not past due	672,452	1,182,070
Past due 31-60 days	2,746	4,081
Past due 61-90 days	50,883	75,222
Past due 91days and >	88,355	139,662
	814,436	1,401,035

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. Of the trade receivables balance of \$814,436 at 30 June 2012, payments since received from customers for the period from 1 July 2012 to 17 August 2012 amount to \$418,923. The remaining outstanding balance relates to customers that have a satisfactory credit history with the Company.

Note 18 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2012

Note 18: FINANCIAL INSTRUMENTS *continued*

(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 mths or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans	7,096,212	(8,068,498)	(1,629,216)	(192,960)	(1,723,604)	(4,522,718)	-
Unsecured loans	55,500	(55,500)	-	-	-	-	(55,500)
Trade & other payables	172,567	(172,567)	(172,567)	-	-	-	-
	7,324,279	(8,296,565)	(1,801,783)	(192,960)	(1,723,604)	(4,522,718)	(55,500)

(iii) Interest Rate Risk

Profile

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

	Carrying Amount	
	2012	2011
	\$	\$
Fixed rate instruments		
Financial liabilities	(7,096,212)	(8,528,281)
Variable rate instruments		
Financial assets	4,028,997	2,476,522
Financial liabilities	-	-
	4,028,997	2,476,522

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: EVENTS SUBSEQUENT TO REPORTING DATE

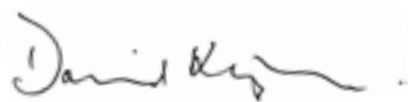
Since reporting date, the South Australian State Government has announced that 100% water allocations will apply to entitlements for River Murray Water for 2013. Water storage in the Murray Darling system is at a decade high of 95%.

Directors' Declaration

In the opinion of the Directors of the Company:

- (a) the financial statements and notes, set out on pages 18 to 42, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2012 and of its performance for the 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.



D J Klingberg AO FTSE

Director



G M Davis

Director

Tanunda, S.A.

25 September 2012

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 for the financial year ended 30 June 2012 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.

A handwritten signature in black ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'A. G. Fleming'.

Scott Fleming
Partner

Adelaide

25 September 2012



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

Report on the financial report

We have audited the accompanying financial report of Barossa Infrastructure Limited (the Company), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 19, comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

Audit Report



Independence

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

Auditor's opinion

In our opinion:

- a) the financial report of Barossa Infrastructure Limited is 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 2012 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 15 to 16 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Barossa Infrastructure Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

A stylized signature of a KPMG representative, appearing to be 'K. Smith'.

KPMG

A handwritten signature of Scott Fleming.

Scott Fleming
Partner

Adelaide

25 September 2012



Customer Service Centre

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Phone 08 8563 2300
Fax 08 8563 1266

Registered Office

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