

**BAROSSA
INFRASTRUCTURE**
LIMITED



annual report
2010

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 (Chairman)
Wendy Allan
Grant Burge
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

ACN 084 108 958
Barossa Infrastructure Ltd
Level 6, 81 Flinders Street
Adelaide, SA 5000

DIRECTORS



MR DAVID KLINGBERG
Chairman



MS WENDY ALLAN
Director



MR GRANT BURGE
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 continued downturn in the wine industry and ongoing restrictions on available River Murray water meant another challenging year for Barossa Infrastructure Ltd and its Customers. It is therefore very pleasing to report improvements in both available water and finances. The Company reported a modest improvement in after tax profit and a reduction in the cash deficit for the financial year although there was still a cash outflow of \$204,000.

Reclaimed water from the Nuriootpa Community Wastewater Management Scheme commenced delivery to a small group of Customers who have stored the water for use in the coming summer months. The Board of Barossa Infrastructure Ltd would like to thank The Barossa Council for the work and extensive co-operation required to bring this complex scheme to fruition.

There was an improvement in rainfall in the connected Murray catchment and later in the Darling River catchment in 2009/10. This meant that rationing of River Murray water allocations increased to 62% in March 2010 compared to 18% in the previous year. 2009/10 is the 5th year out of the last 6 years where there have been water restrictions.

The "Murray Darling Basin Plan" is yet to be announced. There are strong indications that there will be significant permanent reductions in water allocations. This is likely to be offset by the Commonwealth buy back of water rights which will give a greater degree of certainty to water users.

The most likely long term impact on Customers will be a few cents increase in water prices over a number of years. The changes to allocations in the "Basin Plan", although significant, are likely to be less than in the current drought.

The approval of 1,726 Megalitres of carryover water meant that the Company was able to advise Customers in November 2009 that even though rationing remained at 48%, they could use 60% of their allocation. Rationing was increased to 62% during March 2010. With the use of carryover water the Company expects a similar allocation increase will be possible in 2010/11.

Customers were able to carryover 1,001 Megalitres in 2009/10 and have carried over 563 Megalitres in 2010/11. Barossa Infrastructure's total approved carryover for 2010/11 is 2,277 Megalitres.

The outlook for 2010/11 is more optimistic than last year, with allocations at the start of September being 41% compared with 16% at the same time last year. Until the "Basin Plan" is implemented the condition of the River Murray and Lower Lakes remains of concern, however water levels are now above sea level for the first time since December 2007.

Consumption increased to 5,070 Megalitres in the year to 30 June 2010 compared with 4,760 Megalitres the previous year.

Water has been supplied from the Warren Reservoir supplemented from the River Murray. The water quality has been very good, varying within the range of 220 to 280 mg/litre (part per million).

River Murray Water Leases

The Company is required as a condition of its bank loan to have 'Water Access Entitlements' for at least 50% of the estimated demand secured for 3 years and 60% secured for the next water year. This has been achieved with a balance of purchases of permanent water access entitlements and long term leases.

As part of the "Basin Plan" to buy back water rights and secure the future of the Murray Darling, the Commonwealth Government continues to be active in the River Murray water rights market. The impact is to maintain higher prices. In addition, the water market for both temporary water and permanent access entitlements is becoming more mature and greater flexibility in the type of water rights is now possible. The Company will maintain an active interest in the market and take opportunities as they occur.

Last year it was indicated that the Company might have an opportunity to purchase additional water rights. This did not occur and no additional leases were purchased in 2009/10.

Finances

Barossa Infrastructure Ltd made a small after tax profit of \$175,000, compared with a profit of \$74,000 in 2008/09. There was a cash flow deficit of \$204,000 after the loan repayment of \$1,432,000. Higher demand and reduced water leasing costs were partially offset by reduced revenue from Infrastructure Levies resulting in this improved position.

Customers had the option to carry over water from 2008/09 and were also able to purchase additional water if their rationed amount was insufficient. 923 Megalitres of carried over water and 857 Megalitres of additional water were used by Customers. Carryover water and additional water will continue to be made available to Barossa Infrastructure Customers to assist them in the management of their water during continued restrictions.

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

Future

Diversification in sources of water is a key element in managing the future uncertainty associated with climate change and the ongoing drought. Investigations have included long term leases or

purchases of more secure interstate water rights and the use of waste water from townships and wineries. The Company is also hopeful that opportunities for the use of storm water can be realised. With all new water sources, appropriate studies and analyses will be carried out to ensure the water can be used in a sustainable manner.

The commissioning of the Nuriootpa Wastewater Management Scheme is the first part of this diversification.

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.

The Company continues to be indebted to our General Manager, Mr Paul Shanks, for the extremely professional and efficient ongoing operation of the Scheme, particularly during this challenging period. 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.



David J Klingberg AO
Chairman

14 September 2010



The improvement in water availability in 2009/10 compared with last year has been of considerable benefit to customers. Rain over the past 12 months has been near average in the southern connected basin and above average in some areas of the Darling catchment. This has resulted in water being stored in the Menindee Lakes for use over the coming summer for the first time since 2002. It was also possible to provide additional water to the Lower Lakes which will guarantee water quality in the river over the coming summer. Water levels in the Lakes and lower Murray are expected to rise to about 0.5 M AHD compared with -0.69 AHD in 2009.

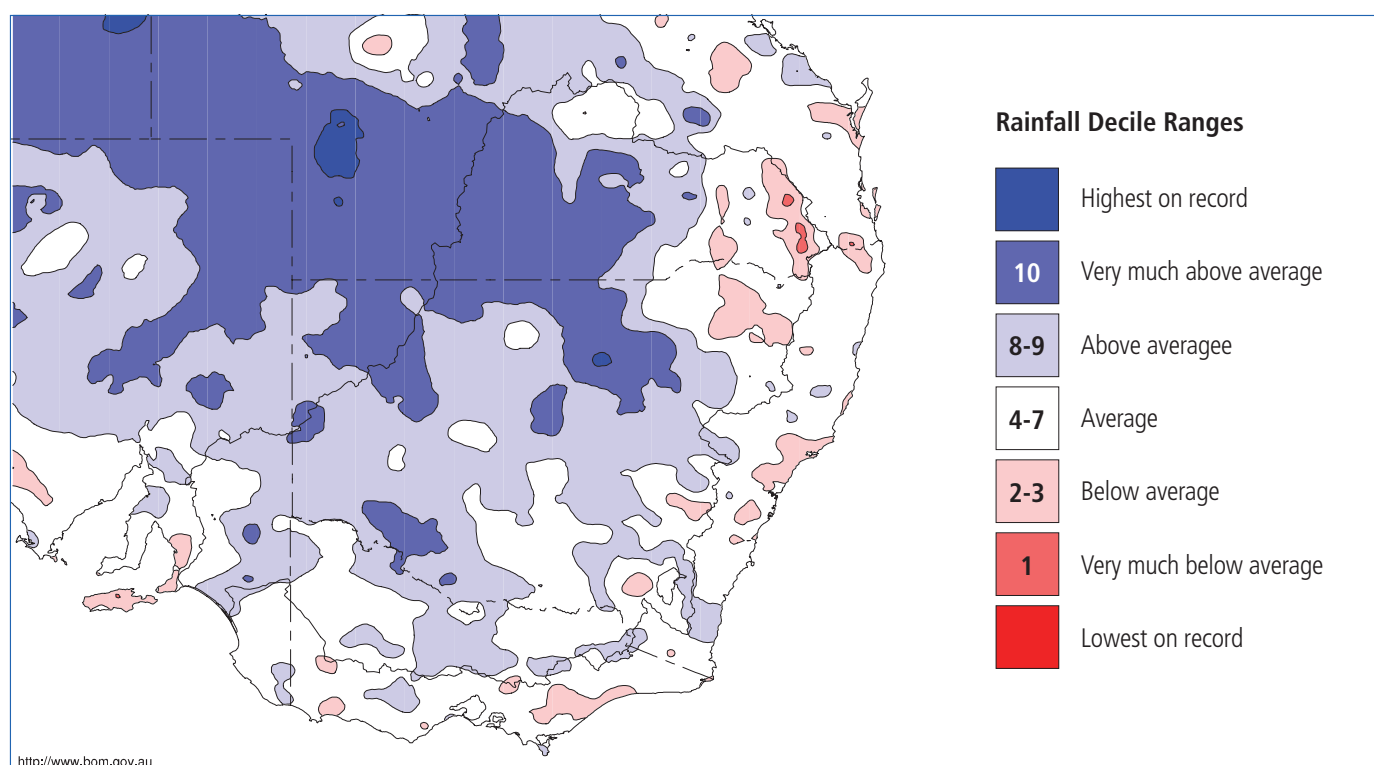
The highest level the Lakes reached in 2009 was 0.69 metres below sea level, while the lowest level was 0.93 metres below sea level.

The benefit of this rain was reduced by the severe water deficit over the past 10 years. In a normal year South Australia receives a minimum entitlement flow from the River Murray of 1,850 Gigalitres. In 2009/10 South Australia received 1,770 Gigalitres compared with 1,170 Gigalitres in 2008/09 and 970 Gigalitres in 2007/08. This remains below the flow necessary to support the lower Murray and Lakes as discussed above.

Rationing commenced at 21% of water allocation in July and increased to 34% in mid August 2010 and at the start of September has been increased to 41%. Carryover of 2,177 Megalitres has been approved at 100%. This is compared to a rationed allocation in August 2009 of 5%.

Commissioning of the Nuriootpa Wastewater Management Scheme was carried out and water stored for use in the coming summer months.

Rainfall deciles for the Murray-Darling Basin, from 1 August 2009 to 31 July 2010



Water Demand

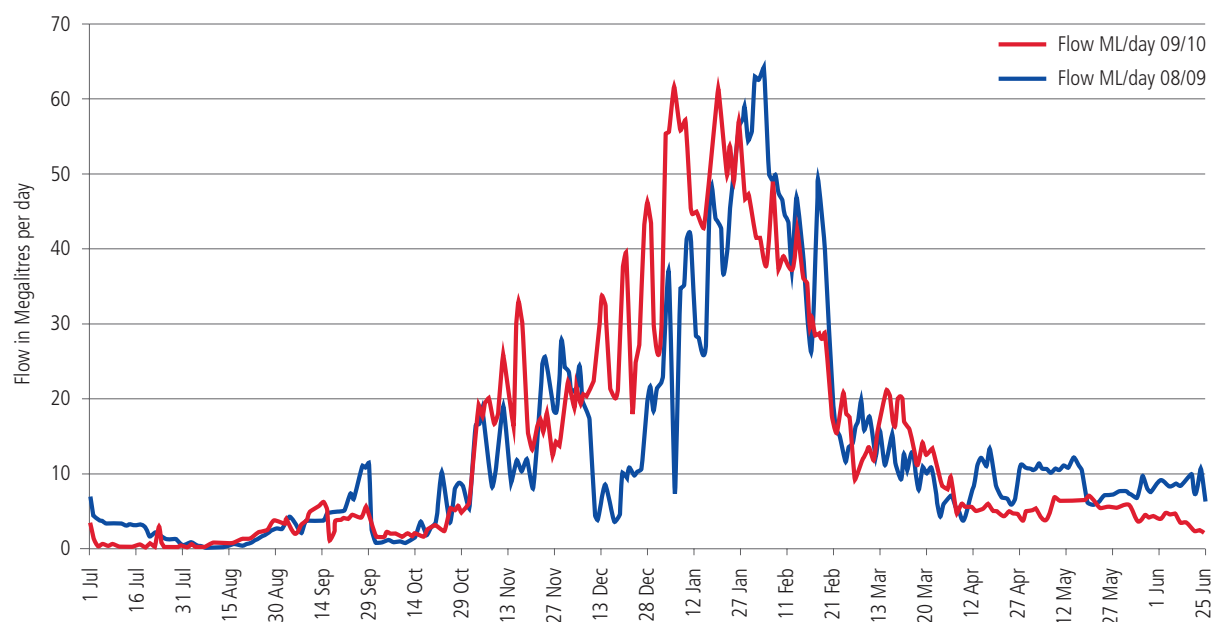
The summer was unusually hot and resulted in an early vintage and although water usage at 5,072 Megalitres exceeded the previous year by 300 Megalitres, many customers will have unused water following the rainfall in March 2010. Peak demand was 61 Megalitres per day in January 2010 compared with 65 Megalitres per day

in the previous year. Comparisons are shown in the graph below.

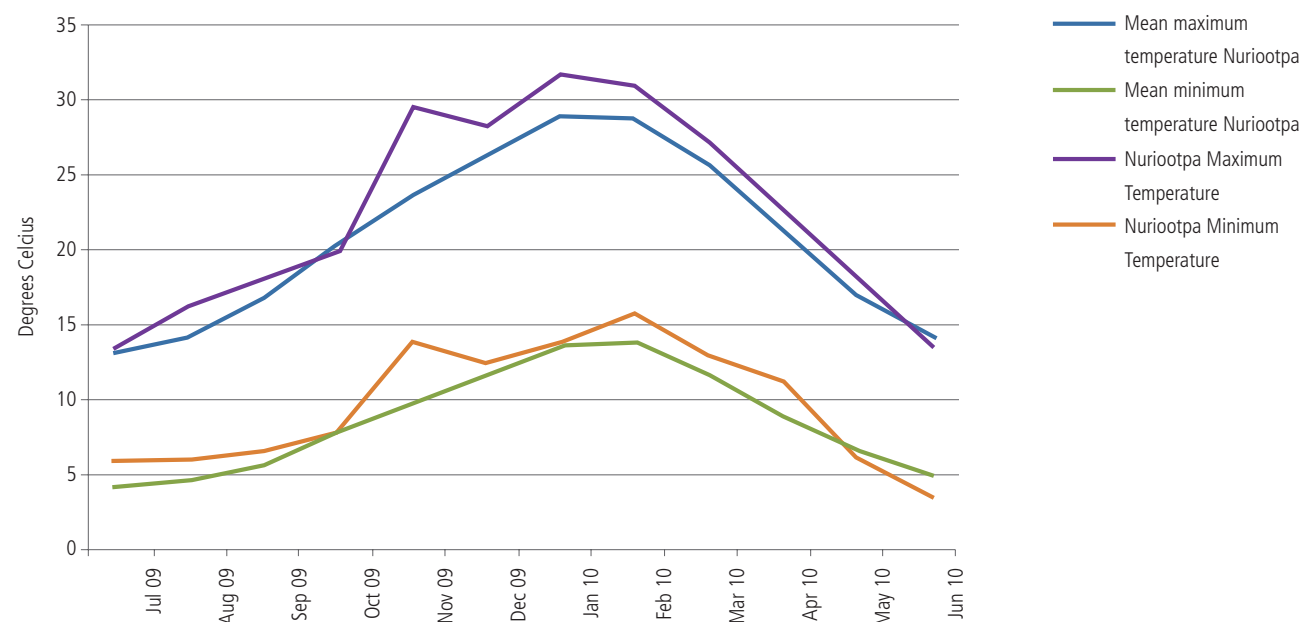
The higher temperatures are demonstrated in the second graph of the monthly temperatures at Nuriootpa, where the average maximum temperature from November to April was 2.5 degrees above average.

Barossa Infrastructure Daily Consumption in Megalitres

Comparison of Flow in 2008/09 and 2009/10



Monthly Average Temperatures in Nuriootpa



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. 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 continues to provide a high quality maintenance service and assistance with pipeline operations. The system operated with very high reliability during the critical irrigation season. This year there were a total of 10 leaks in the pipelines and 7 at customer connections. The causes ranged from a missing thrust block that had taken 10 years to fail, to rocks hard against the pipeline. Maintenance can expect to increase with the age of the pipe system and the Company carries a number of spares to ensure any defect is repaired promptly.

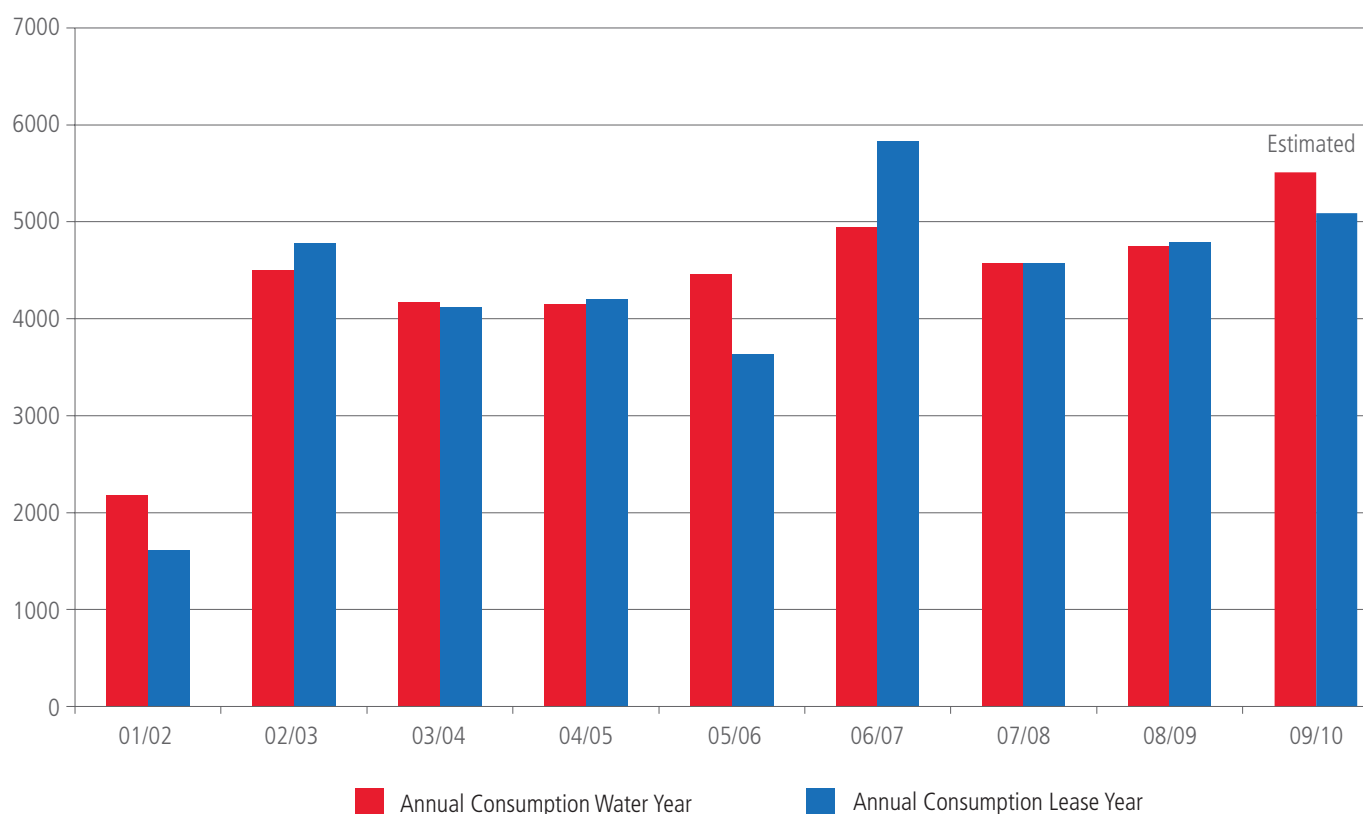
After a number of years of operation it is now possible to see how demand varies on an annual basis. Below is a graph of water demand over both financial years and Barossa Infrastructure water years.

River Murray

Barossa Infrastructure is required to provide River Murray Water Rights equivalent to the amount of water taken. This means the Company is subject to the same rationing as other River Murray water users. Barossa Infrastructure continues to help Customers to overcome this rationing by assisting with the trading of water between Customers and the purchase of additional water rights as necessary.

As reported earlier the final allocation in 2009/10 was 62% compared with 18% in 2008/09 and 32% in 2007/08. Effective storage in August 2010 is now 43% of capacity compared with 18% last year. The graph on page 9 indicates the current position.

Barossa Infrastructure Annual Consumption in Megalitres



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, Land and Biodiversity Conservation. In addition, Barossa Infrastructure provides assistance 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 environmental consultants, Green Ochre Pty Ltd., as part of the approval process from the Department of Health. An annual audit will also be required to ensure the safe use of this water. Barossa Infrastructure is assisting customers in providing details

of on farm changes that need to be made for the safe use of the water.

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

Customers and Staff

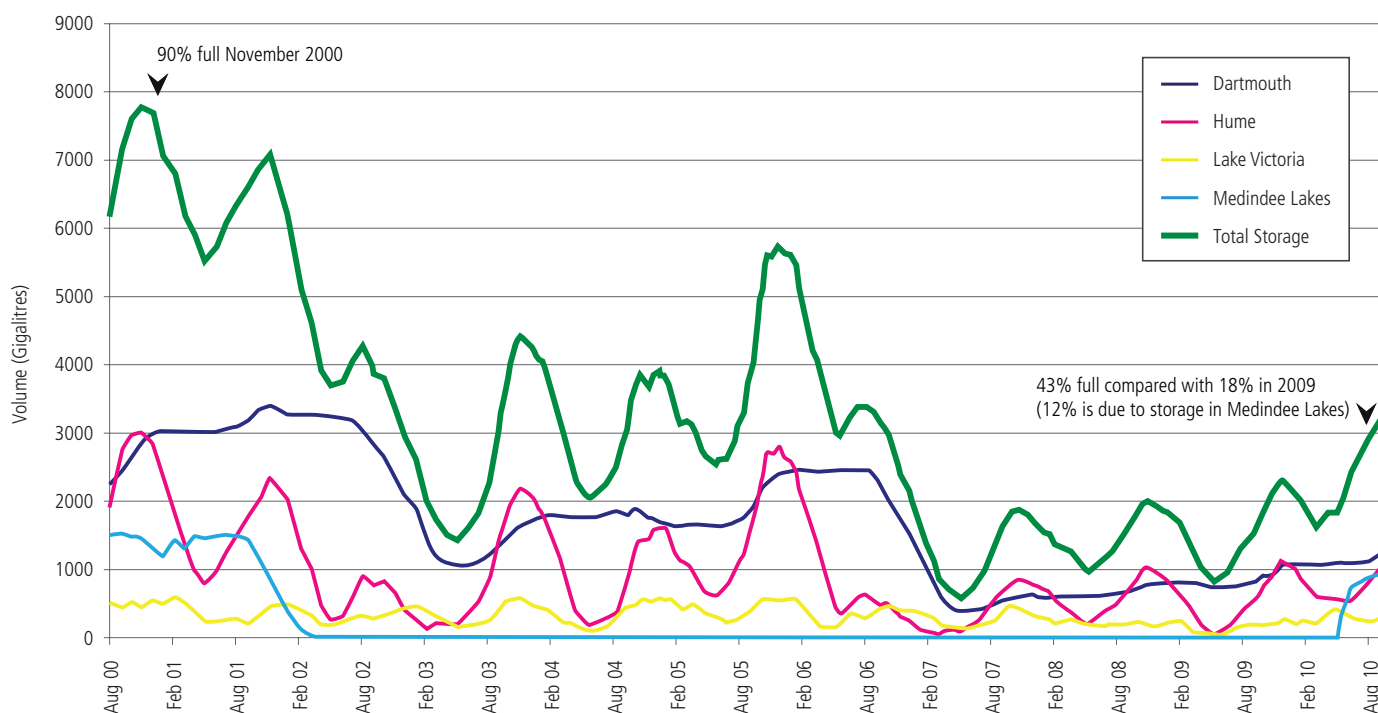
It is pleasing that Mrs Lisa Buckley reached 10 years service during the year. My thanks go to Mrs Lisa Buckley and Ms Patsy Biscoe for their commitment, efficiency and support throughout the year. Thank you to all customers for your support and I urge you to contact me if you require assistance with the operation of your connection or have any suggestions on how the system may be improved.



Paul Shanks
General Manager

14 September 2009

River Murray - Active Storages Available to the River Murray Commission



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.

Board Role

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

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

In addition to this, the Board invites participation from relevant organisations that will assist in meeting the Company's objectives and environmental requirements. This includes meeting ongoing environmental monitoring requirements. Following the creation of the new Department for Water the Board will consider the impact on these reporting requirements.

The Board has delegated to the Executive Committee consisting of 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:

- Murray Darling 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 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, and
- economic changes that affect Customers and suppliers



Environmental Performance

The Board has supported the need to conserve water by requiring Customers to observe a similar rationing in their water use to that applicable to River Murray water users. Water trading between Customers and with other River Murray water users allows water rationing targets to be met.

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 will assist relevant organisations in the collection and dissemination of information that will enhance the environment and promote good viticultural practices. This has included the 'District Irrigation Annual Report'. The Company has joined both the Murray Darling Association and the South Australian Murray Irrigators Incorporated.

As part of the process of examining the taking of treated wastewater from the Nuriootpa Community Wastewater Management Scheme, Barossa Infrastructure 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 implementation of the Scheme.

Sustainability

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

DIRECTOR'S REPORT

The directors present their report together with the financial report of Barossa Infrastructure Limited ("the Company") for the year ended 30 June 2010 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	44	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	59	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 Independent Director Company Secretary	62	Chartered Accountant, Principal Geoff Davis & Associates Past Chairman AC Johnston Pty Ltd (Pirramimma Wines) Former Partner Ernst & Young <i>Appointed 3 August 1999, Member Executive Committee</i>



Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Gayle Robin Grieger B Sc (Hon), PhD Director	38	Viticulturist Viticultural lecturer TAFE Barossa Campus 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>
David John Klingberg AO FTSE, Btech(Civil), DUniSA, FIEAust, FAusIMM, FAICD Independent Director Chairman	66	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 Premiers Climate Change Council Chairman Mawson Lakes Joint Venture Director Snowy Hydro Ltd Director E & A Limited Director Centrex Metals Limited Director Codan Limited Board Member Renewables SA Patron Cancer Council of South Australia <i>Appointed 29 September 1998, Member Executive Committee</i>
Martin Paul Pfeiffer Director	58	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>

DIRECTOR'S REPORT

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Victor John Patrick Director	66	<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 Member 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</i></p>
Edgar Gordon Schild Director	69	<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	55	<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 BREDA <i>Appointed 14 September 1998</i></p>

Directors' Meeting Attendance

For the year ended 30 June 2010, there have been 6 meetings of Directors. Those Directors and their attendance at meetings are as follows:

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

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 \$175,433 (2009: profit \$73,617).

Water restrictions applying to River Murray Water Rights limited the quantity of water available to customers to 62% of their contracted quantities for the water year. The restrictions were offset by the acquisition of a further 857 ML of additional water from water rights acquired during the year at customers' requests and 923ML of water carried over from the 2009 year on behalf of customers. In addition the Company has

acquired carryover water in respect of the 2011 leasing year amounting to 563 ML which has been charged to the customer.

The Nuriootpa Wastewater Management Scheme commenced deliveries to the Barossa Infrastructure Ltd pipeline infrastructure in March 2010.

The Company owns or leases on a long term basis approximately 86% of the River Murray Water Rights it requires to supply customers. The cost of leasing the remaining 14% of the water rights fell from the previous year due to overall market conditions.

State of Affairs

During July 2009, 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 loan outstanding to \$8,523,164.

The Company secured sufficient short term and longer term leases of water rights to cover the water supplied to customers for the 2010 financial year. The average cost of short term leases for the 2010 financial year was \$208/ML.

During the year an additional 28ML of premium water was contracted for by customers, resulting in \$49,000 of additional share capital.

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 the directors of the Company and other executives. Key management personnel comprise the directors of the Company and the general manager.

DIRECTOR'S 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 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 2010 amounted to \$134,694.

Environmental Regulation

The project for delivery of River Murray Water to the Barossa Valley 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.

The use of reclaimed water from the Nuriootpa Community Wastewater Scheme (CWMS) has received the necessary environmental approvals and further

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:

2010	Short-term			Post-employment	Other long term	Termination benefits	Share-based payments	
Directors - Non-executive	Salary & Fees	STI cash bonus	Non-monetary benefits	Superannuation benefits			Options and rights	Total
Mr D J Klingberg (Chairman)	\$51,975	-	-	-	-	-	-	\$51,975
Ms W K Allan	\$8,364			\$753				\$9,117
Mr G W Burge	\$8,364	-	-	\$753	-	-	-	\$9,117
Mr G M Davis	\$18,900	-	-	-	-	-	-	\$18,900
Dr G R Grieger	\$8,364	-	-	\$753	-	-	-	\$9,117
Mr V J Patrick	\$8,364			\$753				\$9,117
Mr M P Pfeiffer	-	-	-	\$32,276	-	-	-	\$32,276
Mr E G Schild	\$8,364	-	-	\$753	-	-	-	\$9,117
Mr S J Wilson	\$8,364	-	-	\$753	-	-	-	\$9,117
Executive								
Mr A P Shanks (Gen. Manager)	\$76,168	-	-	\$50,000	\$4,652	-	-	\$130,820
Total compensation: key management personnel (company)	\$197,227	-	-	\$86,794	\$4,652	-	-	\$288,673

Each key management person held the position described above for the entire reporting period.

requires an independent annual audit, which will be carried out by September 2010.

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 eighth full "water year" on 30 September 2010.

The Company is actively looking to buy or lease long term permanent water rights to secure the long term supply of water at the lowest possible price.

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 \$6,475 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 reintroduced water rationing at 2% of water rights held and has subsequently adjusted the allocation to 41%. As a result of the high levels of recent rain received and the increased storage levels in the catchment areas, the Company is anticipating a high water allocation for 2011. The Company has secured water rights at or around market rates for long term leases or by way of permanent acquisition and believes it will fully secure the balance with short term leases.

Water transport changes from SA Water pursuant to the Water Transport Agreement have been increased by 14% in accordance with that contract. This large increase is a result of an unexpected 40% increase in SA Waters' power costs, and will lead to an 8 cents/kilolitre increase in the cost of water to customers for both premium and off peak water and will apply from 1 October 2010.

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 2010.

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

Director

G M Davis

Director

Tanunda, S.A.

14 September 2010

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
Sale of Water		3,372,275	2,930,747
Cost of Sales		(4,250,360)	(4,092,990)
Gross Loss		(878,085)	(1,162,243)
Infrastructure Levies Revenue		2,497,407	2,691,675
Other Income		6,335	2,475
Administrative Expenses		(709,792)	(702,551)
Results from operating activities		915,865	829,356
Financial Income		78,371	151,505
Financial Expenses		(751,397)	(857,360)
Net financing costs		(673,026)	(705,855)
Profit before tax		242,839	123,501
Income Tax Expense	4 (a)	(67,406)	(49,884)
Profit After Tax		175,433	73,617
Total Comprehensive Income for the year		175,433	73,617

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2010

	Attributable to equity holders of the Company		
	Share Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	9,464,750	3,640,323	13,105,073
Total comprehensive income for the period			
Profit		73,617	73,617
Contributions by owners			
Issue of ordinary shares	12,250		12,250
Balance at 30 June 2009	9,477,000	3,713,940	13,190,940
Balance at 1 July 2009	9,477,000	3,713,940	13,190,940
Total comprehensive income for the period			
Profit		175,433	175,433
Contributions by owners			
Issue of ordinary shares	49,000		49,000
Balance at 30 June 2010	9,526,000	3,889,373	13,415,373

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	2,937,369	3,141,258
Trade and Other Receivables	6	1,430,346	1,307,955
Other Assets	7	765,352	861,818
Total Current Assets		5,133,067	5,311,031
Non-current Assets			
Property, Plant and Equipment	8	19,503,511	20,558,302
Intangible Assets	9	2,529,901	2,530,212
Total Non-current Assets		22,033,412	23,088,514
TOTAL ASSETS		27,166,479	28,399,545
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	2,637,076	2,697,827
Employee Benefits	15	54,804	32,102
Current Tax Liabilities	4 (c)	120,312	44,333
Interest-bearing Loans & Borrowings	11	1,432,000	1,432,000
Total Current Liabilities		4,244,192	4,206,262
Non-current Liabilities			
Trade and Other Payables	10	607,336	606,611
Employee Benefits	15	-	22,555
Interest-bearing Loans & Borrowings	11	8,578,664	10,010,675
Deferred Tax Liabilities	4 (d)	320,914	362,502
Total Non-current Liabilities		9,506,914	11,002,343
TOTAL LIABILITIES		13,751,106	15,208,605
NET ASSETS		13,415,373	13,190,940
EQUITY			
Issued Capital	12	9,526,000	9,477,000
Retained Earnings	12	3,889,373	3,713,940
TOTAL EQUITY		13,415,373	13,190,940

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers		5,761,409	5,479,717
Cash Paid to Suppliers and Employees		(3,828,620)	(3,815,143)
Cash Generated from Operations		1,932,789	1,664,574
Interest Received		94,393	187,978
Interest Paid		(755,970)	(867,085)
Income Taxes Paid		(34,100)	-
Net Cash from Operating Activities	14	1,237,112	985,467
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		7,273	-
Acquisition of Property, Plant and Equipment		(65,274)	(77,127)
Acquisition of Intangibles – Software	9	-	(559)
Net Cash used in Investing Activities		(58,001)	(77,686)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from the Issue of Share Capital		49,000	12,250
Repayment of Borrowings		(1,432,000)	(1,432,124)
Net Cash used in Financing Activities		(1,383,000)	(1,419,874)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(203,889)	(512,093)
Cash and Cash Equivalents at 1 July 2009		3,141,258	3,653,351
Cash and Cash Equivalents at 30 June 2010	5	2,937,369	3,141,258

The accompanying notes form part of these financial statements

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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 14th September 2010.

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations 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.

Presentation of Financial Statements

The Company applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard.

New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Company's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Company has not yet determined the potential effect of the standard.

AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Company's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

Use of Estimates and Judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.



Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 customers meter and the risks and rewards of ownership have therefore passed to the customer.

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.

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 sale of 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.

Note 1 continued overleaf

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(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. Qualifying assets are assets that take more than 12 months to get ready for their intended use or sale. In these circumstances, finance expenses are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of finance expenses capitalised is that incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, finance expenses are capitalised using a weighted average capitalisation rate.

(f) Income Tax – Note 4

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

Current tax 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 the following temporary differences: 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 the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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.



Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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: loans and receivables.

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 trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(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 at which 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.

(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 & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time 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 or useful lives used for each class of asset are as follows:

	2010	2009
Pipeline & Installation	10 – 40 years	10 – 40 years
Pumps & Installation	10 – 40 years	10 – 40 years
Meters & Installation	10 – 15 years	10 – 15 years
Office Furniture & Equipment	5 – 20 years	5 – 20 years
Motor Vehicles	8 years	8 years

(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:

- software 2.5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.



Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(k) Impairment

(i) Financial assets (including receivables)

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor 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 through the unwinding of the discount. When a subsequent event 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.

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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. 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 & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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.

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, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Credit Risk

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

(i) 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 (2009: 7%) of the Company's revenue.

The majority of the Company's customers have been transacting with the Company for over nine 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.

(i) 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 2011 at rates averaging 7.87%.

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 10

Of income in advance \$607,836 relates to Infrastructure Levies billed and due at 30 June 2009. These levies related to the water year 1 October 2009 – 30 September 2010. Therefore, one quarter of the total Infrastructure Levies billed at 30 June 2009 is income in advance at 30 June 2010.

By the same principle the total Infrastructure Levies billed and due at 30 June 2010 relate to the water year 1 October 2010 – 30 September 2011. Therefore the total amount billed of \$2,429,341 is income in advance at 30 June 2010 of which \$1,176,902 has been received in cash and \$1,252,439 is due by customers, as at reporting date. Subsequent to reporting date and up to 3 September 2010, a further \$1,048,584 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 plans are recognised as an employee benefit expense in the profit or loss in the periods during which services are rendered by employees.

At 30 June 2010 the Company had three employees.

Note 1 continued overleaf

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

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

	2010	2009
	\$	\$
External revenue	5,876,017	5,624,897
Interest income	78,371	151,505
Interest Expense	751,397	857,360
Depreciation and Amortisation	1,107,134	1,142,721
Reportable segment profit before income tax	242,839	123,501
Reportable segment assets	27,166,479	28,399,545
Capital expenditure	65,274	77,686



2010
\$

2009
\$

Note 2: PERSONNEL EXPENSES

Wages, salaries and directors fees	223,786	164,742
Other associated personnel expenses	3,711	3,533
Contributions to defined contribution superannuation funds	89,182	142,657
(Decrease)/Increase in liability for annual leave	(4,750)	2,409
Increase in liability for long service leave	4,897	3,192
	316,826	316,533

Note 3: AUDITOR'S REMUNERATION

Auditors of the Company: KPMG Australia	29,000	27,000
Other Services: KPMG Australia		
Taxation Advice	4,200	3,000
	33,200	30,000

Note 4: INCOME TAX EXPENSE

(a) Recognised in the statement of comprehensive income

Current period	120,312	45,418
Adjustment for prior periods	(11,319)	-
Deferred tax expense		
Reversal of temporary differences	(41,587)	4,466
Total income tax expense	67,406	49,884

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

	2010 \$	2009 \$
Note 4: INCOME TAX EXPENSE <i>continued</i>		
(b) Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit before tax	242,839	123,501
Income tax using company tax rate of 30% (2009: 30%)	72,852	37,050
Increase in income tax expense due to:		
Non-deductible expenses	876	419
Non-deductible depreciation	11,924	12,415
Tax Incentives	(6,927)	-
Over provided in prior periods	(11,319)	-
Income tax expense on pre-tax net profit	67,406	49,884
(c) Current Tax Liabilities		
<i>Movements during the year:</i>		
Balance at beginning of year	44,333	-
Income tax paid: operating activities – prior year	(33,014)	-
Current year's income tax expense on pre-tax profit	67,406	49,884
Timing differences for accounting and income tax purposes	41,587	(4,466)
	120,312	45,418
Less: TFN Withholding Tax	-	1,085
	120,312	44,333
(d) Deferred Tax Assets and Liabilities		
<i>Deferred tax liability is attributable to:</i>		
Property, plant and equipment	307,158	327,862
Accrued interest income	6,720	11,201
Accrued leasing charge	23,477	39,940
	337,355	379,003
<i>Deferred tax asset is attributable to:</i>		
Employee benefits	16,441	16,501
	16,441	16,501
Net Deferred Tax Liabilities	320,914	362,502



2010	2009
\$	\$

Note 4: INCOME TAX EXPENSE *continued*

(e) Movement in temporary differences during the year all recognised in income

Property , plant and equipment	20,703	20,714
Interest income	4,481	11,254
Leasing charge	16,463	(21,634)
Employee benefits	(60)	1,711
Carried forward tax losses utilized	-	(16,511)
Net movement		
	41,587	(4,466)

Note 5: CASH AND CASH EQUIVALENTS

Cash at Bank – Adelaide Bank (Infrastructure Levy) – refer Note 11	2,594,023	2,784,611
Cash at Bank – Bank SA Tanunda Cheque Account	343,346	356,647
	2,937,369	3,141,258

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	1,386,545	1,265,250
Net GST Receivable	43,801	42,705
	1,430,346	1,307,955

Note 7: OTHER CURRENT ASSETS

Prepayments	292,148	248,948
Accrued Income – Water Sales	372,547	442,400
Accrued Income – Leasing Cost Recovery	78,257	133,133
Accrued Income – Interest Income	22,400	37,337
	765,352	861,818

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

	2010 \$	2009 \$
Note 8: PROPERTY, PLANT & EQUIPMENT		
Pipeline and Installation		
At cost	27,824,815	27,819,773
Less: Accumulated Depreciation	(9,996,461)	(9,042,455)
Total Pipeline and Installation	17,828,354	18,777,318
Pumps and Installation		
At cost	2,073,593	2,073,593
Less: Accumulated Depreciation	(848,063)	(765,988)
Total Pumps and Installation	1,225,530	1,307,605
Meters and Installation		
At cost	1,178,345	1,061,469
Less: Accumulated Depreciation	(778,555)	(719,434)
Total Meters and Installation	399,790	342,035
Capital Works in Progress		
At cost	-	97,017
Less: Accumulated Depreciation	-	-
Total Capital Works in Progress	-	97,017
Office Equipment		
At cost	94,762	94,405
Less: Accumulated Depreciation	(79,158)	(74,457)
Total Office Equipment	15,604	19,948
Motor Vehicles		
At cost	40,016	40,630
Less: Accumulated Depreciation	(5,783)	(26,251)
Total Motor Vehicles	34,233	14,379
Total Property, Plant & Equipment net book value	19,503,511	20,558,302



2010
\$

2009
\$

Note 8: PROPERTY, PLANT & EQUIPMENT *continued*

Reconciliations

Pipeline and Installation

Carrying Amount at Beginning of Year	18,777,318	19,766,631
Acquisitions	5,042	-
Depreciation	(954,006)	(989,313)
Carrying Amount at End of Year	17,828,354	18,777,318

Pumps and Installation

Carrying Amount at Beginning of Year	1,307,605	1,393,922
Acquisitions	-	-
Depreciation	(82,075)	(86,317)
Carrying Amount at End of Year	1,225,530	1,307,605

Meters and Installation

Carrying Amount at Beginning of Year	342,035	398,534
Acquisitions – Costs transferred from Capital Works in Progress	116,876	-
Depreciation	(59,121)	(56,499)
Carrying Amount at End of Year	399,790	342,035

Capital Works in Progress

Carrying Amount at Beginning of Year	97,017	20,255
Acquisitions	19,859	76,762
Transferred costs to Meters and Installation	(116,876)	-
Carrying Amount at End of Year	-	97,017

Office Equipment

Carrying Amount at Beginning of Year	19,948	26,584
Acquisitions	357	365
Depreciation	(4,701)	(7,001)
Carrying Amount at End of Year	15,604	19,948

Motor Vehicles

Carrying Amount at Beginning of Year	14,379	17,697
Acquisitions	40,016	-
Disposals	(13,242)	-
Depreciation	(6,920)	(3,318)
Carrying Amount at End of Year	34,233	14,379

Total Depreciation Expense for Year	1,106,823	1,142,448
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NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

2010
\$ **2009**
\$

Note 9: INTANGIBLE ASSETS

River Murray Water Rights – at cost

Carrying Amount at Beginning of Year	2,529,573	2,529,573
Acquisitions	-	-
Less: Impairment	-	-
Carrying Amount at End of Year	2,529,573	2,529,573

The Board has chosen to carry intangible assets at cost. However if the intangible assets were restated to fair value the 1,643 ML of River Murray Water Rights which have an average cost of \$1,540 could be restated to a current fair value of \$2,874,375 based on the current listed average price of \$1,750 per ML.

Software – at cost

Carrying Amount at Beginning of Year	639	353
Acquisitions	-	559
Less: Accumulated Amortisation & Impairment	(311)	(273)
Carrying Amount at End of Year	328	639

Total Intangible Assets at net book value	2,529,901	2,530,212
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Note 10: TRADE AND OTHER PAYABLES

Current

Trade Creditors	27,375	35,941
Other Creditors and Accruals	179,861	168,154
Income in Advance	2,429,840	2,493,732

2,637,076 2,697,827

Non-current

Income in Advance	607,336	606,611
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607,336 606,611



	2010	2009
	\$	\$

Note 11: INTEREST BEARING LOANS AND BORROWINGS

Current

Secured Loan – Adelaide Bank Ltd	1,432,000	1,432,000
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Total Current Interest Bearing Loans and Borrowings	1,432,000	1,432,000
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Non-current

Secured Loan – Adelaide Bank Ltd	8,523,164	9,955,175
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Other Non-current Loans	55,500	55,500
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Total Non-current Interest Bearing Loans and Borrowings	8,578,664	10,010,675
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Bank Loans

The Adelaide Bank Ltd loans are set at fixed and variable interest rates and 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 \$670,774) 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	9,477,000	9,464,750
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Shares Issued at \$1 each	49,000	12,250
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Total Share Capital	9,526,000	9,477,000
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Retained Earnings

Retained earnings at beginning of year	3,713,940	3,640,323
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Total recognised income and expense	175,433	73,617
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Balance at end of year	3,889,373	3,713,940
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NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

	2010	2009
	\$	\$

Note 13: LEASES

Non-cancellable operating leases are payable as follows

Within one year	541,678	560,070
One year or later and not later than five years	1,256,765	1,676,637
Later than five years	16,321	254,554
	1,814,764	2,491,261

The Company leases River Murray water rights under non-cancellable operating leases for periods from 1 to 7 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 for the period	175,433	73,617
<i>Adjustments for:</i>		
Depreciation and Amortisation	1,107,134	1,142,721
Loss on Sale of Non Current Assets	5,971	-
Income Tax Expense	67,406	49,884
Operating profit before changes in working capital	1,355,944	1,266,222

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

(Increase)/decrease in receivables	(120,210)	216,137
Decrease in Income in Advance	(63,166)	(263,234)
Net GST Paid	(1,110)	(40,799)
Decrease/(increase) in Prepayments & Accrued Income	96,466	(216,367)
Increase/(decrease) in Creditors	(8,566)	16,553
Increase in Accruals	11,707	1,009
Increase in Provisions and Employee Benefits	147	5,946
Income Taxes Paid	(34,100)	-

Net Cash from Operating Activities	1,237,112	985,467
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2010
\$

2009
\$

Note 15: EMPLOYEE BENEFITS

Aggregate Liability for Employee Entitlements

Current

- Liability for annual leave	20,584	25,333
- Liability for long service leave	34,220	6,769

	54,804	32,102
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Non Current

- Liability for long service leave	-	22,555
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	-	22,555
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	54,804	54,657
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Number of Employees at Year End	3	3
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Note 16: 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	197,227	139,535
Other long term benefits	4,652	2,744
Post employment benefits	86,794	140,388

	288,673	282,667
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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.

Note 16 continued overleaf

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

2010
\$

2009
\$

Note 16: RELATED PARTY DISCLOSURES *continued*

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:

	2010 Number Held	2009 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

Other Transactions with the Company

The Company Secretary of Barossa Infrastructure Limited, G M Davis is the principal of the firm Geoff Davis & Associates, Chartered Accountants. This firm has provided secretarial, consulting and accounting services to the Company in the ordinary course of business for the year ended 30 June 2010. M P Pfeiffer has provided staffing support in the absence of the General Manager during the year ended 30 June 2010.

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

Director	Director Related Entity	2010 \$	2009 \$
G M Davis	Geoff Davis & Associates	108,820	94,460
Current Payable			
	Geoff Davis & Associates	7,828	-

Note 17: 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 2010 \$	2009 \$
Cash and cash equivalents	5	2,937,369	3,141,258
Trade and other receivables	6	1,430,346	1,307,955
		4,367,715	4,449,213

Impairment losses

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

	Gross 2010 \$	Gross 2009 \$
Not past due	85	-
Past due 31-60 days	1,254,571	1,216,505
Past due 61-90 days	107,549	37,111
Past due 91 – 150 days	24,340	11,634
	1,386,545	1,265,250

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 \$1,386,545 at 30 June 2010, payments since received from customers for the period from 1 July 2010 to 3 September 2010 amount to \$1,158,628. The remaining outstanding balance relates to customers that have a satisfactory credit history with the Company.

(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	9,955,164	(12,467,816)	(1,768,765)	(336,766)	(1,987,844)	(5,421,220)	(2,953,221)
Unsecured loans	55,500	(55,500)	-	-	-	-	(55,500)
Trade & other payables	207,236	(207,236)	(207,236)	-	-	-	-
	10,217,900	(12,730,552)	(1,976,001)	(336,766)	(1,987,844)	(5,421,220)	(3,008,721)

Current Tax Liability

A tax instalment of \$23,480 was paid in July 2010 and will be applied against the current tax liability in the balance sheet.

Note 17 continued overleaf

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

Note 17: FINANCIAL INSTRUMENTS *continued*

(iii) Interest Rate Risk

Profile

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

	Carrying Amount	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial liabilities	(8,586,735)	(9,955,177)
Variable rate instruments		
Financial assets	2,937,369	3,141,258
Financial liabilities	(1,368,429)	(1,431,998)
	1,568,940	1,709,260

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 18: EVENTS SUBSEQUENT TO REPORTING DATE

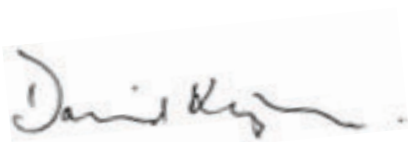
Since reporting date, the South Australian State Government has again introduced water rationing that currently reduces usable water to 41% of contracted water. Last year, the initial rationing in July of 2% increased in September to 16% of contracted water and was further increased in March to 62% availability. The final rationing for the 2011 water year is not known and will depend on spring rains in the catchment and the snow thaw. The State Government has announced 100% allocation of carryover water. The Board is again active in looking at various ways of limiting the impact that the Company may incur as a result of the ongoing water rationing, and the attendant increase in the cost of leasing River Murray water rights. Despite the continued rationing and continued low storage levels in the reservoirs on the Murray the Company has been able to secure long term leases at reasonable prices.

DIRECTOR'S 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 2010 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



D J Klingberg AO

Director



G M Davis

Director

Tanunda, S.A.

14 September 2010

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 2010 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 stylized blue ink signature of a KPMG representative.

KPMG

A blue ink signature of Scott Fleming.

Scott Fleming
Partner

Adelaide

14 September 2010



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 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 18 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a 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, the financial report of Barossa Infrastructure Limited is in accordance with the *Corporations Act 2001*, including:

- 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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included on pages 15 and 16 of the directors' report for the year ended 30 June 2010. 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 2010 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Scott Fleming
Partner

Adelaide

14 September 2010



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