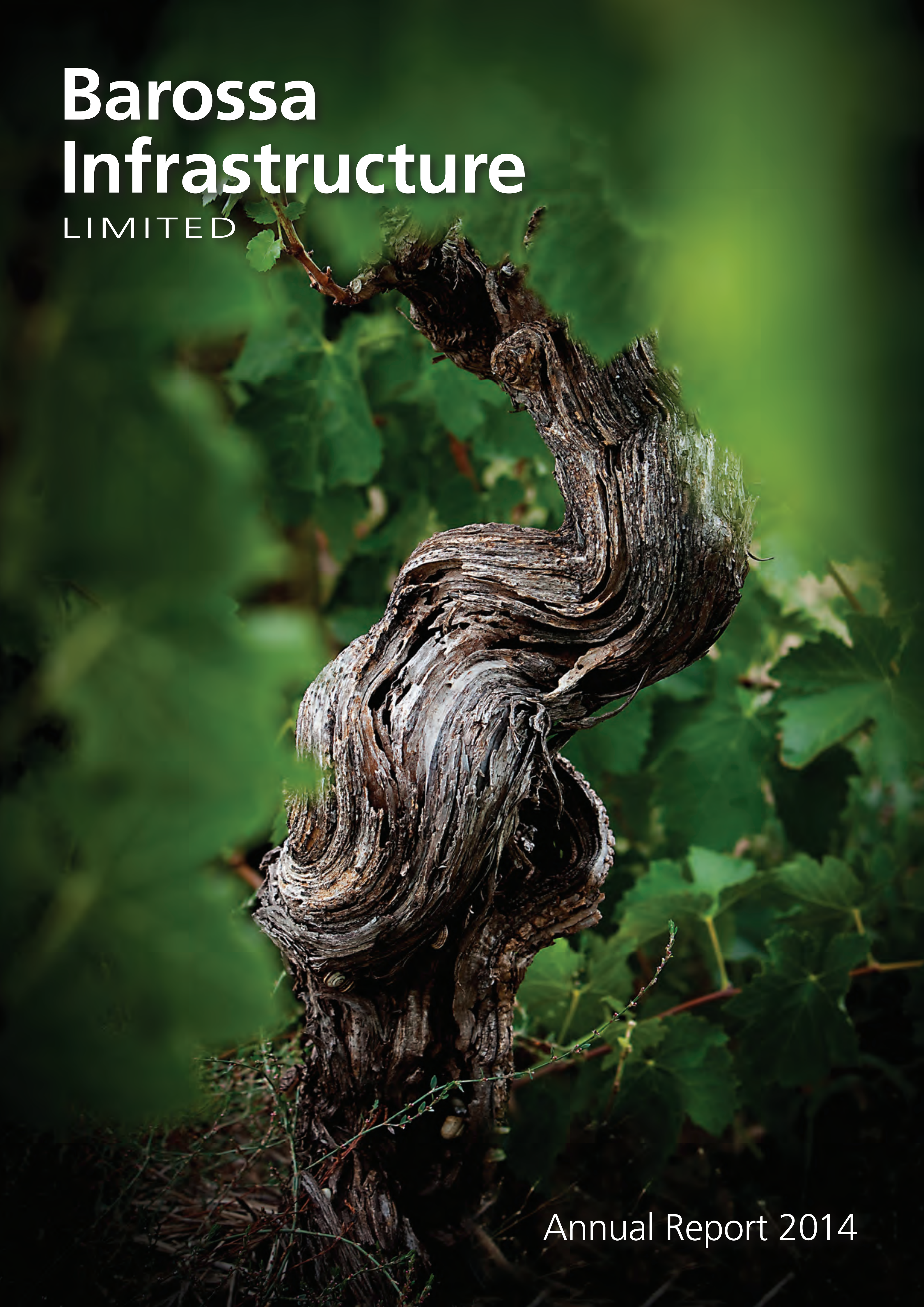
Barossa Infrastructure
LIMITED



Annual Report 2014

Corporate Directory

Domicile of Barossa Infrastructure Ltd: Australia

Barossa Infrastructure Ltd incorporated in: South Australia

Legal form of Barossa Infrastructure Ltd: Unlisted Public Company

Board of Directors
Robert Chapman (Chairman)
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
A.C.N. 084 108 958
Barossa Infrastructure Ltd
C/- Level 6
81 Flinders Street
Adelaide, SA 5000

Website
http://barossainfrastructure.com.au

Front cover image courtesy of Tony Tervoert Barossa Photo Company

Directors


MR ROBERT CHAPMAN
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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Chairman's Report September 2014

It has been a busy year for Barossa Infrastructure Ltd (BIL), with high demand for water due to the hot dry summer. Added to this was confirmation that the scheme will expand by approximately 750 Megalitres per annum. The Board has agreed to the expansion on the basis of it being low risk and at no additional costs to the Company's existing shareholders. The Company remains in a sound financial position with the bank debt reduced to $2.82 million. Just two annual repayments remain, one in 2015 and one in 2016.

River Murray storages remain at a healthy level and there will be no rationing in the 2014/15 water year. At 30 June storages were 64% full compared with 78% at the same time in 2013. Water quality remains good. There was no carryover of unused water permitted by the Government.

Consumption for the year to 30 June 2014 at 6,557 Megalitres was 1,160 Megalitres lower than the record year in 2012/2013 when the consumption was 7,717 Megalitres. The supply from the Nuriootpa Community Wastewater Management Scheme (CWMS) was 260 Megalitres. There were no problems with supply and quality was generally within specification. Total dissolved solids averaged 840 parts per million (mg/L) for CWMS water and 260 mg/L for the Company's supply from the Warren Reservoir. With dilution flow the average dissolved solids were 340 mg/L for Customers on Gomersal Road. Losses in the system were 11 Megalitres or less than 0.1%.

There were no Work Health and Safety incidents during the year.

River Murray Water Rights

The water supplied by the Company comes from two sources. About 95% supplied under the Water Transport Agreement with SA Water is transferred from the River Murray through the Warren Reservoir, as a balancing storage, to a connection point just north of Williamstown. The balance is supplied by The Barossa Council from the Nuriootpa Community Wastewater Management Scheme. It is a requirement that the Company has River Murray water allocations for all water transported by SA Water.

Barossa Infrastructure Ltd is committed to increasing the amount of water rights owned as the opportunity occurs. During the year a further 98 Megalitres were purchased. The Company also has a number of long term leases which with annual leases, meets the requirement to hold River Murray Water Licences.

During the year the Bank removed the covenant to have 'Water Access Entitlements' (River Murray Water Rights) secured in future years. This will enable more flexibility in managing future water rights to ensure that allocations are held to meet the water transported by SA Water.

Technical Upgrades

The Company is carrying out a number of improvements to improve the service to Customers. These may be summarized as follows:

- Replacement of mechanical meters with electronic meters to provide more accurate meter readings – completed
- Provision of a link to the meter via the mobile phone network, giving remote access to flow and usage data and a link which can be made available to Customers to weather, soil moisture and other data – two thirds complete and in the process of commissioning
- Commissioning of a web site for access to the previous months meter data – completed
- Provision of a smaller diameter bypass at the connection point at Fromm Square to improve the function of the isolating and reconnecting of the system – completed
- Transferring the operating pilot and filter for the Pressure Reducing Valves to easily access chambers – about 10% complete
- Installation of pressure gauges at critical locations so both flow and pressure can be monitored – units purchased and installation in progress
- Replacement of some diaphragm flow control valves

with Maric Australian designed and manufactured orifice type valves that do not cause surging

- Website access to meter data for about two thirds of the meters – now available

Finances

For the second year in succession the Company has been able to supply Customers with additional water to meet their needs during prolonged hot dry periods. This has resulted in excess income being generated from water sales in both the 2012/2013 and 2013/2014 years. A rebate of 13.4 cents per kilolitre ($134/ML) was paid in 2013. The Board has authorised a further rebate of 10 cents per kilolitre ($100/ML) on water consumed and paid for from 1 April 2013 to 31 March 2014.

The Company made a profit of $943,000 after tax compared with last year's profit of $1,392,000. This was after rebating excess income of $661,000 to Customers. Total water sales before the rebate were $5,570,000 or $1,260,000 below last year's sales of $6,830,000.

Debtors are at $1,222,000 compared with $1,770,000 last year.

Scheme Expansion

SA Water provided a very economical solution to scheme expansion. By increasing the target storage in South Para they were able to provide an additional 1 Gigalitre per annum. The Company will compensate SA Water for the increased evaporation and reservoir spill risk. This has a slight risk if there were to be two severe drought years in succession and SA Water were not able to transfer the water in the second year. This has been managed by not selling the full additional Gigalitre.

SA Water are also examining the most economical way the pipe capacity to the Warren Reservoir could be upgraded. If this is economical, further expansion of the scheme may occur to meet the unmet demand. A further advantage of the operational solution to the scheme expansion is that additional water is available a year earlier for the 2014/2015 water year.

The Board has resolved the scheme expansion costs must be covered by the additional shares sold and infrastructure levies collected from the new sales. To date the additional water sales have been about 40% to new Customers who are irrigating existing vineyards that previously had an inadequate supply.

Corporate Governance

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

In 2016 Barossa Infrastructure Ltd will have paid off the borrowings that helped finance the Scheme. Once this has been paid the Company will need to commence provision for asset upgrades and replacement as the equipment ages. As a first step an asset register is being compiled. This is in draft form. Once complete this will form the base for a detailed record of all maintenance to assist the planning of future upgrades. This is an essential part of transitioning the Company from the start-up phase to long term operational sustainability.

Good corporate governance requires there be renewal of the Board and this process will be managed over the next few years.

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 has provided back up to the General Manager over recent years.
In conclusion, I would like to take this opportunity to welcome a new staff member, Neville Skipworth, in his capacity as Assistant to the General Manager.

Robert Chapman
Chairman

16 September 2014

General Manager's Report September 2014

It has been a busy and productive year. Once again we had a hot dry summer. This year it was broken by a significant rain event, when in excess of 100mm of rain fell over two days in the middle of February. This led to a dramatic change in demand from an excess of 60 Megalitres per day to less than 10 Megalitres per day. This is clearly evident on the graph. At the same time water in the Warren Reservoir dropped from 80% full to 40% full over the six and a half weeks before the rain event.

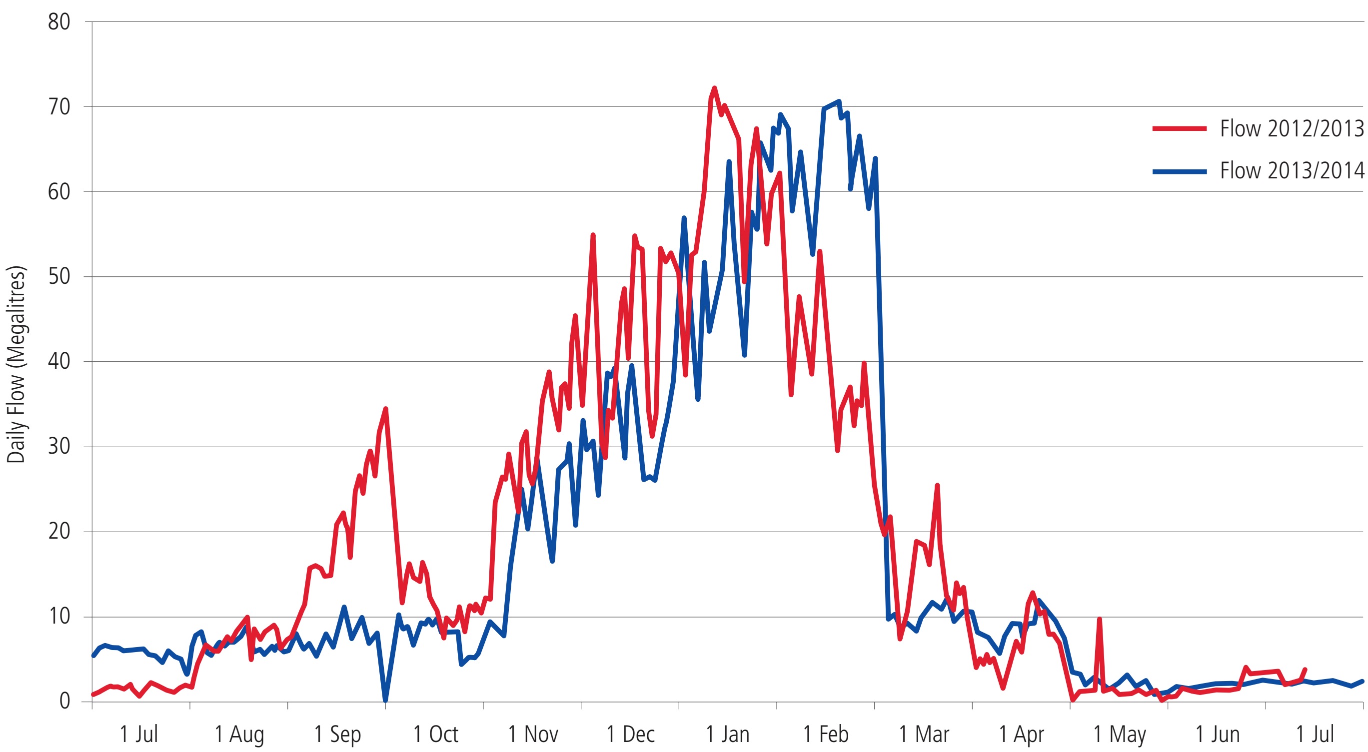
Negotiations with SA Water on the expansion of the Scheme have been carried out in a very co-operative manner with both parties seeking the lowest cost solution. We now have an economic 'operational' solution for the provision of an additional 750 Megalitres per annum. Offers have now been made to Customers. This process should be complete by 1 October 2014, the commencement of the new water year.

Discussions are progressing on infrastructure upgrades to provide further water to meet demand from existing Customers as there remains an unmet demand of at least 500 Megalitres per annum. The Company is grateful to SA Water staff who have shown considerable flexibility in discussions to minimise the costs of the expansion.

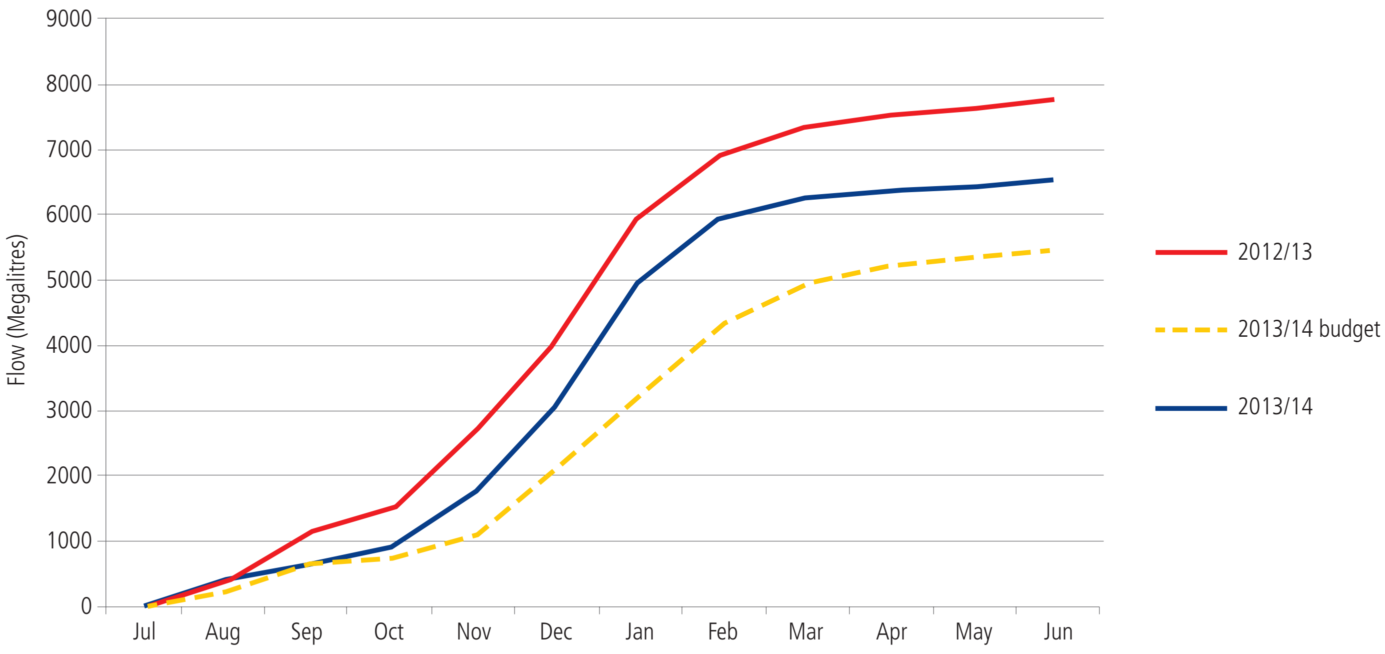
The system performed well during the main irrigation season. There were six breaks in the main lines that occurred at times of lower demand. These included two occasions when contractors laying the new gas

Barossa Infrastructure Daily Consumption in Megalitres

Comparison of Flow in 2013/14 and 2012/13



Barossa Infrastructure Ltd – Flow Compared with Budget



main damaged the pipe, despite the location being advised. As the system ages it is expected that some leaks will occur. Customers and the public notifying the Company early of leaks has helped to minimise the disruption.

Water Demand

Once again demand for water exceeded budget, a total 6,481 Megalitres was supplied with system losses less than 1%. Peak flow was 70 Megalitres per day compared with the peak last year of 72 Megalitres per day. A new instantaneous flow peak of 913 litres per second was recorded on 31 January 2014 compared with the previous high of 892 litres per second. The graph shows the demand compared to budget compared with the previous year.

Airfield and Whitmore are booster pumping stations that operate only at high flows and low inlet pressures to maintain downstream pressure. Whitmore was used for the first time this summer with one pump running for a month. Airfield operated continuously for two months and intermittently for a further 6 weeks. However, power costs were down from the record of $135,000 in 2013 to $85,000 this year.

Operations

It is very pleasing that Mr Neville Skipworth has been employed to assist me in managing the Scheme and the additional work associated with the expansion. My thanks go to Mr Martin Pfeiffer who has provided invaluable assistance for the past thirteen years.

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

An ongoing problem of 'dirty water' is due to the untreated or raw water. When the conditions are suitable, slimes grow in the pipes in the form of long strings. As the flow increases in summer these release and cause considerable nuisance to Customers by blocking filters or reducing their run times. Any solution to this problem may be worse than the problem itself.

Customers should ensure their filters are sufficient to meet this contingency.

As discussed in previous years the pipe network has thirty one Pressure Reducing Valves (PRVs) that control the pressure on the PVC sub mains. To keep these operating correctly requires frequent servicing by entering the chambers and cleaning filters and flushing their control lines. The chambers are classed as confined spaces and their entry requires a minimum of two people who have undergone regular training. This requirement, coupled with the need to provide traffic management for a number of chambers, results in a significant cost. The Company has commenced installing above ground control cabinets for these chambers. This will be ongoing for about two years and will result in a safer, lower cost maintenance program.

The connection of the first 220 customer meters to Internet has been completed. The information is currently downloaded monthly and can be made available to Customers on request. At this stage each connection has to be programmed individually. Barossa Infrastructure Ltd has secured funding through the South Australian River Murray Sustainability – Irrigation Industry Improvement Program to connect the remaining meters. It is planned to complete the installation of the cards that permit the meters to be connected by May 2015. Typical information is below.

In addition to technical upgrades the Company has commenced an asset management plan. The first step has been to prepare an accurate plan of the assets so that all incidents can be recorded accurately.

New Meters

This year saw the completion of the Private Irrigation Infrastructure Program for South Australia (PIIP - SA) for the installation of new electronic meters and provision of monitoring cards in 220 meters, as well as the receipt of a further grant to enable the purchase of the remaining monitoring cards to complete automation of the meters. The PIIP - SA grant was funded from the Commonwealth Governments 'Water for the Future' program and the further grant through the South Australian River Murray Sustainability – Irrigation Industry Improvement Program (SARMS – 3IP). Both of these grant programs target savings in River Murray Irrigation Licences as part of the Basin Plan to ensure sustainable irrigation into the future.

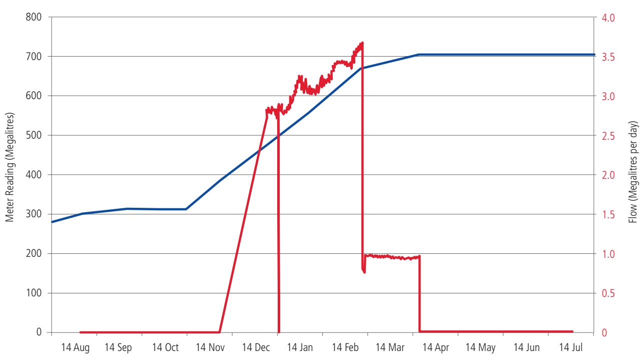
River Murray

Barossa Infrastructure Ltd is required to have an allocation of River Murray Water Rights equivalent to the volume of water supplied by SA Water at the Williamstown connection.

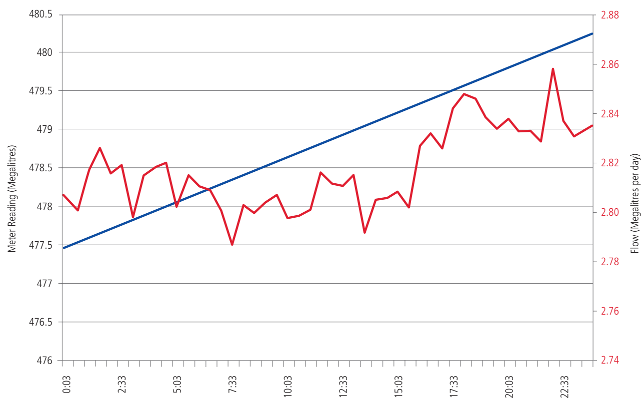
The Basin Plan has been approved and is being implemented. From 1 June 2014 interstate water trading will be enhanced. This will improve the access to River Murray allocations even in years of low water availability.

The increased transparency of information on River Murray storages and flows into South Australia is pleasing. Weekly updates on the state of the river are

Typical Customer Meter Reading



Typical Customer - One Day's Flow & Meter Data



Spare parts held for emergencies.

provided by the Murray Darling Basin Authority and monthly predictions of water quality and volumes are provided by the State Government.

Environmental Considerations

An important part of the Company's responsibility is to ensure that supplementary irrigation water is used in an effective manner and that no detrimental environmental impact occurs. A detailed environmental assessment was carried out in consultation with the Natural Resources Management Board and the Department of Water. In addition, assistance is provided with annual monitoring of stream flows and critical ground water locations to ensure there are no long term detrimental effects of the use of Barossa Infrastructure Ltd water. This was reviewed during the year and no detrimental impacts were found. A separate statement is included in the section covering Corporate Governance to indicate the importance of this issue.

Customers and Staff

My thanks go to Mrs Lisa Buckley and Ms Patsy Biscoe for their commitment, efficiency and support throughout the year. My thanks are also extended to Mr Neville Skipworth, newly appointed Assistant to the General Manager, for his ongoing assistance. 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

16 September 2014

Corporate Governance Statement

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

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

The Company sources its water through the Water Transport Agreement with SA Water and as part of that agreement is required to have a Water Allocation from the River Murray. These rights are dependent on water availability. The Murray Darling Basin Plan has now been approved by Parliament. The Basin Plan, to be implemented progressively to 2019, 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 at least two Independent Directors. An Independent Director is defined in the Company's Constitution as one who has no financial interest in the Company or any commercial interests in any vineyard or winery in the Barossa Valley.

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

In addition to this, 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. The Water Industry Act 2012 has been passed by the South Australian Parliament. The Company, as an irrigation supplier, is currently not affected by the Act.

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 uses a standardised method to manage major areas of risk as identified below:

1. **SA Water Transport Agreement**
   - Actively managed with meetings and mutual cooperation on operational issues
2. **Work Health and Safety**
   - An audit was completed and recommendations actioned to ensure that the Company is fully compliant with the new WHS act
3. **Management Succession**
   - New database developed to contain all the Customer records and billing; completed with procedures in place for backup and off site secure storage
4. **Environmental Risks**
   - The impact of importing water to the Barossa is monitored annually (refer below)
   - Climate variability (and change) and the effect of rationing on demand forms part of the planning strategy
5. **Safety of Pipeline and Pumping Stations**
   - Life of various assets is analysed and management strategies are developed to minimise the risks of disruptions to supply
   - A spares policy to ensure rapid repair of minor leaks and bursts has been implemented
   - The Board has approved the development of an Asset Management Plan to be implemented from 2016
6. **Sustainability**
   - Ongoing environmental, financial and operational needs as a summary of all the risks and their management

7 **Funding**
- Impact of the state of the Wine Industry and the ability of Customers to pay their accounts
- Interest rate risk is managed by locking forward rates as required

8 **Scheme Expansion**
- The Scheme has been expanded by 750ML/year to provide long term benefits to existing Shareholders in the form of lower sustainable water prices as the overheads are spread over more water sales
- Expansion of the Scheme was supported by a risk analysis to ensure all risks were identified and managed

9 **River Murray Water Rights**
- The Basin Plan, when implemented, is likely to reduce the reliability of the allocations but improve the water quality and flow through South Australia
- A strategy for ownership, long term lease or short term lease of water rights is being developed along with holding water rights from interstate as well as South Australia

10 **Water Quality**
- Regular testing of water quality

11 **Government Policy Changes**
- Recent Government policy changes that have impacted on BIL were mainly as a result of COAG agreements and the Basin Plan

Environmental Performance

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

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

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

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

- 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 2014 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	48	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 *Appointed 4 June 2008*
Grant Walker Burge Director	63	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 *Appointed 14 September 1998*
Geoffrey Maxwell Davis B Ec, FCA, CTA Independent Director Company Secretary	66	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 *Appointed 3 August 1999, Member Executive Committee*
Gayle Robin Grieger B Sc (Hon), PhD Independent Director	42	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 *Appointed 2 February 2004*

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Robert Ian Chapman Independent Director Assoc Dip Bus, FAICD, F FIN Chairman	50	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 *Former Memberships:* 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) *Appointed 4 June 2012, Member Executive Committee*
Victor John Patrick Independent Director	70	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 *Appointed 28 April 2008, Member Executive Committee*

Directors' Report

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Martin Paul Pfeiffer Director	62	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 *Appointed 18 December 1998*
Edgar Gordon Schild Director	73	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 *Appointed 14 September 1998*
Steven James Wilson Director	59	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 *Appointed 14 September 1998*

Directors' Meeting Attendance

For the year ended 30 June 2014, there have been 7 meetings of Directors. Those Directors and their attendance at meetings are as follows:

Director	Board Meetings	
	A	B
W K Allan	6	7
G W Burge	6	7
R I Chapman	7	7
G M Davis	7	7
G R Grieger	7	7
V J Patrick	4	7
M P Pfeiffer	6	7
E G Schild	7	7
S J Wilson	4	7

A – Number of meetings attended
B – Number of meetings held during the time the Director held office during the year

Principal Activities

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

- The delivery of water to customers from the pipeline
- The continual addressing of technical and operating matters to ensure the reliable operation of the pipeline system
- Securing sufficient River Murray Water Rights to enable delivery of water in accordance with the supply contract with SA Water
- Assessing the feasibility of extending the volume of water supplied under the scheme

Review of Operations

The net profit after providing for income tax amounted to $942,710 (2013: profit $1,391,923).

No water restrictions applied to River Murray Water Rights for the 2014 year and Customers were entitled to take 100% of their contracted amounts. Above average temperature for the period to early February saw demand for water well ahead of budget. With a significant rain event in February 2014, demand fell dramatically and has remained below budget to the end of the financial year. Working closely with SA Water, management was able to ensure sufficient water to meet customers' demands, despite the compressed irrigation season. With above budget delivery and profitability the Board rebated $100/ML of water delivered thereby returning income to Customers. This is in keeping with the Board's objective of delivering water at the lowest possible price that is sustainable in the longer term.

Work associated with the PIIP scheme is now complete and 20 meters were upgraded and installed during the year. This brings the total number of meters upgraded and installed, at 30 June 2014, to 370 with the financial assistance of Commonwealth Government Funding. Electronic cards for the meters were also installed in accordance with the PIIP funding agreement. The project has been highly successful with significant water savings being achieved.

State of Affairs

During July 2013, a loan repayment of $1,432,000 was made. Subsequent to the end of the financial year a further loan repayment of $1,431,000 has occurred, bringing the bank loan outstanding to $2,801,210.

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.

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 2013 AGM, is not to exceed $180,000 per annum. Directors' fees and the 9.25% super guarantee for 2014 amounted to $152,143 excluding the retainer paid to Martin Pfeiffer to keep up to date with operating issues so he could support and takeover for the General Manager should the need have arisen.

Environmental Regulation

The project for delivery of River Murray Water to

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:

2014		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 R I Chapman *(Chairman)*	2014	$59,068	-	-	-	-	-	-	$59,068
	2013	$44,072	-	-	$526	-	-	-	$44,598
Ms W K Allan	2014	$9,504	-	-	$879	-	-	-	$10,383
	2013	$9,228	-	-	$831	-	-	-	$10,059
Mr G W Burge	2014	$9,504	-	-	$879	-	-	-	$10,383
	2013	$9,228	-	-	$831	-	-	-	$10,059
Mr G M Davis	2014	$20,394	-	-	-	-	-	-	$20,394
	2013	$19,800	-	-	-	-	-	-	$19,800
Dr G R Grieger	2014	$9,504	-	-	$879	-	-	-	$10,383
	2013	$9,228	-	-	$831	-	-	-	$10,059
Mr D J Klingberg	2014	-	-	-	-	-	-	-	-
	2013	$19,145	-	-	-	-	-	-	$19,145
Mr V J Patrick	2014	$9,504	-	-	$879	-	-	-	$10,383
	2013	$9,228	-	-	$831	-	-	-	$10,059
Mr M P Pfeiffer	2014	$13,784	-	-	$19,602	-	-	-	$33,386
	2013	$15,037	-	-	$20,058	-	-	-	$35,095
Mr E G Schild	2014	$9,504	-	-	$879	-	-	-	$10,383
	2013	$9,228	-	-	$831	-	-	-	$10,059
Mr S J Wilson	2014	$9,504	-	-	$879	-	-	-	$10,383
	2013	$9,228	-	-	$831	-	-	-	$10,059
Executive									
Mr A P Shanks	2014	$114,355	-	-	$35,000	$6,397	-	-	$155,752
(General Manager)	2013	$118,972	-	-	$25,000	$3,100	-	-	$147,072
Total compensation: key management personnel (company)	**2014**	**$264,625**	**-**	**-**	**$59,876**	**$6,397**	**-**	**-**	**$330,898**
	2013	$272,394	-	-	$50,570	$3,100	-	-	$326,064

Each key management person held the position described above for the entire reporting period, except for Mr D J Klingberg who resigned on the 5/11/12.

the Barossa Region is subject to strict environmental regulation. Initially an independent consultant prepared the environmental report to assist in the Company's application to the Development Approval Commission and the relevant Water Catchment Board. All necessary approvals were received. The Company works closely with the Department of Environment, Water & Natural Resources and the Adelaide and Mount Lofty Ranges Natural Resources Management Board for ongoing monitoring of water usage and changes in water tables.

Likely Developments

The objective of the Company continues to be the reliable delivery of quality water to its Customers at the lowest appropriate commercial price. The Company will complete its twelfth full "water year" on 30 September 2014.

The Company has received expressions of interest for in excess of a further Gigalitre of water contracts. An agreement has been reached with SA Water for the supply of a further 700ML of water to customers for the water year commencing 1 October 2014. Further negotiations are in process with SA Water to determine if an extension of the Water Transport Agreement by another 1GL is feasible both from a physical perspective as well as financial.

An application for funding under the 3IP funding program has been successful and will provide the ability to further automate the reading of meters remotely and provide remote electronic pressure monitoring capabilities for pressure relief valves. This enhancement will improve the management of the pipeline system and provide diagnostic information for bursts etc.

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 $3,748 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 2014.

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 2014.

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.

R I Chapman
Director

G M Davis
Director

Tanunda, S.A.
16 September 2014

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	**2014**	2013
		$	$
Sale of Water		5,570,429	6,830,129
Customer Rebate		(660,581)	(1,039,514)
Cost of Sales		(5,260,235)	(5,301,633)
Gross (Loss)/Profit		(350,387)	488,982
Infrastructure Levies Revenue		2,672,075	2,561,990
Other Income		120,093	108,574
Administrative Expenses		(911,291)	(882,938)
Results From Operating Activities		1,530,490	2,276,608
Financial Income		92,615	120,541
Financial Expenses		(293,588)	(390,273)
Net financing costs		(200,973)	(269,732)
Profit Before Tax		**1,329,517**	2,006,876
Income Tax Expense	4 (a)	(386,807)	(614,953)
Profit After Tax		**942,710**	1,391,923
Total Comprehensive Income for the year		**942,710**	1,391,923

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2014

	Attributable to equity holders of the Company		
	Share Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2012	9,564,500	4,693,780	14,258,280
Total comprehensive income for the period			
Profit	-	1,391,923	1,391,923
Contributions by and distributions to Owners of the Company			
Issue of ordinary shares	189,000	-	189,000
Dividends		(584,370)	(584,370)
Balance at 30 June 2013	9,753,500	5,501,333	15,254,833
Balance at 1 July 2013	9,753,500	5,501,333	15,254,833
Total comprehensive income for the period			
Profit	-	942,710	942,710
Contributions by Owners of the Company			
Issue of ordinary shares	134,750	-	134,750
Balance at 30 June 2014	9,888,250	6,444,043	16,332,293

The accompanying notes form part of these financial statements

Statement of Financial Position

For the year ended 30 June 2014

	Note	**2014**	2013
		$	$
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	4,685,278	4,453,247
Trade and Other Receivables	6	1,289,201	1,848,853
Other Assets	7	268,526	497,895
Current Tax Assets	4 (c)	141,832	-
Total Current Assets		**6,384,837**	6,799,995
Non-current Assets			
Property, Plant and Equipment	8	16,767,060	17,486,449
Intangible Assets	9	2,675,260	2,530,188
Total Non-current Assets		**19,442,320**	20,016,637
TOTAL ASSETS		**25,827,157**	26,816,632
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	888,298	1,423,883
Employee Benefits	15	87,007	74,738
Current Tax Liabilities	4 (c)	-	607,793
Loans & Borrowings	11	1,431,989	1,432,000
Deferred Income	16	3,245,846	2,736,157
Total Current Liabilities		**5,653,140**	6,274,571
Non-current Liabilities			
Loans & Borrowings	11	2,800,210	4,232,200
Deferred Income	16	772,548	861,391
Deferred Tax Liabilities	4 (d)	268,966	193,637
Total Non-current Liabilities		**3,841,724**	5,287,228
TOTAL LIABILITIES		**9,494,864**	11,561,799
NET ASSETS		**16,332,293**	15,254,833
EQUITY			
Issued Capital	12	9,888,250	9,753,500
Retained Earnings	12	6,444,043	5,501,333
TOTAL EQUITY		**16,332,293**	15,254,833

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2014

	Note	**2014**	2013
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers		8,275,309	8,747,954
Cash Paid to Suppliers and Employees		(5,131,536)	(5,101,689)
Cash Generated from Operating Activities		3,143,773	3,646,265
Interest Received		93,591	135,366
Interest Paid		(296,998)	(396,447)
Income Taxes Paid		(1,061,103)	(585,510)
Net Cash from Operating Activities	14	**1,879,263**	2,799,674
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		-	20,000
Proceeds from Government Funding		74,000	-
Acquisition of Property, Plant and Equipment		(277,936)	(345,551)
Acquisition of Intangibles	9	(150,521)	(162,028)
Net Cash used in Investing Activities		**(354,457)**	(487,579)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from the Issue of Share Capital		134,750	189,000
Financial Assistance to acquire shares		5,000	(10,000)
Share Capital not Allotted		-	4,500
Repayment of Borrowings		(1,432,000)	(1,487,500)
Dividends Paid		(525)	(583,845)
Net Cash used in Financing Activities		**(1,292,775)**	(1,887,845)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**232,031**	424,250
Cash and Cash Equivalents at 1 July		4,453,247	4,028,997
Cash and Cash Equivalents at 30 June	5	**4,685,278**	4,453,247

The accompanying notes form part of these financial statements

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 16th September 2014. The Company is a for-profit entity.

(a) Basis of Accounting

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

(b) Basis of Measurement

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

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 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the Company's financial assets and liabilities.

Use of Estimates and Judgements

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

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

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

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

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

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(c) Revenue Recognition

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

Sale of Water

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

Infrastructure Levies

Revenue from Infrastructure Levies is recognised in the water year to which they relate. Infrastructure Levies due by 30 June in any year apply to the water year commencing the following 1 October. 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 Statement of Profit or Loss, using the effective interest method.

Sale of Non-current Assets

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

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

(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

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 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.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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 assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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.

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

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

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

(g) Financial Instruments

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

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

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

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

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

(ii) Non-derivative financial assets - measurement

Loans and receivables

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

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

Cash and cash equivalents

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

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any attributable transaction costs. Subsequent to initial recognition, these 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 flows.

(iv) Share capital

Ordinary shares

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

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(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).

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

(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, excluding River Murray Water Rights, 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.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

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:

	2014	2013
Pipeline & Installation	3.75% - 20%	3.75% - 20%
Pumps & Installation	3.75% - 20%	3.75% - 20%
Meters & Installation	10% - 20%	10% - 20%
Office Furniture & Equipment	7.5% - 66.6%	7.5% - 66.6%
Motor Vehicles	25%	25%

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(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 any accumulated impairment losses.

(iii) Amortisation

Amortisation is recognised in Statement of 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:

	2014	2013
Software	25%	25%

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

(k) Impairment

(i) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

Financial assets measured at amortised cost

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

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

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

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, other than deferred tax assets, to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

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. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(l) Financial Risk Management

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk Management Framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies are established to identify and analyse the risks faced by the

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry in which customers operate. All customers are shareholders who have a direct interest in the Company. The Company's customer base is located in the prime sector of the Barossa Valley which is less impacted by the 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 6 percent (2013: 6%) 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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

Market Risk

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

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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% (refer Note 11).

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 the income in advance $674,755 relates to Infrastructure Levies billed and due at 30 June 2013. These levies related to the water year 1 October 2013 – 30 September 2014. Therefore, one quarter of the total Infrastructure Levies billed at 30 June 2013 is income in advance at 30 June 2014.

By the same principle the total Infrastructure Levies billed and due at 30 June 2014 relate to the water year 1 October 2014 – 30 September 2015, other than $2,520 which relates to the 2015/16 water year. Therefore the total amount billed of $2,740,701 is income in advance at 30 June 2014 of which $1,833,401 has been received in cash and $907,300 is due by Customers, as at reporting date. Subsequent to reporting date and up to 15 August 2014, a further $573,520 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.

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. The unwinding of the discount is recognised as a finance cost.

(p) Interest Bearing Borrowings – Note 11

Bank loans are recognised at their principal amount. 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.

Note 2: PERSONNEL EXPENSES

	2014 ($)	2013 ($)
Wages, salaries and directors fees	331,606	307,980
Other associated personnel expenses	3,383	3,868
Contributions to defined contribution superannuation funds	98,498	80,967
Increase in liability for annual leave	6,064	9,280
Increase in liability for long service leave	6,206	1,484
	445,757	403,579

Note 3: AUDITOR'S REMUNERATION

Auditors of the Company: KPMG Australia –	31,000	31,000
Other Services: KPMG Australia		
PIIP Audit	2,700	-
Taxation Advice	2,765	7,200
	36,465	38,200

Note 4: INCOME TAX EXPENSE

	2014 $	2013 $
(a) Recognised in the statement of comprehensive income		
Current period	398,856	607,793
Adjustment for prior periods –	(8,500)	-
Deferred tax expense		
Reversal of temporary differences	(3,549)	7,160
Total income tax expense	**386,807**	614,953
(b) Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit before tax	1,329,517	2,006,876
Income tax using company tax rate of 30% (2013: 30%)	398,856	602,063
Increase/(Decrease) in income tax expense due to:		
Non-assessable non-exempt income	(34,584)	-
Non-deductible expenses	1,231	3,069
Non-deductible depreciation	29,804	9,821
Under/over provided in prior periods	(8,500)	-
Income tax expense on pre-tax net profit	386,807	614,953
(c) Current Tax Assets/(Liabilities)		
Movements during the year:		
Balance at beginning of year	(607,793)	(585,418)
Income tax (refunded)/paid: operating activities – prior year	505,030	585,510
Current year's income tax expense on pre-tax profit	386,807	614,953
Current year's timing differences for accounting and income tax purposes	18,935	(7,160)
Prior year's timing differences for accounting and income tax purposes	(94,264)	(92)
	(414,241)	(607,793)
Less Instalments Paid	556,073	-
	141,832	(607,793)
(d) Deferred Tax Assets and Liabilities		
Deferred tax liability is attributable to :		
Property, plant and equipment	291,991	308,599
Accrued interest income	2,181	2,474
Prepaid Expenses	896	
	295,068	311,073

Note 4: INCOME TAX EXPENSE *continued*

	2014 $	2013 $
Deferred tax asset is attributable to:		
Employee benefits	26,102	23,171
Unearned revenue	-	94,265
	26,102	117,436
Net Deferred Tax Liabilities	**268,966**	193,637

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

	2014 $	2013 $
Property , plant and equipment	16,607	17,938
Interest income	293	4,451
Prepaid Expenses	(896)	-
Employee benefits	2,931	3,892
Government Grant	-	(33,441)
Net movement	**18,935**	(7,160)

(f) Dividend Franking Account

The amount of franking credits available to shareholders of Barossa Infrastructure Ltd for subsequent financial years is $2,830,041 (2014 : $1,768,939). The ability to utilise the franking credits is dependent upon the ability to declare dividends.

Note 5: CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at Bank – Bendigo Bank (Infrastructure Levy) – refer Note 11	4,358,220	3,933,792
Cash at Bank – Bank SA Tanunda Cheque Account	252,432	518,524
Cash at Bank – Bendigo Bank (PIIP Funding Account)	74,626	931
	4,685,278	4,453,247

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

	2014 $	2013 $
Trade Debtors	1,222,118	1,766,088
Sundry Debtors	11,694	10,000
Net GST Receivable	55,389	72,765
	1,289,201	1,848,853

	2014 $	2013 $

Note 7: OTHER CURRENT ASSETS

	2014 $	2013 $
Prepayments	43,707	149,800
Accrued Income – Water Sales	217,550	336,490
Accrued Income – Infrastructure Levies	-	3,360
Accrued Income – Interest Income	7,269	8,245
	268,526	497,895

Note 8: PROPERTY, PLANT & EQUIPMENT

	2014 $	2013 $
Pipeline and Installation		
At cost	27,902,657	27,864,439
Less: Accumulated Depreciation	(13,300,260)	(12,543,856)
Total Pipeline and Installation	14,602,397	15,320,583
Pumps and Installation		
At cost	2,061,928	2,061,928
Less: Accumulated Depreciation	(1,093,243)	(1,030,035)
Total Pumps and Installation	968,685	1,031,893
Meters and Installation		
At cost	2,169,971	1,890,607
Less: Accumulated Depreciation	(1,246,354)	(1,088,652)
Total Meters and Installation	923,617	801,955
Capital Works in Progress		
At cost	175,036	271,222
Less: Accumulated Depreciation	-	-
Total Capital Works in Progress	175,036	271,222
Office Equipment		
At cost	72,852	66,471
Less: Accumulated Depreciation	(50,258)	(43,912)
Total Office Equipment	22,594	22,559
Motor Vehicles		
At cost	89,147	42,239
Less: Accumulated Depreciation	(18,100)	(7,783)
Total Motor Vehicles	71,047	34,456
Leasehold Improvements		
At cost	3,860	3,860
Less: Accumulated Depreciation	(176)	(79)
Total Leasehold Improvements	3,684	3,781
Total Property Plant & Equipment net book value	**16,767,060**	17,486,449

Note 8: PROPERTY, PLANT & EQUIPMENT *continued*

	2014 $	2013 $
Reconciliations		
Pipeline and Installation		
Carrying Amount at Beginning of Year	15,320,583	16,122,335
Acquisitions	38,218	-
Depreciation	(756,404)	(801,752)
Carrying Amount at End of Year	14,602,397	15,320,583
Pumps and Installation		
Carrying Amount at Beginning of Year	1,031,893	1,100,644
Depreciation	(63,208)	(68,751)
Carrying Amount at End of Year	968,685	1,031,893
Meters and Installation		
Carrying Amount at Beginning of Year	801,955	692,917
Acquisitions	279,364	270,225
Disposals	-	(1,756)
Depreciation	(157,702)	(159,431)
Carrying Amount at End of Year	923,617	801,955
Capital Works in Progress		
Carrying Amount at Beginning of Year	271,222	251,894
Acquisitions	169,529	287,663
Transferred costs to Meters and Installation	(265,715)	(268,335)
Carrying Amount at End of Year	175,036	271,222
Office Equipment		
Carrying Amount at Beginning of Year	22,559	26,589
Acquisitions	9,633	9,899
Disposals	(538)	(3,150)
Depreciation	(9,060)	(10,779)
Carrying Amount at End of Year	22,594	22,559
Motor Vehicles		
Carrying Amount at Beginning of Year	34,456	19,256
Acquisitions	46,908	42,239
Disposals	-	(17,990)
Depreciation	(10,317)	(9,049)
Carrying Amount at End of Year	71,047	34,456
Leasehold Improvements		
Carrying Amount at Beginning of Year	3,781	-
Acquisitions	-	3,860
Depreciation	(97)	(79)
Carrying Amount at End of Year	3,684	3,781
Total Depreciation Expense for Year	**996,788**	1,049,841

	2014 $	2013 $
Note 9: INTANGIBLE ASSETS		
River Murray Water Rights – at cost		
Carrying Amount at Beginning of Year	2,510,847	2,368,379
Acquisitions	150,521	142,468
Carrying Amount at End of Year	2,661,368	2,510,847

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

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

	2014 $	2013 $
Software – at cost		
Carrying Amount at Beginning of Year	19,341	2,455
Acquisitions	-	19,560
Less: Amortisation & Impairment	(5,449)	(2,674)
Carrying Amount at End of Year	13,892	19,341
Total Intangible Assets at net book value	**2,675,260**	2,530,188

Note 10: TRADE AND OTHER PAYABLES

	2014 $	2013 $
Current		
Trade Creditors	14,268	113,349
Customer Rebate	660,652	1,039,514
Other Creditors and Accruals	213,378	271,020
	888,298	1,432,883

	2014 $	2013 $
Note 11: INTEREST BEARING LOANS AND BORROWINGS		
Current		
Secured Loan – Bendigo Bank Ltd	1,431,989	1,432,000
Total Current Interest Bearing Loans and Borrowings	**1,431,989**	1,432,000
Non-current		
Secured Loan – Bendigo Bank Ltd	2,800,210	4,232,200
Other Non-current Loans	-	-
Total Non-current Interest Bearing Loans and Borrowings	**2,800,210**	4,232,200

Bank Loans

Borrowings with Bendigo Bank Ltd consists of two separate loans now standing at amounts of $1.4m and $2.8m and are set at fixed interest rates of 6.85% (expiring December 2014) and 6.89% (expiring July 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 $158,736) 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

	2014 $	2013 $
Ordinary Shares		
Balance at the Beginning of the Year	9,753,500	9,564,500
Shares Issued at $1 each	134,750	189,000
Total Share Capital	**9,888,250**	9,753,500
Retained Earnings		
Retained earnings at beginning of year	5,501,333	4,693,780
Total recognised income and expense	942,710	1,391,923
Dividends Paid	-	(584,370)
Balance at end of year	**6,444,043**	5,501,333

	2014 $	2013 $

Note 13: LEASES

Non-cancellable operating leases are payable as follows

	2014 $	2013 $
Within one year	410,562	383,234
One year or later and not later than five years	380,692	359,205
Later than five years	2,145	-
	793,399	742,439

The Company leases River Murray Water Rights under non-cancellable operating leases for periods from 1 to 10 years. Lease payments comprise a base amount plus a movement in the Consumer Price Index.

Note 14: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2014 $	2013 $
Profit/(Loss) for the period	942,710	1,391,923
Adjustments for:		
Depreciation and Amortisation	1,002,237	1,052,515
Loss on Sale of Non-Current Assets	538	2,896
Customer Rebate	660,581	1,039,514
Income Tax Expense	386,807	614,953
Operating profit before changes in working capital	**2,992,873**	4,101,801
Changes in assets and liabilities (attributable to the operating activities of the Company):		
Decrease/(Increase) in Receivables	537,276	(946,746)
Decrease in Deferred Income, including government grant	346,846	77,060
Net GST Received/(Paid)	17,371	(24,377)
Decrease/(Increase) in Prepayments & Accrued Income	229,370	(40,081)
(Decrease)/Increase in Creditors	(161,440)	169,806
(Decrease)/Increase in Accruals	(1,034,200)	36,958
Increase in Provisions and Employee Benefits	12,270	10,763
Income Taxes Paid	(1,061,103)	(585,510)
Net Cash from Operating Activities	**1,879,263**	2,799,674

	2014 $	2013 $

Note 15: EMPLOYEE BENEFITS

Aggregate Liability for Employee Entitlements		
Current		
- Liability for annual leave	36,924	30,861
- Liability for long service leave	50,083	43,877
	87,007	74,738
Number of Employees at Year End	5	4

Note 16: DEFERRED INCOME

	2014 $	2013 $
Current		
Income in Advance	2,728,390	2,624,451
Customer Deposits	330,000	-
Government Grants	187,456	111,706
Total Current Deferred Income	**3,245,846**	2,736,157
Non-Current		
Income in Advance	687,066	658,880
Government Grants	85,482	202,511
Total Non-current Deferred Income	**772,548**	861,391

The Company was the recipient of a government grant paid in four instalments over two years and subject to performance milestones. The grants were required to be used for the acquisition of more accurate and reliable electronic meters to replace existing mechanical meters. The Company was required to contribute $334,000 cash and a further $100,000 in kind to the project. A condition of the grant was 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. The project has been completed within budget and final audited reports submitted to the Department.

Note 17: RELATED PARTY DISCLOSURES

Key management personnel compensation

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

	2014 $	2013 $
Short-term employee and director benefits	264,625	272,394
Other long term benefits	6,397	3,100
Post employment benefits	59,876	50,570
	330,898	326,064

Note 17: RELATED PARTY DISCLOSURES *continued*

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

Directors' holdings of shares

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

	2014 Number Held	2013 Number Held
W K Allan	-	-
A Brooks	8,750	7,000
H & A Brooks	52,500	43,750
G W Burge	-	-
Burge Corporation Pty Ltd	493,500	493,500
E G Schild	-	-
E G & L G Schild Pty Ltd	108,500	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:	**680,750**	652,750

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 2014. 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	2014 $	2013 $
G M Davis	Geoff Davis & Associates	117,169	111,810
Current Payable	Geoff Davis & Associates	-	13,618

M P Pfeiffer has provided staffing support in the absence of the General Manager during the year ended 30 June 2014 amounting to $21,055 (2013 : $25,037).

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 2014	2013
		$	$
Cash and cash equivalents	5	4,685,278	4,453,247
Trade and other receivables	6	1,289,201	1,848,853
		5,974,479	6,302,100

Impairment losses

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

	Gross 2014	Gross 2013
	$	$
Not past due	906,441	1,388,149
Past due 31-60 days	-	-
Past due 61-90 days	149,885	180,480
Past due 91days and >	165,792	197,459
	1,222,118	1,766,088

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 $1,222,118 at 30 June 2014, payments since received from Customers for the period from 1 July 2014 to 15 August 2014 amount to $771,919 and have been applied as follows: Not past due $572,661, Past due 61-90 days $102,009 and Past due 91 days and > $97,249. 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	4,232,199	(4,477,625)	(1,521,836)	(78,686)	(1,508,893)	(1,368,210)	-
Trade and other payables	223,255	(223,255)	(223,255)	-	-	-	-
Customer Rebate	660,652	(660,652)	(660,652)	-	-	-	-
	5,116,106	**(5,361,532)**	**(2,405,743)**	**(78,686)**	**(1,508,893)**	**(1,368,210)**	

Current Tax Liability - A tax instalment of $115,845 was paid in July 2014 and will add to the current tax asset in the balance sheet.

Note 18 continued overleaf

Note 18: FINANCIAL INSTRUMENTS *continued*

(iii) Interest Rate Risk

Profile

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

	Carrying Amount	
	2014	2013
	$	$
Fixed rate instruments		
Financial liabilities	**(4,232,199)**	(5,664,200)
Variable rate instruments		
Financial assets	**4,685,278**	4,453,247
Financial liabilities	-	-
	4,685,278	4,453,247

Fair value sensitivity analysis for fixed rate instruments

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

Note 19: COMMITMENTS

During the year the Company entered into an agreement to expand the capacity of the Scheme by 1 Gigalitre. The Company is committed to incur capital expenditure of $2.13 million which is to be settled in the 2015 financial year.

Note 20: 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 2015. Water storage in the Murray Darling system remains at a high level of 73%.

Directors' Declaration

In the opinion of the Directors of the Company:

(a) the financial statements and notes, set out on pages 18 to 42 and the Remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

 (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the Directors draw attention to note 1 (a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

R I Chapman
Director

G M Davis
Director

Tanunda, S.A.
16 September 2014

Auditor's Independence Declaration

KPMG

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 2014 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.

KPMG

KPMG

S. A. Fleming

Scott Fleming
Partner

Adelaide

16 September 2014

KPMG

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 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 20 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(a), 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.

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 2014 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(a).

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 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Scott Fleming
Partner

Adelaide

16 September 2014

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