



# Barossa Infrastructure

LIMITED

ANNUAL REPORT  
**2016**

# Corporate Directory

Domicile of Barossa  
Infrastructure Ltd: Australia

Barossa Infrastructure Ltd  
incorporated in: South Australia

Legal form of Barossa  
Infrastructure Ltd:  
Unlisted Public Company

## Board of Directors

Robert Chapman (Chairman)  
Grant Burge  
Geoffrey Davis  
Gayle Grieger  
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  
Dragan Radocaj. Copyright Barossa  
Grape & Wine Association.*

## Directors



MR ROBERT CHAPMAN  
*Chairman*



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*



# Contents

Chairman's Report	4
General Manager's Report	6
Corporate Governance Statement	10
Directors' Report	12
Statement of Profit or Loss and Other Comprehensive Income	18
Statement of Changes in Equity	19
Statement of Financial Position	20
Statement of Cash Flows	21
Notes to and Forming Part of the Financial Statements	22
Directors' Declaration	43
Auditor's Independence Declaration	44
Audit Report	45



After fifteen years, in early July 2016, the debt that financed construction of the Barossa Infrastructure Ltd Scheme was fully paid off. Foundation and current customers, many the same, came together at Pindarie Wines Cellar Door on 26 July to celebrate the occasion. This and the welcome rains provide a sound start to the next year and a welcome conclusion to a difficult year.

In 2015/16 the Scheme capacity was increased by 1,000 Megalitres per annum to 9,000 Megalitres per annum. The very dry winter and spring of 2015 and some delays by the SA Water contractor in upgrading the inlet supply to the Warren Reservoir to meet this new capacity, meant for the first time the Company was only able to provide very limited additional water at a time when customers had limited surplus water. This resulted in a number of customers not being able to access water in addition to their contracted amount. It is concerning that a number of customers have insufficient water for their vineyards in such hot and dry years. There will be an opportunity to rectify this with the proposed Scheme expansion discussed later.

With the repayment of the bank debt the Company is in an excellent financial position. The Company is now able to commence provision of a fund to finance asset renewal and necessary improvements. The Board has resolved that the sinking fund be held in the form of River Murray water entitlements. These highly liquid assets can be sold or act as security if required.

The water supplied by the Company comes from two sources. About 97% 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.

Consumption for the year to 30 June 2016 was 9,047 Megalitres compared with 8,029 Megalitres in 2014/15. This included 268 Megalitres from the Nuriootpa Community Wastewater Management Scheme (CWMS). Losses in the system were 86 Megalitres or 1%.

The 5 yearly risk assessment in the use of recycled water was completed and submitted to the Department of Health for comment.

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

### **River Murray Water Rights**

It is a requirement that the Company has River Murray water allocations for all water transported by SA Water.

Until June 2016 River Murray inflows into storages were at drought levels and the Medindee Lakes were close to dry. In 2015/16 there was 100% allocation in South Australia, however the General Security allocation for the NSW Murray was 33% and transfers from the Murrumbidgee ceased early in the season. The shortage of trade water resulted in temporary trades as high as \$295 per Megalitre in November 2015. Consequently, total water leasing charge was just under \$1.5 million compared with the budget of \$800,000.

Barossa Infrastructure Ltd is committed to increasing the amount of water rights owned as the opportunity occurs. During the year a further 166 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. Increasing the amount of water rights held will reduce the risk of high lease purchase costs as experienced this year.

### Technical Upgrades

The Company is committed to the maintenance and continual upgrading of its infrastructure. During the year a number of pressure reducing valves (PRVs) were upgraded to meet the additional demand associated with the increased capacity to 9,000 Megalitres per annum. Further pressure sensors were installed at critical locations and for most of the PRV chambers. This network of sensor and meter information will assist in the design of further upgrades of the pipe network.

### Finances

The Board has authorised a rebate of \$36.73 per Megalitre on water consumed from 1 April 2015 to 31 March 2016. This is the fourth year a rebate has been authorised as a result of above budget income due to the higher than expected consumption. It will be adjusted against your final water invoice for the Water Year to 30 September 2016.

The Company made a profit of \$1,860,000 after tax compared with last year's profit of \$951,000. Total water sales before the rebate were \$7,339,000 compared with \$6,659,000 last year.

Debtors remain low.

### Scheme Expansion

There is continuing interest in additional water from customers and other Barossa growers. To date in excess of 2,000 Megalitres of demand for water has been registered. About 2/3 of this is for Premium water. The Premium capacity of the current pipe network has already been reached. If this additional demand is to be met it will be necessary to construct surface storage at suitable locations. It is expected new pumping stations and interconnecting pipelines will also be required.

SA Water will also need to upgrade the system to supply water into the Warren Reservoir.

The Board has resolved that the scheme expansion costs must be covered by the shares sold and infrastructure

levies collected from the new sales. To date, 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.

Good corporate governance requires there be renewal of the Board. This process will be managed over the next few years to ensure the breadth and depth of skills required to guide Barossa Infrastructure Ltd for the next 15 years are in place. My thanks to your Board for their continued support and diligence in the oversight of this well managed Company.

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, Mrs Lisa Buckley and Mr Neville Skipworth.



**Robert I Chapman**

Chairman

13 September 2016



Once again there has been a dry winter and spring in 2015 followed by a hot early start to the summer. This led to high demand for additional water that was partly met by transfers between customers. The Company could only provide limited additional water, as SA Water advised the supply was restricted below the requested limit. Temporary transfers of water were 580 Megalitres, about half the amount of the previous year. Customers should be aware that it may not be possible to provide additional water in dry years and should not count on such transfers.

The scheme expansion to a capacity of 9,000 Megalitres per annum was completed in December 2015. As a consequence of the dry winter and work on the expansion of the capacity of the transfer main, SA Water was not able to fill the Warren Reservoir. This was nearly 600ML below capacity at its highest level. High power costs also restricted the capacity of SA Water to transfer water to the Warren Reservoir over the summer.

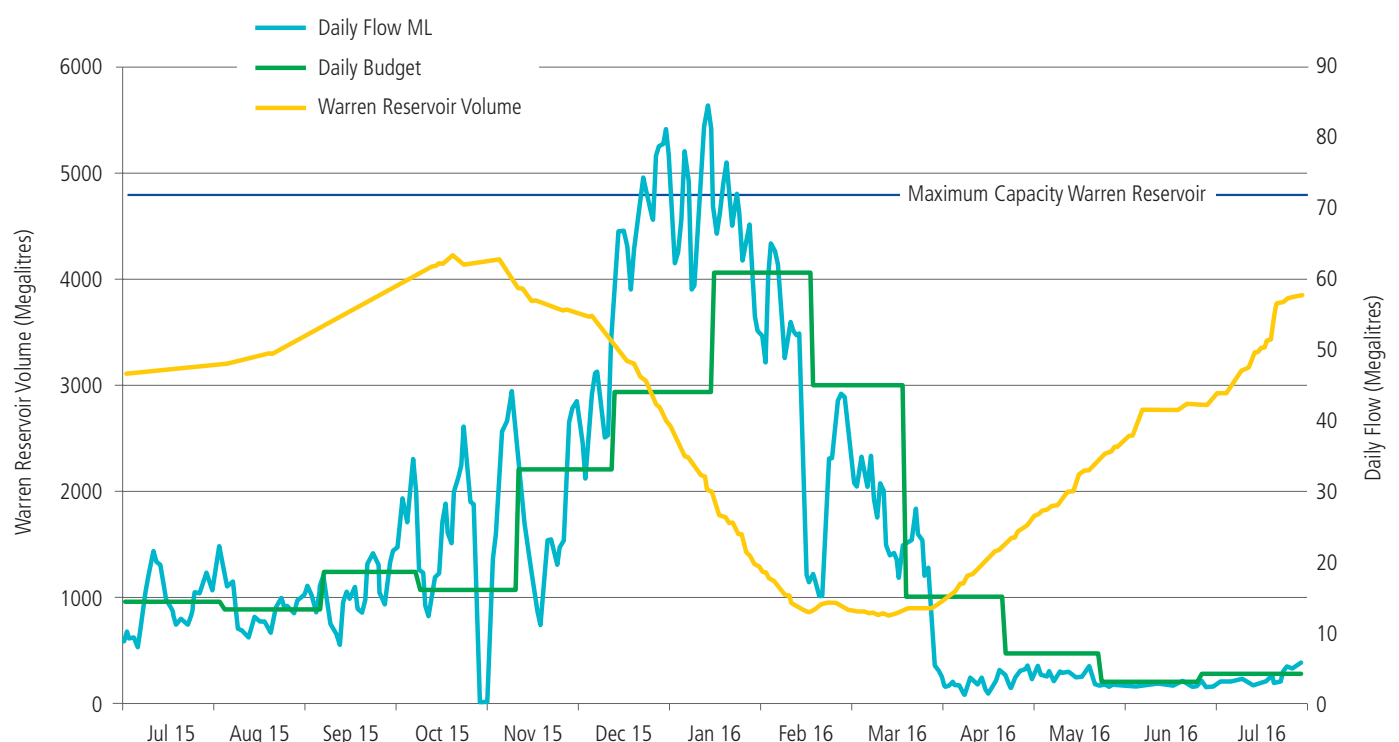
In the graph below the daily levels of the Warren Reservoir are shown, as well as the demand from Barossa Infrastructure Ltd customers.

Good news for the 2016/17 water year is that the Warren Reservoir is now full and spilling into the South Para Reservoir.

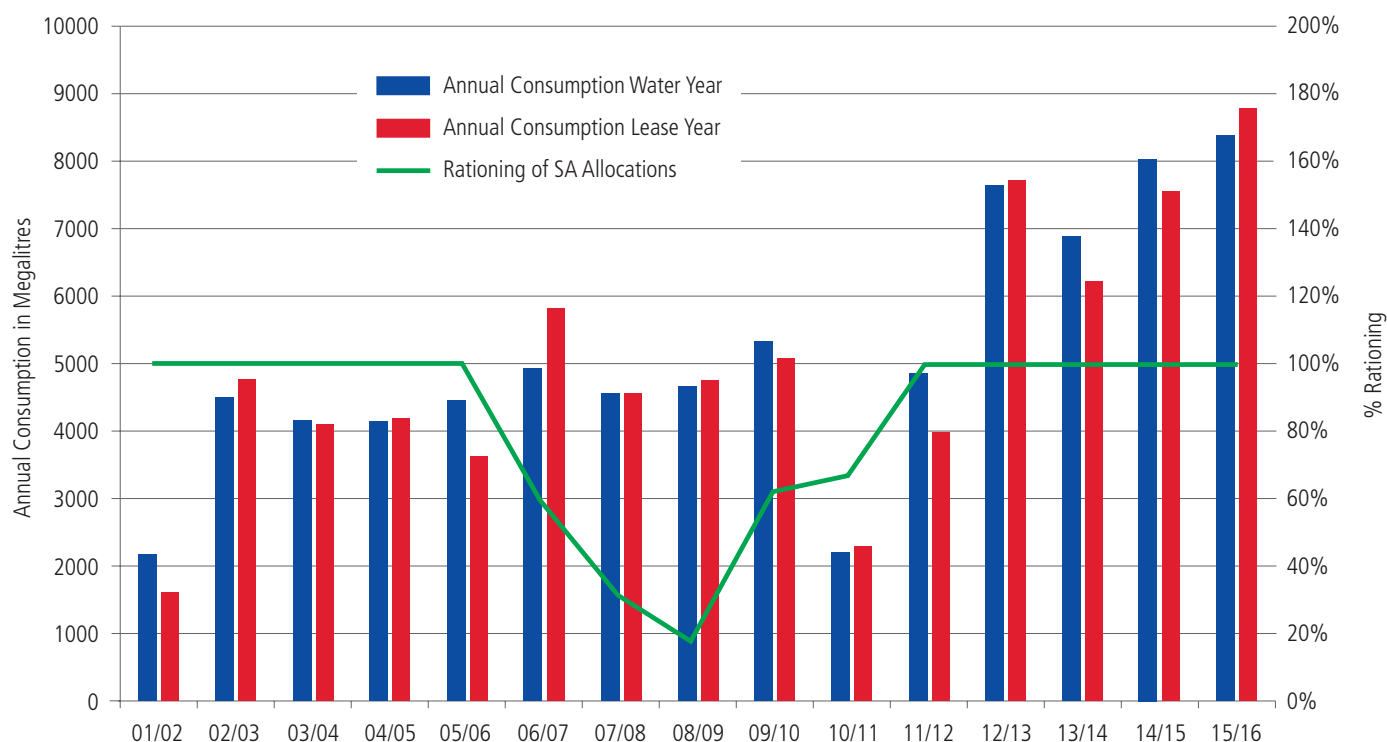
## Water Demand

New maximums were set for peak daily demand of 85 Megalitres and a maximum flow of 1,105 litres per second. Losses were again low at 1%. Total demand was 9,047 Megalitres from 30 June 2015 to 1 July

**Daily Flow at Fromm Square in 2015/16 and Warren Reservoir Volume**



## Impact of Water Leasing - Comparison of Consumption for Water Leasing Compared with Water Year



2016 including 368 Megalitres from the Nuriootpa Community Wastewater Management Scheme (CWMS). This total volume is greater than the scheme capacity and highlights the difference between financial year consumption (also water lease year) and the Company's water year from 1 October 2015 to 30 September 2016 which is likely to be about 8,400 Megalitres. The figure above illustrates this difference.

There were no disruptions to service during the summer. One customer connection leak was repaired.

### Nuriootpa Community Wastewater Management Scheme

Water quality supplied by The Barossa Council was satisfactory. Total dissolved solids averaged 880 parts per million (mg/L) with a median value of 680 mg/L for CWMS water and 220 mg/L for the Company's supply from the Warren Reservoir. With dilution flow the average dissolved solids were 390 mg/L for customers on Gomersal Road.

### Weather Conditions

It was very dry in both 2014 and 2015 late winter and spring. The graph on page 8 illustrates its impact, with rainfall in each year from July to December less than 60% of the average at Nuriootpa.

### Operations

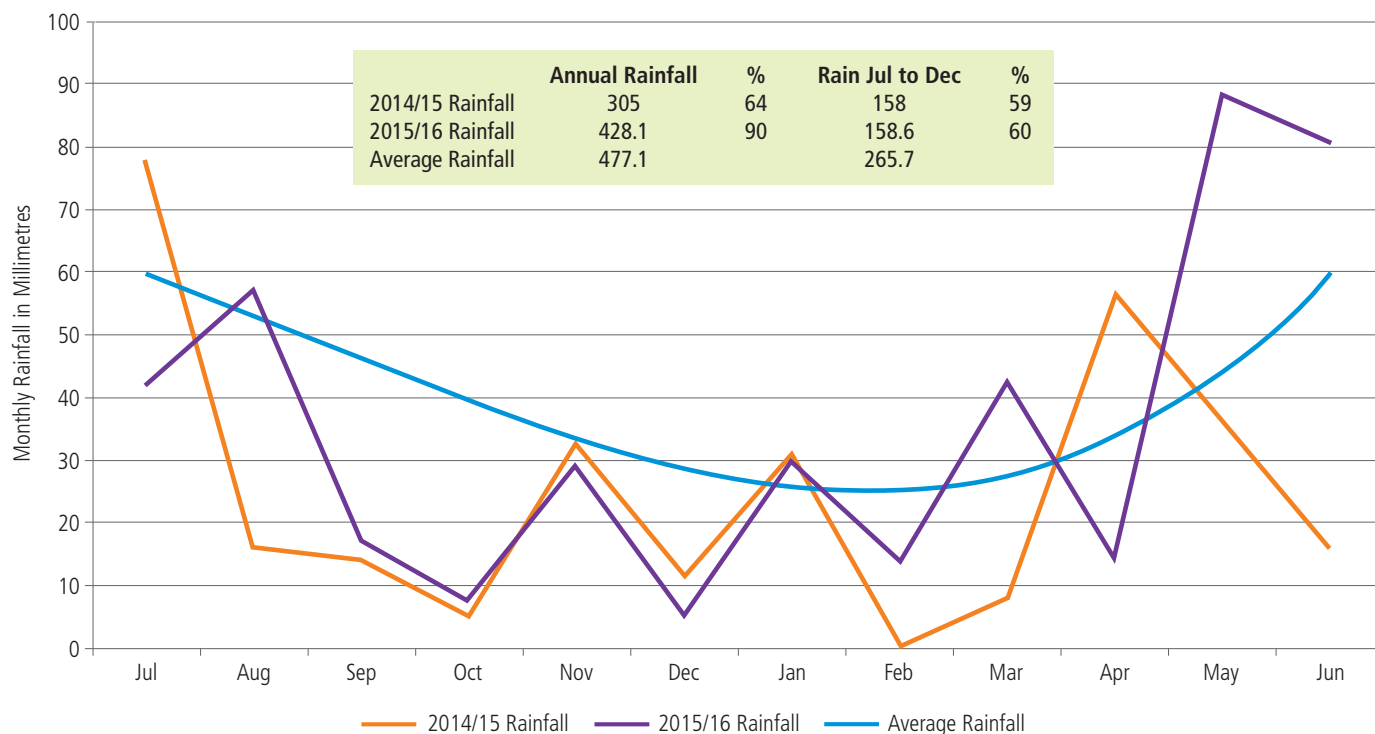
Infrastructure Maintenance Services have been contracted to provide repairs and maintenance services as well as operational support. Our thanks to Steve Dewar and Caleb Staehr for the high level of service provided.

During the year it was possible to complete the connection of all customer meters to the web and to read them remotely. All customers were notified they could access their meters remotely. This also enabled monitoring of consumption and early feedback to customers to avoid potential excess consumption.

Modifications to the pressure reducing valve (PRV) chambers is nearly complete. These modifications are to



## Comparison of Rainfall in Nuriootpa Over the Past 2 Years



improve safety by provision of external control cabinets and pressure sensors. This ensures that no one has to enter the confined space of the PRV chamber for routine maintenance and high pressures can be monitored to avoid pipe bursts. Pressure sensors have also been installed at a number of locations to both ensure the system is kept within design pressures and to check pressures where low pressure may disrupt supply. The net effect is the Company can operate the system at lower pressures and reduce the frequency of bursts while extending the life of the pipelines.

The Company is planning to upgrade Whitmore Pumping Station to increase capacity and provide standby capacity in the event of a pump failure. Work is scheduled for completion before the peak irrigation period commencing in November 2016. Airfield Pumping Station upgrade will follow in 2017. Whitmore Pumping Station boosts supply to Seppeltsfield and Airfield Pumping Station boosts pressure for all customers north of Jacobs Creek.

The Company now has access to data from most areas of the pipe network. This includes flows and pressures

at Pumping Stations as well as the information from the meters and pressure sensors. This will enable Arup, the system designer, to check for unexpected blockages that may affect supply.

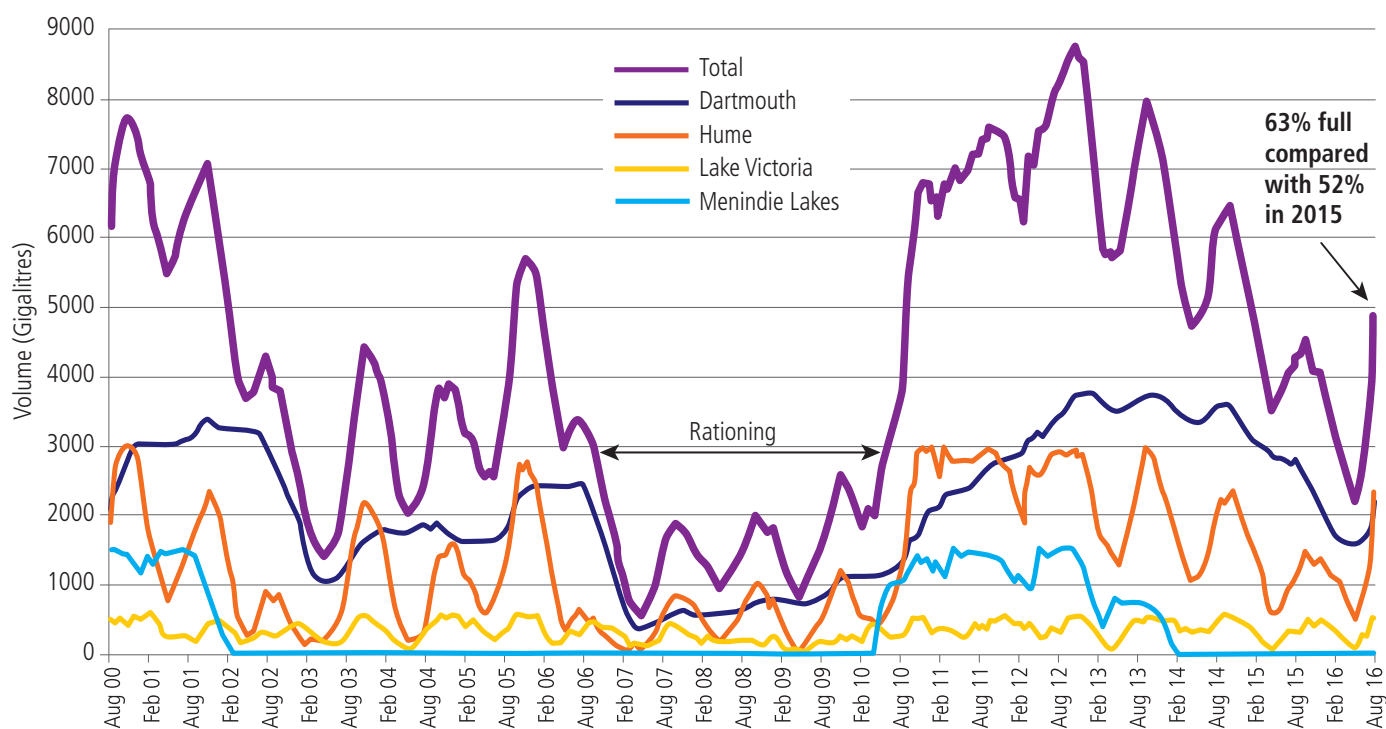
### River Murray

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. This is held in a mixture of permanent licences, long term leases and temporary water allocations purchased on the water trading market.

The dry summer, high demand and low levels of storage in the connected Murray system indicated that there may be water rationing in the 2016/17 year. SA Water allocations opened at only 35% but good winter rainfall saw this increased to 100% in mid-August 2016. The low level of the storages enabled the SA Government to allow up to 20% of entitlement for Water Rights to be carried over. As a hedge against another dry year the Company carried over 258 Megalitres.



## River Murray - Active Storages Available to the River Murray Commission



The graph above showing major storage volumes in the connected Murray system illustrate how close the system is to drought conditions.

### 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 is reviewed regularly and no detrimental impacts have been found.

After seven years of operation the use of the CWMS water has had the risk assessment of using the water reviewed. The CWMS water once diluted is suitable for viticulture and is an example of sustainable use of reclaimed water and an additional supply of water for the Company. 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, Ms Patsy Biscoe and my assistant, Mr Neville Skipworth, for their commitment, efficiency and support throughout the year. Thank you to all customers for your support and I urge you to contact me if you require assistance with the operation of your connection or have any suggestions on how the system may be improved.

**Paul Shanks**

General Manager

13 September 2016

# Corporate Governance Statement

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

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

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

## Board Role

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

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

In addition to this, 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, one Director and the 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 Work Health and Safety

- *Workplace health and safety is a paramount consideration; an audit was completed and recommendations actioned to ensure that the Company is fully compliant with the new WHS Act*

### 2 SA Water - Water Transport Agreement

- *As well as a contractual relationship, the business relationship is actively managed with meetings and mutual cooperation on operational issues aimed at achieving win-win outcomes*

### 3 Management Succession

- *New database developed to contain all customer records and billing; completed with procedures in place for backup and off site secure storage*
- *An assistant to the General Manager and an independent engineer advisor have been appointed to assist the General Manager in his role and provide mutual cover to ensure business continuity*

### 4 Environmental Risks

- *The impact of importing water to the Barossa is monitored annually (refer below) and is subject to a region wide Irrigation Management Plan*
- *Climate variability (and change) and the effect of rationing on demand forms part of the water and environment management strategy*
- *Nuriootpa Community Wastewater Management Scheme risk plan reviewed and updated*

### 5 Safety of Pipeline and Pumping Stations

- *The life of various assets is analysed and asset management strategies developed to minimise the risks of disruptions to supply*
- *A spares policy has been implemented to ensure rapid repair of minor leaks and bursts*
- *An Asset Management Plan has been developed and is being implemented, including monitoring of pressures at critical locations*

### 6 Sustainability

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

## 7 Funding

- *Impact of the state of the Wine Industry and the ability of customers to pay their accounts is routinely monitored and supported by debtor monitoring and control mechanisms*
- *As long term debt is retired the Board is developing asset upgrade and replacement policy as part of the asset management plan; provision will be made annually to accumulate funds to meet these future needs*

## 8 Scheme Expansion

- *The Company infrastructure was designed to have a capacity of 10,000 Megalitres per year; the Scheme has been expanded to a capacity of 9,000 Megalitres a year*
- *The Company is planning the expansion to 11,000 Megalitres a year to meet demand from existing and new customers; this may include large storages to help balance demand*
- *The expansions are providing long term benefits to existing shareholders in the form of lower sustainable water prices as the overheads are spread over more water sales*
- *This expansion of the Scheme was supported by a risk analysis to ensure all risks were identified and successfully 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 portfolio strategy for ownership, long term lease or short term lease of water rights has been developed and is being implemented; it involves the Company as well as individual shareholders holding water rights from interstate as well as from South Australia*

## 10 Water Quality

- *Regular testing of water quality is undertaken and has never proven to be a negative issue; despite popular misconceptions River Murray water provides a high quality irrigation water resource which is, in general, better irrigation quality than most ground waters in the region*

## 11 Government Policy Changes

- *Recent Government policy changes that have impacted on Barossa Infrastructure Ltd were mainly as a result of COAG agreements and the Basin Plan*

### 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
- National Irrigators' Council and
- Irrigation Australia

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

### Sustainability

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



# Directors' Report

The Directors present their report together with the financial report of Barossa Infrastructure Limited ("the Company") for the financial year ended 30 June 2016 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
<b>Wendy Kay Allan</b> Director <i>Appointed 4 June 2008</i> <i>Resigned 26 October 2015</i>	50	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
<b>Grant Walker Burge</b> Director <i>Appointed 14 September 1998</i>	65	Vigneron Chief Executive Grant Burge Corp Pty Ltd, Illaparra Winery Pty Ltd, Burge Vineyard Services Pty Ltd Burge Pastoral Co Pty Ltd, Burge Estates Barossa Valley Strategic Water Management Study 'Vision 2045' Baron of the Barossa – Inducted 1990 Former Chief Executive Grant Burge Wines Pty Ltd Past Director Krondorf Ltd, Mildara Ltd, Rycroft Vineyards Pty Ltd Past Member Barossa Water Resources Board Past Councillor The Barossa Council Past President & Committee Member Barossa Winemakers Association Past Committee Member SA Wine Industry Association
<b>Geoffrey Maxwell Davis</b> B Ec, FCA, CTA Independent Director <b>Company Secretary</b> <i>Appointed 3 August 1999</i> <i>Member Executive Committee</i>	68	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
<b>Gayle Robin Grieger</b> B Sc (Hon), PhD Independent Director <i>Appointed 2 February 2004</i>	44	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

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
<b>Robert Ian Chapman</b> Independent Director Assoc Dip Bus, FAICD, F FIN <b>Chairman</b> <i>Appointed 4 June 2012</i> <i>Member Executive Committee</i>	52	Adelaide Football Club (Chairman 2008 – present) Fortisago (Chairman 2015) Perks Accounting & Financial Services (Chairman 2012) Member of The Economic Development Board Member SA Economic Development Committee Member Next Generation Manufacturing Investment Programme Interim Committee Past President of Business SA - (2005/07) Past President of CEDA SA – (2003/06) Past Chief Executive Officer St. George Group (2010/12) Past Managing Director Bank SA (2002/10) Past Regional General Manager, WA, SA, NT Commonwealth Bank of Australia Past Chairman Kelly & Co Business Advisory Panel (2012) Past Chairman Bank SA Advisory Board (2012)  <i>Former Memberships:</i> cando4kids (Ambassador) Catholic Church Diocesan Finance Council (Chairman 2004) Flinders Medical Centre Foundation History Trust of South Australia Olympic Games Fundraising Committee Premier's Climate Change Council UniSA MBA Program (Past Chairman)
<b>Victor John Patrick</b> Independent Director <i>Appointed 28 April 2008</i> <i>Member Executive Committee</i>	72	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

# Directors' Report

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
<b>Martin Paul Pfeiffer</b> Director <i>Appointed 18 December 1998</i>	64	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 Charter President Morgan Lions Club
<b>Edgar Gordon Schild</b> Director <i>Appointed 14 September 1998</i>	75	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
<b>Steven James Wilson</b> Director <i>Appointed 14 September 1998</i>	61	Vigneron Managing Director Anandale Vineyards Pty Ltd, Linfield Rd Wines Pty Ltd Past Member Wine Grape Growers Council – Tanunda branch Member & Past Secretary South Australian Farmers Federation Past Member SAFF Research & Development Board Past Director BREDA



### Directors' Meeting Attendance

For the year ended 30 June 2016, 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	2	3
G W Burge	7	7
R I Chapman	7	7
G M Davis	7	7
G R Grieger	7	7
V J Patrick	7	7
M P Pfeiffer	7	7
E G Schild	6	7
S J Wilson	6	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, and
- 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
- Completing implementation of the expansion of the project to 9GL

### Review of Operations

The net profit after providing for income tax amounted to \$1,859,915 (2015: profit \$950,643).

No water restrictions applied to River Murray Water Rights for the 2016 year and customers were entitled to take 100% of their contracted amounts. A dry winter followed by another dry spring and summer with above average temperatures saw demand for water well ahead of budget. The 2016 vintage saw another early harvest and the demand for water much earlier than other years. Working closely with SA Water, management was able to ensure sufficient water to meet customers' demands, despite the compressed irrigation season and the system working close to maximum capacity. With above budget delivery and profitability the Board rebated \$37/ML of water delivered (last year \$140/ML) 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.

### State of Affairs

During the year loan repayments totaling \$1,432,000 were made. Subsequent to the end of the financial year the final loan repayment of \$1,368,210 has been made, bringing the bank loan to nil.

Further share capital of \$1,153,250 has been raised as part of the funding of the expansion of the BIL water project. Total share capital at 30 June 2016 was \$12,179,000.

The Company has exercised its right to extend the term of the Water Transport Agreement with SA Water to 2040 thereby providing at least a 25 year period of supply for new customers as part of the scheme expansion.

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

### Directors

Total compensation for all Directors, last voted upon by shareholders at the 2013 AGM, is not to exceed \$180,000 per annum. Directors' fees and the 9.25% super guarantee for 2016 amounted to \$152,739.

# Directors' Report

## Environmental Regulation

The project for delivery of River Murray Water to the Barossa Region is subject to strict environmental regulation. Initially an independent consultant prepared the environmental report to assist in the Company's application to the Development Approval Commission and the relevant Water Catchment Board. Environmental approvals have been obtained for the expansion of the project to 9GL. The Company works closely with the Department of Environment, Water & Natural Resources and Mount Lofty Ranges Natural Resources Management Board for ongoing monitoring of water usage and changes in water tables.

## Likely Developments

The objective of the Company continues to be the reliable delivery of quality water to its customers at the lowest appropriate commercial price. The Company will complete its fourteenth full "water year" on 30 September 2016.

Following the expansion of the project in the 2016 water year to 9GL, the Company has received further expressions of interest for in excess of a further 2 Gigalitres of water contracts. The company continues a feasibility review with SA Water for the supply of this further volume of water for the 2018 water year which would take the project to a greater volume than the 10 GL allowed under the current Water Transport Agreement. The increased capacity fee payable under the Water Transport Agreement and the additional BIL own infrastructure including significant storage will be funded by share capital and levies raised on the new water contracts. The company is also examining the availability of grants to assist with the funding of the expansion.

## 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 \$2,898 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 a 100% water allocations for 2017.

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

## 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 2016.

### **Rounding of Amounts**

The Company is not of a kind referred to in Class Order 2016/191 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.

13 September 2016



# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Sale of Water		7,338,732	6,659,445
Customer Rebate		(361,094)	(990,588)
Cost of Sales		(7,416,020)	(6,256,313)
<b>Gross Loss</b>		<b>(438,382)</b>	<b>(587,456)</b>
Infrastructure Levies Revenue		4,369,401	2,890,766
Other Income		137,830	206,818
Administrative Expenses		(1,359,225)	(1,101,353)
<b>Results From Operating Activities</b>		<b>2,709,624</b>	<b>1,408,775</b>
Financial Income		63,518	88,863
Financial Expenses		(101,629)	(169,650)
<b>Net financing costs</b>		<b>(38,111)</b>	<b>(80,787)</b>
<b>Profit Before Tax</b>		<b>2,671,513</b>	<b>1,327,988</b>
Income Tax Expense	4 (a)	(811,598)	(377,345)
<b>Profit After Tax</b>		<b>1,859,915</b>	<b>950,643</b>
<b>Total Comprehensive Income</b>		<b>1,859,915</b>	<b>950,643</b>

The accompanying notes form part of these financial statements

# Statement of Changes in Equity

For the year ended 30 June 2016

	Attributable to equity holders of the Company		
	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2014	9,888,250	6,444,043	16,332,293
<b>Total comprehensive income</b>			
Profit after tax	-	950,643	950,643
<b>Contributions by and distributions to Owners of the Company</b>			
Issue of ordinary shares	1,137,500	-	1,137,500
Balance at 30 June 2015	11,025,750	7,394,686	18,420,436
Balance at 1 July 2015	11,025,750	7,394,686	18,420,436
<b>Total comprehensive income</b>			
Profit after tax	-	1,859,915	1,859,915
<b>Contributions by Owners of the Company</b>			
Issue of ordinary shares	1,153,250	-	1,153,250
Balance at 30 June 2016	12,179,000	9,254,601	21,433,601

The accompanying notes form part of these financial statements

# Statement of Financial Position

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	1,675,364	6,738,643
Trade and Other Receivables	6	2,275,567	1,187,299
Other Assets	7	528,608	517,357
<b>Total Current Assets</b>		<b>4,479,539</b>	8,443,299
<b>Non-current Assets</b>			
Other Assets	7	3,936,865	1,990,582
Property, Plant and Equipment	8	15,426,056	16,095,774
Intangible Assets	9	5,467,182	2,645,897
<b>Total Non-current Assets</b>		<b>24,830,103</b>	20,732,253
<b>TOTAL ASSETS</b>		<b>29,309,642</b>	29,175,552
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	10	613,725	2,688,938
Employee Benefits	15	113,932	94,346
Current Tax Liabilities	4 (c)	257,132	39,504
Loans & Borrowings	11	1,368,210	1,432,000
Deferred Income	16	4,141,076	3,846,384
<b>Total Current Liabilities</b>		<b>6,494,075</b>	8,101,172
<b>Non-current Liabilities</b>			
Loans & Borrowings	11	-	1,368,210
Deferred Income	16	990,708	1,007,410
Deferred Tax Liabilities	4 (d)	391,258	278,324
<b>Total Non-current Liabilities</b>		<b>1,381,966</b>	2,653,944
<b>TOTAL LIABILITIES</b>		<b>7,876,041</b>	10,755,116
<b>NET ASSETS</b>		<b>21,433,601</b>	18,420,436
<b>EQUITY</b>			
Issued Capital	12	12,179,000	11,025,750
Retained Earnings	12	9,254,601	7,394,686
<b>TOTAL EQUITY</b>		<b>21,433,601</b>	18,420,436

The accompanying notes form part of these financial statements



# Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Cash Receipts from Customers		9,126,482	10,674,507
Cash Paid to Suppliers and Employees		(9,649,363)	(8,388,109)
Cash (Used)/from in Operating Activities		(522,881)	2,286,398
Interest Received		69,168	89,190
Interest Paid		(78,053)	(167,342)
Income Taxes Paid		(481,035)	(186,652)
<b>Net Cash (used)/from in Operating Activities</b>	14	<b>(1,012,801)</b>	2,021,594
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Proceeds from sale of Property, Plant and Equipment		57,929	220
Proceeds from sale of Intangibles		-	60,372
Proceeds from Government Funding		153,628	-
Acquisition of Property, Plant and Equipment		(409,288)	(370,502)
Acquisition of Intangibles	9	(2,898,747)	(35,930)
<b>Net Cash used in Investing Activities</b>		<b>(3,096,478)</b>	(345,840)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Proceeds from the Issue of Share Capital		478,000	1,137,500
Financial Assistance to acquire shares		-	5,000
Shareholder Deposits		-	670,000
Repayment of Borrowings		(1,432,000)	(1,431,989)
Transaction costs related to loans and borrowings		-	(2,900)
<b>Net Cash (used)/from in Financing Activities</b>		<b>(954,000)</b>	377,611
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(5,063,279)</b>	2,053,365
Cash and Cash Equivalents at 1 July*		6,738,643	4,685,278
<b>Cash and Cash Equivalents at 30 June</b>	5	<b>1,675,364</b>	6,738,643

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

The accompanying notes form part of these financial statements

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

## 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 13th September 2016. The Company is a for-profit entity.

### (a) Basis of Accounting

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

### (b) Basis of Measurement

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

#### Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier adoption is permitted; however, the Company has not applied the following new or amended standards in preparing these financial statements.

#### AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of AASB 9 is not expected to have an impact on the Company's financial assets and liabilities.

#### AASB 15 Revenue from Contracts with Customers

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

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 15.

#### AASB 16 Leases

AASB 16 Leases removes the lease classification test and requires all leases including operating leases to be brought onto the balance sheet. The definition of lease is also amended and is now the new on/off balance sheet test for lessees.

AASB 16 is effective for annual reporting periods on or after 1 January 2019. Early adoption will be permitted for entities that also adopt AASB 15 Revenue from contracts with customers.

The Company is assessing the potential impact on its financial statements resulting from the application of AASB 16.

## **Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued*

### **Going Concern basis of preparation**

The financial statements disclose a net working capital deficiency of \$2,014,536 as at 30 June 2016. However included in current liabilities is \$4,141,076 of "deferred income" which does not require repayment. The Company has sufficient funds to meet its working capital requirements such that the Directors consider the use of the going concern basis of preparation to be appropriate.

### **Use of Estimates and Judgements**

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

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

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

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

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

### **(c) Revenue Recognition**

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

#### **Sale of Water**

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

#### **Infrastructure Levies**

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

*Note 1 continued overleaf*

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

## **Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued*

### **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.

### **(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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or receivable that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;



## **Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued*

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; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

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

### **(g) Financial Instruments**

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

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

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

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

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

*Note 1 continued overleaf*

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

## **Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued*

### **(iii) Non-derivative financial liabilities - measurement**

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest 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. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

## **(h) Property, Plant and Equipment**

### **(i) Recognition and measurement**

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, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

The costs of assets constructed or internally generated by the Company, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Finance costs are capitalised to qualifying assets as set out in Note 1(e).

### **(ii) Subsequent expenditure**

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

### **(iii) Depreciation**

#### **Complex Assets**

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

#### **Useful Lives**

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

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

## Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

	2016	2015
Pipeline & Installation	3.75% - 40%	3.75% - 20%
Pumps & Installation	3.75% - 20%	3.75% - 20%
Meters & Installation	10% - 40%	10% - 20%
Office Furniture & Equipment	7.5% - 66.6%	7.5% - 66.6%
Motor Vehicles	25%	25%
Leasehold Improvements	16.6% - 25%	2.5% - 13.3%

### (i) Intangible Assets

#### (i) River Murray Water Rights

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

#### (ii) Other Intangible Assets

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

#### (iii) Subsequent Expenditure

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

#### (iv) Amortisation

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

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

	2016	2015
Software	25%	25%
SA Water Capital Works	4%	-

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

### (j) Impairment

#### (i) Non-derivative financial assets

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

*Note 1 continued overleaf*

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

## **Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued*

Objective evidence that financial assets are impaired includes:

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

### **Financial assets measured at amortised cost**

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

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

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

### **(ii) Non-financial assets**

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.



## **Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued*

### **(k) Financial Risk Management**

#### **Overview**

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

- credit risk
- liquidity risk
- market risk

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

#### **Risk Management Framework**

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

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

#### **Credit Risk**

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

#### **Trade and other receivables**

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry in which customers operate. All customers are shareholders who have a direct interest in the Company. The Company's customer base is located in the prime sector of the Barossa Valley which is less impacted by the current problems facing the wine industry. The Company does not have a significant exposure to any one customer as no single customer is in excess of approximately 7 percent (2015: 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.

*Note 1 continued overleaf*

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

## **Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *continued*

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

### **Market Risk**

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

### **Interest rate risk**

With prevailing low interest rates, a significantly reduced liability on the long term borrowings and the long term loan being repayable in July 2016, the Company no longer fixes forward interest rates in view of the minimal interest rate risk (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.

## **(l) Deferred Income – Note 16**

Of the income in advance \$1,209,410 relates to Infrastructure Levies billed and due at 30 June 2015. These levies related to the water year 1 October 2015 – 30 September 2016. Therefore, one quarter of the total Infrastructure Levies billed at 30 June 2015 is income in advance at 30 June 2016.

By the same principle the total Infrastructure Levies billed and due at 30 June 2016 relate to the water year 1 October 2016 – 30 September 2017. Therefore the total amount billed of \$3,813,264 is income in advance at 30 June 2016 of which \$1,703,964 has been received in cash and \$2,109,300 is due by customers, as at reporting date. Subsequent to reporting date and up to 9 August 2016, a further \$1,824,683 has been received in cash.

## **(m) Employee Benefits**

### **(i) Short-term employee benefits**

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

### **(ii) Defined contribution plans**

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

### **(iii) Other long-term employee benefits**

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

## Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (n) 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.

### (o) 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.

### (p) Operating lease payments

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

	2016 (\$)	2015 (\$)
<b>Note 2: PERSONNEL EXPENSES</b>		
Wages, salaries and directors fees	411,042	394,150
Other associated personnel expenses	4,940	5,311
Contributions to defined contribution superannuation funds	124,134	110,594
Increase in liability for annual leave	9,977	2,576
Increase in liability for long service leave	9,609	4,763
	<b>559,702</b>	<b>517,394</b>

## Note 3: AUDITOR'S REMUNERATION

Auditors of the Company: KPMG Australia		
Audit of the financial statements	33,048	32,000
Other Services: Taxation Advice	12,300	12,835
	<b>45,348</b>	<b>44,835</b>

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

	2016 \$	2015 \$
<b>Note 4: INCOME TAX EXPENSE</b>		
<b>(a) Recognised in the statement of comprehensive income</b>		
Current period	698,664	367,987
<b>Deferred tax expense</b>		
Reversal of temporary differences	112,934	9,358
Total income tax expense	<b>811,598</b>	<b>377,345</b>
<b>(b) Numerical reconciliation between tax expense and pre-tax accounting profit</b>		
Profit before tax	2,671,513	1,327,998
Income tax using company tax rate of 30% (2015: 30%)	801,454	398,396
Increase/(Decrease) in income tax expense due to:		
Non-assessable non-exempt income	(25,645)	(56,237)
Non-deductible expenses	1,134	1,169
Non-deductible depreciation	34,655	34,017
Income tax expense on pre-tax net profit	811,598	377,345
<b>(c) Current Tax Liabilities</b>		
<i>Movements during the year:</i>		
Balance at beginning of year	39,504	141,832
Income tax refunded/(paid): operating activities – prior year	(29,978)	(141,832)
Current year's income tax expense on pre-tax profit	811,598	377,345
Current year's timing differences for accounting and income tax purposes	(112,934)	(9,358)
	<b>708,190</b>	<b>367,987</b>
Less Instalments Paid	451,058	328,483
	<b>257,132</b>	<b>39,504</b>
<b>(d) Deferred Tax Assets and Liabilities</b>		
<i>Deferred tax liability is attributable to :</i>		
Property, plant and equipment	273,532	276,556
Accrued interest income	388	2,082
Prepaid Expenses	99,342	29,895
Intangible Assets – Capital Works	86,557	-
	<b>459,819</b>	<b>308,533</b>



	2016 \$	2015 \$
<b>Note 4: INCOME TAX EXPENSE</b> <i>continued</i>		
<i>Deferred tax asset is attributable to:</i>		
Employee benefits	35,244	29,466
Borrowing Costs	584	743
Government Grant	32,733	-
	<b>68,561</b>	<b>30,209</b>
Net Deferred Tax Liabilities	<b>391,258</b>	<b>278,324</b>

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

Property, plant and equipment	3,024	15,435
Interest income	1,694	99
Prepaid Expenses	(69,447)	(28,999)
Intangible Assets – Capital Works	(86,557)	-
Employee benefits	5,778	3,365
Borrowing Costs	(159)	742
Government Grant	32,733	-
Net movement	<b>(112,934)</b>	<b>(9,358)</b>

**(f) Dividend Franking Account**

The amount of franking credits available to shareholders of Barossa Infrastructure Ltd for subsequent financial years is \$3,497,728 (2015 : \$3,016,693). The ability to utilise the franking credits is dependent upon the ability to declare dividends.

**Note 5: CASH AND CASH EQUIVALENTS**

Cash at Bank – Bendigo Bank (Infrastructure Levy)	1,391,654	5,903,351
Cash at Bank – Bank SA Tanunda Cheque Account	283,710	835,292
	<b>1,675,364</b>	<b>6,738,643</b>

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

**Note 6: TRADE AND OTHER RECEIVABLES**

Trade Debtors	2,181,458	1,107,425
Net GST Receivable	94,109	79,874
	<b>2,275,567</b>	<b>1,187,299</b>

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

	2016 \$	2015 \$
<b>Note 7: OTHER ASSETS</b>		
<b>Current</b>		
Prepayments	207,866	146,266
Accrued Income – Water Sales	319,450	364,150
Accrued Income – Interest Income	1,292	6,941
<b>Total Current Other Assets</b>	<b>528,608</b>	<b>517,357</b>
<b>Non-Current</b>		
Prepayments	3,936,865	1,990,582
<b>Total Non-Current Other Assets</b>	<b>3,936,865</b>	<b>1,990,582</b>
<b>Note 8: PROPERTY, PLANT &amp; EQUIPMENT</b>		
<b>Pipeline and Installation</b>		
At cost	27,957,861	27,920,116
Less: Accumulated Depreciation	(14,705,640)	(14,020,244)
<b>Total Pipeline and Installation</b>	<b>13,252,221</b>	<b>13,899,872</b>
<b>Pumps and Installation</b>		
At cost	2,065,385	2,060,053
Less: Accumulated Depreciation	(1,161,870)	(1,134,395)
<b>Total Pumps and Installation</b>	<b>903,515</b>	<b>925,658</b>
<b>Meters and Installation</b>		
At cost	2,164,297	2,169,971
Less: Accumulated Depreciation	(1,528,405)	(1,469,482)
<b>Total Meters and Installation</b>	<b>635,892</b>	<b>700,489</b>
<b>Capital Works in Progress</b>		
At cost	548,121	492,222
Less: Accumulated Depreciation	-	-
<b>Total Capital Works in Progress</b>	<b>548,121</b>	<b>492,222</b>
<b>Office Equipment</b>		
At cost	80,122	72,412
Less: Accumulated Depreciation	(60,215)	(54,928)
<b>Total Office Equipment</b>	<b>19,907</b>	<b>17,484</b>
<b>Motor Vehicles</b>		
At cost	87,947	89,147
Less: Accumulated Depreciation	(27,890)	(35,862)
<b>Total Motor Vehicles</b>	<b>60,057</b>	<b>53,285</b>
<b>Leasehold Improvements</b>		
At cost	7,052	7,052
Less: Accumulated Depreciation	(709)	(288)
<b>Total Leasehold Improvements</b>	<b>6,343</b>	<b>6,764</b>
<b>Total Property Plant &amp; Equipment net book value</b>	<b>15,426,056</b>	<b>16,095,774</b>

**Note 8: PROPERTY, PLANT & EQUIPMENT** *continued*

	2016 \$	2015 \$
<b>Reconciliations</b>		
<b>Pipeline and Installation</b>		
Carrying Amount at Beginning of Year	13,899,872	14,602,397
Acquisitions	37,745	17,459
Depreciation	(685,396)	(719,984)
Carrying Amount at End of Year	13,252,221	13,899,872
<b>Pumps and Installation</b>		
Carrying Amount at Beginning of Year	925,658	968,685
Acquisitions	38,412	30,800
Disposals	(3,397)	(15,460)
Depreciation	(57,158)	(58,367)
Carrying Amount at End of Year	903,515	925,658
<b>Meters and Installation</b>		
Carrying Amount at Beginning of Year	700,489	923,617
Acquisitions	223,814	-
Disposals	(110,004)	
Depreciation	(178,407)	(223,128)
Carrying Amount at End of Year	635,892	700,489
<b>Capital Works in Progress</b>		
Carrying Amount at Beginning of Year	492,222	175,036
Acquisitions	393,572	334,645
Transfers to Assets and Expenses	(337,673)	(17,459)
Carrying Amount at End of Year	548,121	492,222
<b>Office Equipment</b>		
Carrying Amount at Beginning of Year	17,482	22,594
Acquisitions	7,712	1,864
Disposals	-	(267)
Depreciation	(5,287)	(6,709)
Carrying Amount at End of Year	19,907	17,482
<b>Motor Vehicles</b>		
Carrying Amount at Beginning of Year	53,285	71,047
Acquisitions	45,708	-
Disposals	(25,636)	
Depreciation	(13,300)	(17,762)
Carrying Amount at End of Year	60,057	53,285
<b>Leasehold Improvements</b>		
Carrying Amount at Beginning of Year	6,764	3,684
Acquisitions	-	3,192
Depreciation	(421)	(112)
Carrying Amount at End of Year	6,343	6,764
<b>Total Depreciation Expense for Year</b>	<b>939,969</b>	<b>1,026,062</b>

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

2016  
\$

2015  
\$

## Note 9: INTANGIBLE ASSETS

### River Murray Water Rights – at cost

Carrying Amount at Beginning of Year	2,637,023	2,661,368
Acquisitions	493,747	35,475
Disposals	-	(59,820)
Carrying Amount at End of Year	3,130,770	2,637,023

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

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

### SA Water Capital Works – at cost

Carrying Amount at Beginning of Year	-	-
Acquisitions	2,405,000	-
Less: Amortisation and Impairment	(72,161)	-
Carrying Amount at End of Year	2,332,839	-

This is the part of the increased capacity fee paid to SA Water to specifically build infrastructure to enable the project to move from 8GL to 9GL. The fee is amortised over the period of the contract with SA Water to 2040.

### Software – at cost

Carrying Amount at Beginning of Year	8,874	13,892
Acquisitions	-	455
Less: Amortisation & Impairment	(5,301)	(5,473)
Carrying Amount at End of Year	3,573	8,874

Total Intangible Assets at net book value	<b>5,467,182</b>	2,645,897
---	------------------	-----------

## Note 10: TRADE AND OTHER PAYABLES

### Current

Trade Creditors	15,472	3,577
Customer Rebate	330,000	990,587
Other Creditors and Accruals	268,253	1,694,774
	<b>613,725</b>	2,688,938



	2016 \$	2015 \$
--	------------	------------

#### Note 11: INTEREST BEARING LOANS AND BORROWINGS

##### Current

Secured Loan – Bendigo Bank Ltd	1,368,210	1,432,000
---------------------------------	-----------	-----------

<b>Total Current Interest Bearing Loans and Borrowings</b>	<b>1,368,210</b>	<b>1,432,000</b>
--	------------------	------------------

##### Non-current

Secured Loan – Bendigo Bank Ltd	-	1,368,210
---------------------------------	---	-----------

<b>Total Non-current Interest Bearing Loans and Borrowings</b>	<b>-</b>	<b>1,368,210</b>
--	----------	------------------

##### Bank Loans

Borrowings with Bendigo Bank Ltd consists of one loan of \$1.39m at a variable interest rate. The loan is secured by a registered Deed of Charge over the assets of the Company and specific Registered Charges over customer contracts, water transport agreement and leases over water rights. In addition the Company is required to hold a minimum of \$1,400,000 in cash balances at the end of the financial year to enable the scheduled principal reduction due 1st July annually.

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

#### Note 12: MOVEMENTS IN EQUITY

##### Ordinary Shares

Balance at the Beginning of the Year	11,025,750	9,888,250
Shares Issued at \$1 each	1,153,250	1,137,500

<b>Total Share Capital</b>	<b>12,179,000</b>	<b>11,025,750</b>
----------------------------	-------------------	-------------------

##### Retained Earnings

Retained earnings at beginning of year	7,394,686	6,444,043
Total recognised income and expense	1,859,915	950,643

<b>Balance at end of year</b>	<b>9,254,601</b>	<b>7,394,686</b>
-------------------------------	------------------	------------------

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

2016

\$

2015

\$

## Note 13: LEASES

Non-cancellable operating leases are payable as follows

Within one year	222,445	185,950
One year or later and not later than five years	536,641	201,366
Later than five years	20,352	6,189
	<b>779,438</b>	<b>393,505</b>

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

Profit after tax	1,859,915	950,643
Adjustments for:		
Depreciation and Amortisation	1,164,956	1,042,782
Finance Costs	0	250
Loss on Sale of Non-Current Assets	83,925	14,953
Customer Rebate	329,337	990,588
Income Tax Expense	811,598	377,345
Operating profit before changes in working capital	<b>4,249,731</b>	<b>3,376,561</b>

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

(Increase)/Decrease in Receivables	(1,074,033)	121,387
Increase in Deferred Income, including government grant	124,362	1,165,400
Net GST (Paid)/Received	(14,236)	(24,484)
Increase in Prepayments & Accrued Income	(2,131,421)	(2,213,049)
(Decrease)/Increase in Creditors	(754,397)	418,209
(Decrease) in Accruals	(951,358)	(643,117)
Increase in Provisions and Employee Benefits	19,586	7,339
Income Taxes Paid	(481,035)	(186,652)

Net Cash (used)/from in Operating Activities	<b>(1,012,801)</b>	<b>2,021,594</b>
--	--------------------	------------------

	2016 \$	2015 \$
<b>Note 15: EMPLOYEE BENEFITS</b>		
Aggregate Liability for Employee Entitlements		
<b>Current</b>		
- Liability for annual leave	49,477	39,500
- Liability for long service leave	64,455	54,846
	<b>113,932</b>	<b>94,346</b>
Number of Employees at Year End	5	5

#### Note 16: DEFERRED INCOME

<b>Current</b>		
Income in Advance	4,069,358	3,760,901
Government Grants	71,718	85,483
Total Current Deferred Income	<b>4,141,076</b>	<b>3,846,384</b>
<b>Non-Current</b>		
Income in Advance	953,316	1,007,410
Government Grants	37,392	-
Total Non-current Deferred Income	<b>990,708</b>	<b>1,007,410</b>

The Company was the recipient of a government grant under the PIIP funding system. The grants were used for the acquisition of more accurate and reliable electronic meters to replace existing mechanical meters. The grants were brought to income over the life of those assets acquired.

A further grant under the SARMS 3IP program amounting to \$153,628 was received to acquire and install 420 WASP 2 3G loggers to enable the remote reading of meters by the company and the customer. This grant is being brought to account as income over the expected useful life of the WASP.

#### Note 17: RELATED PARTY DISCLOSURES

##### Key management personnel compensation

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

Short-term employee and director benefits	272,126	258,205
Other long term benefits	9,971	3,922
Post employment benefits	50,994	51,356
	<b>333,091</b>	<b>313,483</b>

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

## 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:

	2016 Number Held	2015 Number Held
W K Allan	-	-
A Brooks	78,750	61,250
H & A Brooks	-	-
G W Burge	-	-
Burge Corporation Pty Ltd	493,500	493,500
E G Schild	-	-
E G & L G Schild Pty Ltd	108,500	108,500
Moorooroo Pty Ltd	26,250	26,250
M P Pfeiffer	-	-
M P & C J Pfeiffer	21,000	17,500
Total Number of Shares in the Company held by Directors and their Director Related Entities:	<b>728,000</b>	<b>707,000</b>

### 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 2016. 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	2016 (\$)	2015 (\$)
G M Davis	Geoff Davis & Associates	161,260	139,777



## 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 2016 \$	2015 \$
Cash and cash equivalents	5	1,675,364	6,738,643
Trade and other receivables	6	2,275,567	1,187,299
		<b>3,950,931</b>	<b>7,925,942</b>

#### Impairment losses

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

	Gross 2016 \$	Gross 2015 \$
Not past due	2,110,400	1,046,480
Past due 31-60 days	-	-
Past due 61-90 days	54,675	63,996
Past due 91 days and >	16,383	(3,051)
	<b>2,181,458</b>	<b>1,107,425</b>

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 \$2,181,458 at 30 June 2016, payments since received from customers for the period from 1 July 2016 to 9 August amount to \$1,849,850 and have been applied as follows: Not past due \$1,824,683 Past due 61-90 days \$7,438 and Past due 91 days and > \$17,729. 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 months or less	6 – 12 months	1 – 2 year	2 – 5 years	More than 5 years
Secured bank loans	1,368,210	(1,372,202)	(1,372,202)	-	-	-	-
Trade and other payables	283,725	(279,732)	(279,732)	-	-	-	-
Customer Rebate	330,000	(330,000)	(330,000)	-	-	-	-
	<b>1,977,942</b>	<b>(1,981,934)</b>	<b>(1,981,934)</b>	-	-	-	-

In addition, the Company maintains a \$1 million overdraft facility to cover seasonal fluctuations of cash flow that is secured over the assets of the Company. Interest would be payable at the rate of 9.90%.

Note 18 continued overleaf

# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2016

## 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	
	2016	2015
	\$	\$
<b>Fixed rate instruments</b>		
Financial liabilities	-	-
<b>Variable rate instruments</b>		
Financial assets	1,675,364	6,738,643
Financial liabilities	(1,368,210)	(2,800,210)
	<b>307,154</b>	<b>3,938,433</b>

#### Fair value sensitivity analysis for fixed rate instruments

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

## Note 19: COMMITMENTS

The company has no commitments as at balance date.

## Note 20: EVENTS SUBSEQUENT TO REPORTING DATE

Since reporting date, the South Australian State Government has announced that 100% water allocations (last year 100%) will apply to entitlements for River Murray Water for 2017. Water storage in the Murray Darling system is at 51% as at 31 July 2016 compared to 49% in 2015.

# Directors' Declaration

In the opinion of the Directors of the Company:

- (a) the financial statements and notes that are set out on pages 18 to 42, 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 2016 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.

13 September 2016

# Auditor's Independence Declaration



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

To: the directors of Barossa Infrastructure Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

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

A handwritten signature in blue ink, appearing to read 'S. Fleming'.

KPMG

A handwritten signature in blue ink, appearing to read 'S. Fleming'.

Scott Fleming  
*Partner*

Adelaide

13 September 2016





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

We have audited the accompanying financial report of Barossa Infrastructure Limited (the Company), which comprises the statement of financial position as at 30 June 2016, 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 2016 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).

A handwritten signature in blue ink, appearing to read 'Scott Fleming'.

KPMG

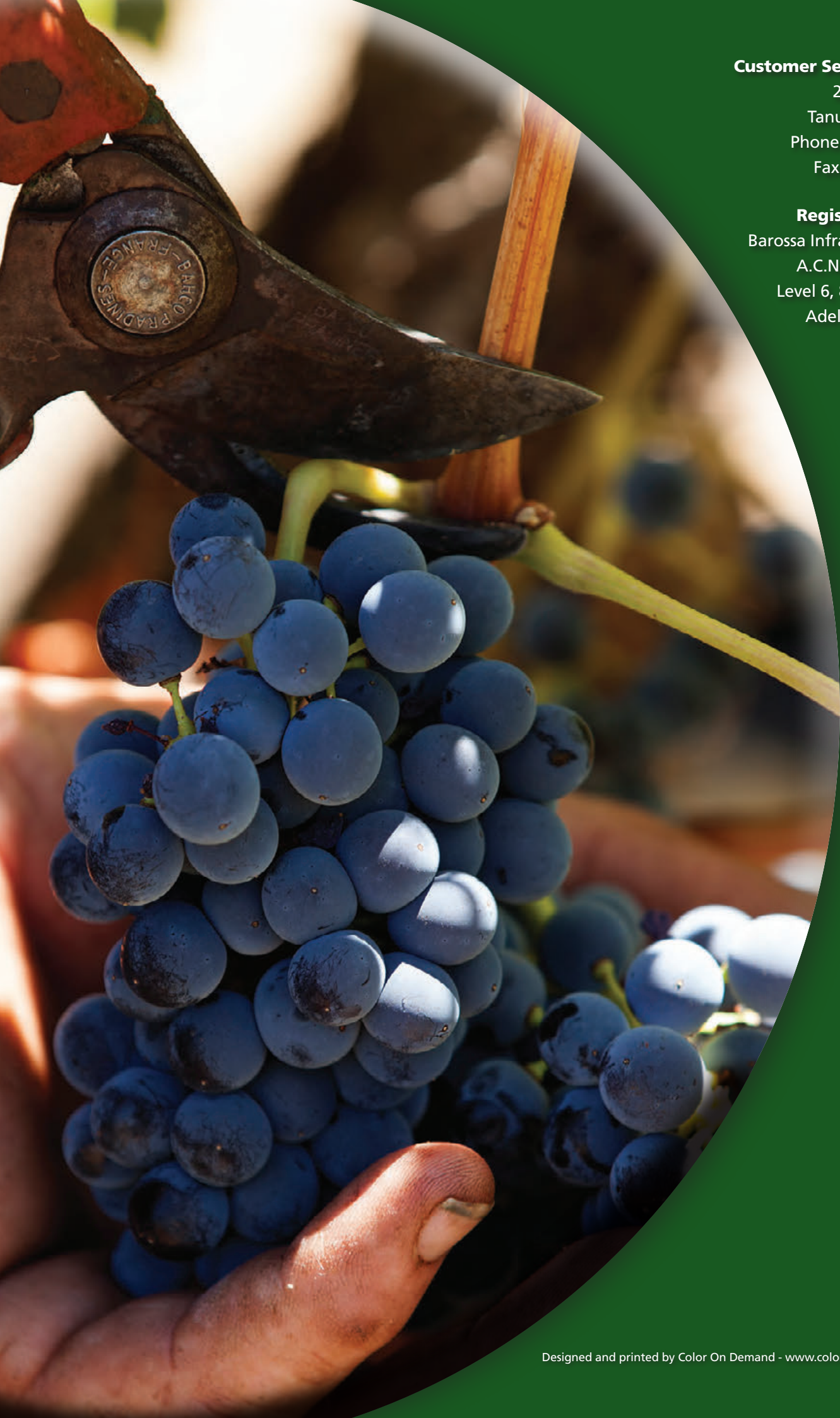
A handwritten signature in blue ink, appearing to read 'Scott Fleming'.

Scott Fleming  
*Partner*

Adelaide

13 September 2016





**Customer Service Centre**

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

**Registered Office**

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