

Barossa Infrastructure

LIMITED

ANNUAL REPORT  2019

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

Sam Dahlitz

Geoffrey Davis

Gayle Grieger

John Kerr

Timothy McCarthy

Victor Patrick

General Manager

Simon Schutz

Company Secretary

Geoffrey Davis

Corporate Adviser

Capital Strategies Pty Ltd
A.C.N. 008 181 173

Auditors

KPMG

Lawyers

Minter Ellison

Customer Service Centre

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

Registered Office

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

Website

<http://barossainfrastructure.com.au>

Directors



MR ROBERT CHAPMAN
Chairman



MR GRANT BURGE
Director



MR SAM DAHLITZ
Director



MR GEOFFREY DAVIS
Director



DR GAYLE GRIEGER
Director



MR JOHN KERR
Director



MR TIMOTHY MCCARTHY
Director



MR VICTOR PATRICK
Director



Highlights

Supply
310
customers

New
500_{ML}
+ storage

All customer
contracts
now run to
2040

11,419_{ML} record volume of
water delivered

Expansion to **11**_{GL}

BIL spend on own infrastructure

\$8.7 million

BIL spend on
SA Water infrastructure

\$6.9 million

Profit
for year
\$830,852

Net Assets
\$20.8
million

Bank Loan
\$10.5
million

River Murray Water Rights
owned or leased long term

6,382_{ML}

Paul Shanks retired as
General Manager after **18** years



Contents

Chairman's Report	5
General Manager's Report	8
Corporate Governance Statement	10
Directors' Report	13
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	47
Auditor's Independence Declaration	48
Audit Report	49



The financial year to 30 June 2019 was momentous for the Company on several fronts:

1. The expansion of the scheme to 11GL from 9GL was completed successfully on time and within budget with little or no disruption of supply to customers.
2. With the ongoing dry hot weather a record volume of water was delivered to customers.
3. The company remains in a strong healthy financial position notwithstanding the taking on of debt of \$10.5 million to help fund the expansion.
4. The retirement of our first General Manager, Mr Paul Shanks, who over his 18 years with the company saw it grow from 4GL to the current 11GL reliable supply of high quality water.
5. Original customers and those who signed up for water prior to 2017 were required to exercise their option to extend the term of their contract from 2020 to 2040. It is pleasing that all such customers have taken up the option reflecting the importance of BIL to the Barossa region.

Expansion to 11GL Complete

BIL's expansion to be able to supply customers 11GL per year is effectively complete. Thank you to Mr Borvin Kracman who, as Project Manager for the Scheme expansion, ensured the works were completed on schedule and cost effectively to a high standard, whilst minimising impacts to customers. Thank you also to BIL's contractors, Infrastructure Maintenance Services Pty Ltd

and Water Treatment Engineering, for undertaking a significant portion of the work and keeping customers supplied as much as possible.

The upgrades to SA Water's infrastructure required to supply the additional 2000ML was also completed for the start of summer, adding flexibility and security of supply via the Warren Reservoir.

Throughout the high demand summer, the expanded scheme performed extremely reliably with the new pumps and the water storage to the north of the scheme proving valuable additions to the project.

Drier and Warmer Weather

Weather conditions in the Barossa were challenging throughout 2018/19. In 2018, Nuriootpa received its lowest recorded rainfall of 291mm, while Tanunda fared better with 366mm but still well below the long-term average. The start to 2019 was very dry. Average temperatures were the hottest on record.

As a result, BIL supplied its customers 11,419ML of water, a 2,237ML increase on the previous record set in 2017/18. 60% of water supplied to customers occurred in July to December, indicating how dry the winter and spring of 2018 was.

Many customers requested additional temporary water. In addition to transfers between customers, BIL successfully negotiated with SA Water to increase the volume of water able to be transported to the Barossa. The company rationed an additional 674ML of water across customers who had registered interest.

Weather conditions across the Murray Darling Basin (BIL's primary water source) in 2018/19 were also challenging. The Bureau of Meteorology reports that the northern Basin is experiencing "the most severe [drought] in 120 years of records" while conditions in the southern Basin are significantly less severe. The net effect is reduced water allocation percentages in 2019/20, at least initially, for water users like BIL.

Reduced River Murray water allocations are already impacting BIL. However, the Board determined that BIL customer water entitlements will not be impacted until Water Year 2019/20, and only if the South Australian Class 3 River Murray allocation percentage is less than 100% on 1 October 2019.

River Murray Water Rights

It is a requirement that the Company hold River Murray water allocations for all water transported to BIL by SA Water. The Company holds a mix of entitlements that are owned and on long term leases, with temporary allocations purchased as needed to meet varying customer demands. The mix of entitlements is also spread over several trading zones on the River Murray, with the majority from South Australia.

262.753ML of entitlements were purchased in 2018/19, reflecting high prices due to the previously mentioned drier and hotter conditions across the Murray Darling Basin. BIL's historical average cost of entitlements purchased is \$2,422/ML whilst the current market price is in excess of \$6,000/ML.

The Company took the proactive step in April of purchasing a forward water allocation which provides 1,500ML of delivered water in the 2019/20 financial year. This purchase was made against a backdrop of a bleak allocation outlook and rising prices. In a positive sign, the allocation outlook is improving, particularly across South Australia where BIL holds most of its entitlements, however prices are not.

Consideration of Further Expansion and Recycled Water

With drier and warmer weather in the Barossa, customers have expressed a desire for more permanent water. BIL has received Expressions of Interest for more than 2GL of additional water, predominantly from existing customers.

At the Company's Strategic Planning Day in June, the Board decided the Company should begin investigations

into the viability of expanding the scheme, including consideration of using treated water from Bolivar wastewater treatment plant. This followed presentations from a grower group and a soil scientist that cautiously supported both expansion and use of recycled water of an appropriate quality.

The Board has committed to two fundamentals: Any further expansion will only proceed if the farm gate cost is maintained or reduced, and all customers receive water of a quality that is meaningfully the same as the current water source.

Financial

The Company made a profit after tax of \$830,852 after the application of a new Accounting Standard requiring Infrastructure Levies to be spread over the life of the contract to 2040 rather than be recognised in the water year to which it applied. The comparable profit for 2019 using the old standard was \$1,358,520 and in 2018 \$1,768,359.

Net assets are reported at a healthy \$20,766,632 but down from \$27,781,956 for 2018. The adoption of the new accounting standard saw an adjustment to retained earnings of \$7,846,176 at 1 July 2018 and the recognition of a liability of \$17.9 million for contract liabilities representing levies paid but not yet brought to account as income.

The bank loan facilities have been drawn down to \$10.5 million to part fund the scheme expansion.

Customer Contracts

I am pleased to report that all customers renewed their pre-2017 contracts to extend the expiry date to 30 September 2040.

A motion will be proposed at the upcoming AGM to modify all renewed customer contracts to align with 2017 contracts that have a right of renewal to 2060, which aligns with BIL's agreement with SA Water. In BIL's Water Year 2019/20, customer contracts will total

11,178ML made up of 8,832ML of Premium water and 2,346ML of Off Peak water.

Retirement of Paul Shanks

Mr Paul Shanks, BIL's General Manager since commissioning in 2001, retired from the Company at the end of June. I would like to extend my personal thanks to Paul for his leadership and guidance of BIL over such a long period of time. His technical engineering skills, can do approach when dealing with customers and dedication to quality water at the lowest sustainable price were invaluable at the commencement of the scheme and equally important to the successful completion of the latest expansion.

Under his watch, the Company has grown from 4GL supply in 2002 to the current 11GL underpinning the consistent productivity of the Barossa. Customer attendance at Paul's farewell function is further testament to his success at BIL.

Simon Schutz, who replaces Paul, started with the Company in March after working for many years as a consultant to BIL undertaking pipeline design and hydraulic computer modelling. He encourages all customers to "pop into the office" to introduce themselves.

HSE

There were no health, safety and environment issues reported to the Board.

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.

Future expansion of the project will only be in response to registered customer demand and will need to meet stringent water quality standards and cost parameters. The Board has restated the aim of maintaining the "community basis" of the scheme in that all customer contracts are priced the same and minimum delivery standards are also the same.

After all of the expansion, BIL remains a community project in that no shareholder owns more than 7% of the company.



Robert I Chapman

Chairman

10 September 2019



I would like to thank Mr Paul Shanks for sharing his wealth of knowledge as I transitioned into the General Manager's role. Paul's historical recollection of the who, what and why of BIL is invaluable and will be missed.

I would also like to thank BIL's Mrs Lisa Buckley and Mr Neville Skipworth, and BIL's main contractors Mr Steve Dewar and Mr Caleb Staehr from Infrastructure Maintenance Services Pty Ltd and Mr Chris Hoare of Water Treatment Engineering for helping get me up to speed.

River Murray

Consistent with the previous year, there were no restrictions on River Murray allocations in 2018/19 and water quality was high.

For the second year in a row, inflows into the Murray River have been in the lowest 10% on record. Storage levels in Murray Darling Basin Authority storage are increasing, and were 42% of active capacity on 1 August, compared with a long-term average of 72% at the same time of year. Hume and Dartmouth reservoirs are most important to BIL since these release a large part of the water that finds its way to South Australia. As at 1 August 2019 Hume is at 33% and Dartmouth at 62% of active capacity.

The allocation outlook for 2019/20 is improving, albeit with reduced allocations likely until early 2020. This will impact BIL's customers who will have their BIL water entitlement reduced to the same amount as

the South Australia River Murray class 3 (irrigation) allocation. Options will be available to BIL customers who need additional water, albeit at extra cost. Refer to the Drought Information memo attached to the July newsletter for further details.

The impact to BIL of continued dry weather is, and will continue to be, higher costs for annual allocation water. These costs are currently about two and a half times more expensive than last year's prices, and six times the price from two years ago.

Nuriootpa Community Wastewater Management Scheme

Barossa Council supplied BIL 272ML of treated recycled water in 2018/19, which represents 12% of the total water supplied to Gomersal Road customers and 2% of the total water supplied to BIL customers. For most of the year this was significantly diluted with River Murray water. Some customers again reported isolated odour and water quality issues in winter; these were rectified by flushing water through the line.

BIL engaged independent firm Seed Consulting Services to analyse water sampling data, speak with some customers and prepare the necessary reporting to SA Health for use of recycled water along Gomersal Rd. The 2017/18 report is on BIL's website and the 2018/19 report will be added when available.

Additional Temporary Water

BIL was able to supply additional temporary water to customers in 2018/19 because construction of additional capacity in SA Water and BIL's infrastructures were complete, whilst not all BIL customers had started taking their new water.

From Water Year 2019/20 this will have changed; BIL's agreement with SA Water allows for 11GL of water to be supplied from the River Murray, while BIL's customers have contracts totalling about 11GL. Therefore, the company is unlikely to be able to bring in additional temporary water in the foreseeable future. Customer's will need to rely on transfers between customers.

Expansion

The expansion to supply BIL customers 11GL per year is effectively complete. New and upgraded pump stations are complete, so too are the pipeline extensions and the 500ML water storage.

The water storage has already provided benefits beyond simply supplying water north of Sturt Highway. These include stabilising pressure fluctuations and increasing pressure at trouble spots. This has resulted in reduced operator input.

Remote monitoring of flow and pressure throughout the network is increasing. This allows BIL and its contractors to 'see' what is happening throughout the network, provides insights when investigating problems, and in some cases allows changes to equipment settings to be made remotely.

IT Security Upgrades

The company has twice been targeted through email. In both cases, vigilance by staff and a customer ensured there was no loss of money or data.

The company has and continues to implement increased IT security measures following internal and external reviews.

Importantly for customers, the company has no intention to change bank account details. If you receive communications purporting to be from BIL that request changes to payment methods, please do not make the payment but report it to BIL by telephone immediately.

Customers and Staff

I have already mentioned my thanks for BIL's staff and contractors. I would like to extend my thanks to the BIL Board who have a diverse background and set of skills which benefits BIL.

Finally, thank you to all of BIL's customers, many of whom have gone out of their way to introduce themselves to me. Please feel free to contact me if you require assistance or have any suggestions on how the company could service you – its customers and shareholders – better.



Simon Schutz
General Manager

10 September 2019

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 and 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, input from relevant organisations assists in meeting the Company's objectives and environmental requirements. This includes meeting ongoing environmental monitoring requirements.

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

Risk management for Barossa Infrastructure is summarised in the Corporate Governance Statement in the Annual Report. The risks were prioritised by the Board in 2013 and reviewed in 2019.

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 current WHS Act*
- *Further regular audits will document compliance and be included in the Board's agenda*

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*
- *An updated Water Transport Agreement was signed in June 2017 which provides for the agreement to now end in 2040 with an option for the Company to extend it to 2060; the agreement provides more certainty in costs escalation and allows for further expansions*
- *The new agreement is essentially similar to the previous with updated clauses for further expansion to 13,000 Megalitre capacity and a right to extend to 2060*
- *Includes principle of 'good faith decisions' in reviewing charges*

3. Management and Board Succession

- *A new database has been developed to contain all customer records and billing; with procedures in place for backup and off site secure storage*
- *Program of Board renewal underway to progressively introduce a range of new members with the appropriate mix of skills and experience to take the Company through its next stage, whilst retaining corporate knowledge*

- 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 form part of the water and environment management strategy
- The Nuriootpa Community Wastewater Management Scheme risk plan has been reviewed; annual reports are made to the Department of Health
- BIL has paid for existing monitoring sites and 6 additional sites as part of the storage safety procedures
- A regular review is carried out of the surface water aquifers which may be impacted by irrigation
- Site use approval for up to 12 Gigalitres a year was received on 8 February 2018

5. Safety of Pipeline and Pumping Stations

- The life of various assets has been 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
- Safety was a major consideration in the design, construction and operation of the new storage; an electrified fence has been provided to keep out wildlife
- Safe Operating Procedures have been developed for all items of plant and equipment
- Audits are carried out to confirm the actual process is compliant

6. Sustainability

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

7. Funding

- Construction of the works by BIL are complete and within budget; the loan for the works has been provided by Bendigo and Adelaide Bank
- 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
- The Board is developing an 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
- Customers who participated in the latest expansion will fully cover the repayment of the new debt for the expansion

8 Scheme Expansion

- The expansion of the Scheme was supported by a risk analysis to ensure all risks were identified and successfully managed
- This resulted in the expansion being completed on time, under budget and no significant loss of access to water for any customer during construction

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

Corporate Governance Statement

- *BIL is monitoring water allocations for the 2019/2020 year and has advised customers of options should the allocation be less than 100%*

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*
- *BIL is interested in the Northern Adelaide Irrigation Scheme (NAIS) expansion from Bolivar; this water must meet the BIL water quality contract requirements; if this additional source of water is available it will improve the sustainability of the Company*

11. Customer Contracts

- *Customer contracts for contracts up to 2015 have all been renewed by the customers to extend the expiry date from 2020 to 2040 as allowed in that contract*
- *BIL proposes to bring these contracts in line with the latest contract which have an option to extend to 2060. This will be done by a special resolution of shareholders at the 2019 AGM*

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 a relatively early stage with more useful information expected 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:

- 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 2019 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
Grant Walker Burge Director <i>Appointed 14 September 1998</i>	68	Vigneron Chief Executive Burge Corp Pty Ltd, Burge Barossa 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 and Current Board Member Former Chief Executive Grant Burge Wines Pty Ltd Past Director Krondorf Ltd, Mildara Ltd, Rycroft Vineyards Pty Ltd, Grant Burge Wines 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
Robert Ian Chapman Independent Director Assoc Dip Bus, FAICD, F Fin Chairman <i>Appointed 4 June 2012</i> <i>Member Executive Committee</i>	55	Director EFA 2019 - present Adelaide Football Club (Chairman 2008 – present) Fortisago (Chairman 2015) Director Coopers Brewery 2017 - present 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>Past 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)

Directors' Report

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Samuel Paul Dahlitz Director <i>Appointed 29 April 2019</i>	45	Vigneron and Vineyard Contractor Director Stonewell Contracting Pty Ltd Director Dahlitz Estate Director Hallett Valley Vineyards Pty Ltd Director Stonewell Vintners Pty Ltd Committee Member Lone Pine Tanunda Branch of Agricultural Bureau of SA 1993-2019 Barons of Barossa Vigneron of the Year 2013
Geoffrey Maxwell Davis B Ec, FCA, CTA Independent Director Company Secretary <i>Appointed 3 August 1999</i> <i>Member Executive Committee</i>	71	Chartered Accountant, Principal Geoff Davis & Associates Past Chairman AC Johnston Pty Ltd (Pirramimma Wines) Past Partner Ernst & Young Board Member of Sevenhill Cellars Past Chair of Saint Ignatius College Council Past Member SA Egg Board
Gayle Robin Grieger B Sc (Hon), PhD Independent Director <i>Appointed 2 February 2004</i>	47	Environmental Policy and Planning Principal Advisor, Department for Water and Environment Member Australian Soil Science Society Past Member Australian Society of Viticulture & Oenology Past Committee Member 7th South Australian Rural Women's Gathering
John Leslie Kerr Independent Director B Ec, FCA, F Fin <i>Appointed 2 May 2017</i>	55	Chartered Accountant Director – Capital Strategies Pty Ltd Director – Capital Family Office Pty Ltd Director – Aged Care Homes Inc Director – The Creeks Pipeline Company Ltd Past Member – Premier's Climate Change Council (2008-2011) Past Board Member – Cancer Council of South Australia Inc (2003-2010) Past Chair – Advisory Board – South Australia Centre for Economic Studies (2000-2008)

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Timothy James McCarthy Director <i>Appointed 28 February 2017</i>	38	Vigneron Director Janimiti Pty Ltd Viticulture Operations Manager – Pernod Ricard Winemakers Past Barossa Grape and Wine Association Board Member Past Grape Barossa Committee Member Past Member Coonawarra Grape Growers Committee Past Member Padthaway Grape Growers Committee Past Member Limestone Coast Wines Technical Committee 2015-2011 National Vineyard Manager, Pernod Ricard Winemakers 2011-2007 Regional Manager South East, Pernod Ricard Winemakers 2007-2005 Vineyard Manager Yarra Valley, Fosters Group
Victor John Patrick Independent Director <i>Appointed 28 April 2008</i> <i>Member Executive Committee</i>	75	Director Graymoor Estate Joint Venture Director Farmer Eden Valley/Kalangadoo Diploma – Viticulture, Vinification, Wine Chemistry & Technology Oenological Diploma Agriculture Past 2004-1996 Director Viticulture Foster's Group Past 1996-1987 Director Global Viticulture Mildara Blass Ltd Past 1987-1985 Ass. General Manager Vineyards Southcorp Wines Past Chairman Wine Grape Growers Australia Past Member Wine Grape Council of SA Past Member SA Wine Industry Assoc. Environment Committee Past Member University of Adelaide School of Agriculture Food & Wine Advisory Board Past Chairperson SE Soil Conservation Board Past Chairperson SA Wine Industry Council Past President SA Wine Industry Association Past Member SA Soil Conservation Board Past Member Lower SE Water Resources Committee Past Member SE Catchment Management Board Past Member SA Water Resources Council

Directors' Report

Directors' Meeting Attendance

For the year ended 30 June 2019, there have been 7 meetings of Directors. Those Directors and their attendance at meetings are as follows:

Director	Board Meetings	
	A	B
G W Burge	7	7
R I Chapman	7	7
G M Davis	7	7
S P Dahlitz	2	2
G R Grieger	7	7
J L Kerr	6	7
T J McCarthy	7	7
V J Patrick	7	7

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Principal Activities

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

- The delivery of water to customers from the pipeline
- The continual addressing of technical and operating matters to ensure the reliable operation of the pipeline system
- Securing sufficient River Murray Water Rights to enable delivery of water in accordance with the supply contract with SA Water
- Construction of infrastructure, including a 500ML water storage, for extending the volume of water supplied under the scheme from 9GL to 11GL

Review of Operations

The net profit after providing for income tax amounted to \$830,852. No water restrictions applied to River Murray Water Rights for the 2019 year and customers were entitled to take 100% of their contracted amounts. The dry spring and hot summer following a similar pattern in 2017/2018, together with the

scheme expansion, resulted in record delivery of water for the financial year to 30 June 2019. The cost of leasing temporary water rights rose significantly during the peak demand period resulting in a doubling of water lease expense compared to 2018.

The Company adopted the new accounting standard, AASB 15 *Revenue from Contracts with Customers*, for the first time this year. Infrastructure levies have until now been recognised as revenue in the water year to which they applied. The new standard requires the levies to be spread over the 40 years of the customer's water contract. Note 1 (d) shows in tabular form the comparison of profit calculated on the same basis. The 2019 profit after tax calculated under accounting standards in effect during the prior period is \$1,358,520, compared to the 2018 audited profit after tax of \$1,768,359.

State of Affairs

The Company completed a capital expenditure program of \$16.0 million, to increase the water supply to 11GL. This involved SA Water infrastructure upgrades as well as BIL's own infrastructure to deliver the further 2GL at contracted pressure and flow rates.

Loan facilities of \$13.0 million have been entered into to part finance the expansion project and acquire additional River Murray Water Rights. The facilities have been drawn down to \$10.5 million at 30 June 2019.

No share capital was issued during the year and total share capital at 30 June 2019 is \$15,395,637.

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 2017 AGM, is not to exceed \$210,000 per annum. Directors' fees and the 9.50% super guarantee for 2019 amounted to \$178,360.

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 expanded supply of 11GL. 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 seventeenth full "water year" on 30 September 2019.

The current progressive expansion over 3 years has resulted in new and upgraded pumps and pump stations, additional pipelines and a large water storage north of the Sturt Highway. The increased infrastructure costs payable under the Water Transport Agreement and the additional BIL own infrastructure, including significant storage, have been funded by share capital and ongoing levies raised on the new water contracts.

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 \$13,282 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 as at 1 September 2019, a 74% water allocation for 2020. The announcement indicated a 99% probability of 100% allocation by April 2020, given an extremely dry year.

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 48 and forms part of the Directors' Report for the financial year ended 30 June 2019.

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



R I Chapman

Director



G M Davis

Director

Tanunda, S.A.

10 September 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Sale of Water		10,094,837	8,554,943
Cost of Sales		(11,297,359)	(7,997,026)
Gross Profit/(Loss)		(1,202,522)	557,917
Infrastructure Levies Revenue		3,610,973	3,778,419
Other Income		6	60,778
Administrative Expenses		(1,238,624)	(1,124,808)
Results From Operating Activities		1,169,833	3,272,306
Financial Income		55,601	66,013
Financial Expenses		(394,582)	(29,775)
Net financing (expense)/income		(338,981)	36,238
Profit Before Tax		830,852	3,308,544
Income Tax Expense	4 (a)	-	(1,540,185)
Profit After Tax		830,852	1,768,359
Total Comprehensive Income		830,852	1,768,359

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2019

	Attributable to equity holders of the Company		
	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2017	15,166,387	10,617,960	25,784,347
Total comprehensive income			
Profit after tax	-	1,768,359	1,768,359
Contributions by Owners of the Company			
Issue of ordinary shares	229,250	-	229,250
Balance at 30 June 2018	15,395,637	12,386,319	27,781,956
Balance at 1 July 2018	15,395,637	12,386,319	27,781,956
Adjustment on initial application of AASB 15 net of tax		(7,846,176)	(7,846,176)
Total comprehensive income			
Profit after tax	-	830,852	830,852
Contributions by Owners of the Company			
Issue of ordinary shares	-	-	-
Balance at 30 June 2019	15,395,637	5,370,995	20,766,632

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	4,273,688	2,602,217
Trade and Other Receivables	6	2,344,225	1,999,491
Other Assets	7	2,777,738	1,392,841
Total Current Assets		9,395,651	5,994,549
Non-current Assets			
Other Assets	7	3,604,389	3,598,349
Property, Plant and Equipment	8	21,201,758	20,479,037
Intangible Assets	9	15,985,391	10,022,173
Total Non-current Assets		40,791,538	34,099,559
TOTAL ASSETS		50,187,189	40,094,108
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	828,927	1,655,620
Employee Benefits	15	161,320	137,062
Loans & Borrowings	11	1,858,000	-
Deferred Income	16	-	4,388,655
Contract Liabilities	16	3,462,992	-
Total Current Liabilities		6,311,239	6,181,337
Non-current Liabilities			
Loans & Borrowings	11	8,642,000	2,500,000
Deferred Income	16	-	1,398,558
Contract Liabilities	16	14,467,318	-
Deferred Tax Liabilities	4 (d)	-	2,232,257
Total Non-current Liabilities		23,109,318	6,130,815
TOTAL LIABILITIES		29,420,557	12,312,152
NET ASSETS		20,766,632	27,781,956
EQUITY			
Issued Capital	12	15,395,637	15,395,637
Retained Earnings	12	5,370,995	12,386,319
TOTAL EQUITY		20,766,632	27,781,956

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers		15,022,067	13,088,068
Cash Paid to Suppliers and Employees		(12,925,310)	(7,813,465)
Cash from Operating Activities		2,096,757	5,274,603
Interest Received		55,151	68,109
Interest Paid		(369,210)	(1,025)
Income Taxes Refunded/(Paid)		-	23,327
Net Cash from Operating Activities	14	1,782,698	5,365,014
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		25,203	-
Acquisition of Property, Plant and Equipment		(1,910,590)	(6,587,335)
Acquisition of Intangibles		(6,225,840)	(4,112,505)
Net Cash used in Investing Activities		(8,111,227)	(10,699,840)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the Issue of Share Capital		-	168,000
Proceeds from Borrowings		8,000,000	2,500,000
Borrowing Expenses		-	(25,850)
Net Cash from Financing Activities		8,000,000	2,642,150
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,671,471	(2,692,676)
Cash and Cash Equivalents at 1 July*		2,602,217	5,294,893
Cash and Cash Equivalents at 30 June	5	4,273,688	2,602,217

*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 2019

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 10th September 2019. 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 are effective for annual periods beginning after 1 January 2018 and earlier adoption is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

A AASB 16 Leases

The Company is required to adopt AASB 16 *Leases* from 1 July 2019. The Company is in the process of assessing the estimated impact that initial application of AASB 16 will have on its financial statements, as described below. The actual impacts of adopting the standard on 1 July 2019 may change because the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

AASB 16 replaces existing leases guidance, including AASB 17 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB 115 *Operating Leases – Incentives* and AASB 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

i. Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of office and storage facilities. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Company's finance leases.

ii. Transition

The Company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore,

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

(c) 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 (e) – revenue from contracts with customers and infrastructure levies under AASB 15
- note 1 (i) – valuation of financial instruments
- note 1 (j) and (k) – 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.

(d) Changes in significant accounting policies

The Company has initially applied AASB15 (see A) and AASB 9 (see B) from 1 July 2018. A number of other new standards are effective from 1 July 2018, but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is attributed to the later recognition of revenue from infrastructure levies and the earlier recognition of unused water revenue.

A. AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations.

The Company has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The following table summarises the impact, net of tax, of transition to AASB 15 on retained earnings at 1 July 2018.

Retained earnings	Impact of adopting AASB 15 at 1 July 2018
Infrastructure Levies recognised over the remaining life of the contract	\$10,078,433
Related Tax	(\$2,232,257)
Impact at 1 July 2018	\$7,846,176

The following tables summarise the impacts of adopting AASB 15 on the Company's statement of financial position as at 30 June 2019 and its statement of profit or loss and OCI for the year then ended for each of the line items affected. There was no material impact on the Company's statement of cash flows for the year ended 30 June 2019.

Impact on the statement of financial position

30 June 2019	As reported	Adjustments	Amounts without adoption of AASB 15
Assets			
Current assets			
Cash and cash equivalents	4,273,688	-	4,273,688
Trade and other receivables	2,344,225	-	2,344,225
Other Assets	2,777,738	(6,765)	2,770,973
Total Current assets	9,395,651	(6,765)	9,388,886
Total Non-current assets	40,791,538	-	40,791,538
Total assets	50,187,189	(6,765)	50,180,424
Liabilities			
Current liabilities			
Trade and other payables	828,927	-	828,927
Employee Benefits	161,320	-	161,320
Loans & borrowings	1,858,000	-	1,858,000
Deferred income	-	5,375,013	5,375,013
Contract liabilities	3,462,992	(3,462,992)	-
Total Current liabilities	6,311,239	1,912,021	8,223,260
Non-current liabilities			
Loans & borrowings	8,642,000	-	8,642,000
Deferred income	-	1,484,380	1,484,380
Contract liabilities	14,467,318	(14,467,318)	-
Deferred tax liabilities	-	2,690,308	2,690,308
Total Non-current liabilities	23,109,318	(10,292,630)	12,816,688
Total liabilities	29,420,557	(8,380,609)	21,039,948
Net Assets	20,766,632	8,373,844	29,140,476
Equity			
Retained earnings	5,370,995	8,373,844	13,744,839
Issued capital	15,395,637	-	15,395,637
Total equity	20,766,632	8,373,844	29,140,476

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Impact on the statement of profit or loss and other comprehensive income

For the year ended 30 June 2019	As reported	Adjustments	Amounts without adoption of AASB 15
Continuing operations			
Sale of water	10,094,837	(6,765)	10,088,072
Cost of Sales	(11,297,359)	-	(11,297,359)
Gross Loss	(1,202,522)	(6,765)	(1,209,287)
Infrastructure levies revenue	3,610,973	992,482	4,603,455
Other income	6	-	6
Administrative expenses	(1,238,624)	-	(1,238,624)
Result from operating activities	1,169,833	985,717	2,155,550
Net financing costs	(338,981)	-	(338,981)
Profit before tax	830,852	985,717	1,816,569
Income tax expense	-	(458,049)	(458,049)
Profit after tax	830,852	527,668	1,358,520
Total comprehensive profit for the period	830,852	527,668	1,358,520

The details of new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's goods and services are set out below.

Under AASB 15, revenue is recognised when a customer obtains control of the goods and services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The effect of initially applying AASB 15 on the Company's revenue from contracts with customers is described below. Due to the transition method chosen in applying AASB15, comparative information has not been restated to reflect the new requirements.

i Unused Water: Under AASB 18, revenue for unused water was recognised at the end of the water year when it was able to be measured accurately.

AASB 15 requires the estimated water charge for unused water to be spread lineally over the water year at any financial reporting date.

For 31 December reporting only 3 months of the current water year has expired and the peak irrigation period has not occurred. In view of the significant uncertainty of the volume of unused water that will be charged in the following 30 September, no amount is accrued for the quarter. The half year reflects the unused water pertaining to the last quarter of the previous water year, ending in September.

For 30 June after the peak demand period the Company is in a better position to estimate the quantum of unused water expected at the following 30 September. Accordingly $\frac{3}{4}$ of that estimated charge is recognised at 30 June.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

ii Infrastructure Levies: Under AASB 18, revenue for levies was recognised in the water year attributed to the levy schedule in the customer contract.

For contracts issued prior to 2017 levies are recognised over the initial contract term. The balance, which is the value attributed to the right of renewal of the water contract to 2040, is recognised over the renewal period. The portion attributed to the right of renewal is calculated by discounting the levies payable under a current contract to 2001 dollars using a discount rate approximating the Company's weighted average cost of capital.

For the contracts issued from 2018 onwards which provide customer access to the infrastructure until 2040, the levies are spread proportionately over the contract term.

B. AASB 9 Financial Instruments

AASB 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

There is no impact to the Company on the transition or adoption of AASB 9.

i. Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 39 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirement in AASB 39 for the classification and measurement of financial liabilities.

ii. Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

On 1 July 2018 (the date of initial application of AASB 9), the Company's management assessed which business models apply to the financial assets held by the Company and classified its financial instruments into the appropriate AASB 9 categories. The table below summarises the impacts in classification and measurement of financial assets under AASB 139 and AASB 9 at the date of initial application, 1 July 2018: The Company does not expect to recognise any impairment in relation to trade receivables based on past history. The Company has not experienced any credit loss over the history of its operations and does not expect to in the future.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

	Classification		Carrying amount (\$)		
	Original under AASB 139	New under AASB 9	Original amount: AASB 139	Additional allowance recognised under AASB 9	New amount: AASB 9
Cash and cash equivalent	Loans and receivables	Amortised cost	2,602,217	-	2,602,217
Trade and other receivables	Loans and receivables	Amortised cost	1,999,491	-	1,999,491

(e) Revenue Recognition

Revenue is recognised when the Company transfers control of the goods or service to the customer. Revenue is recognised to the extent, there is no future obligation. Where there is future obligation, a portion is deferred over the expected contract period. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer. The Company's revenue does not have a significant financing component so the transaction (invoice) price is considered to be their amortised cost.

The Company's revenue is disaggregated by major products and services. The Company's main revenue streams are as follows:

Sale of water

For the sale of water, revenue is currently recognised when the water passes through the customer's meter and the related risks and rewards of ownership transfer.

Infrastructure levies

The customer contract for the supply of water requires the payment of levies based on the quantity of water contracted. Revenue from infrastructure levies is recognised over the period of the contract, including renewals.

Finance Income

Finance income comprises interest income on funds invested and interest charged on overdue accounts in accordance with the customer contract. Interest income is recognised as it accrues in Statement of Profit or Loss, using the effective interest method.

Sale of Non-current Assets

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

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

Contract Balances

Information about receivables and contract liabilities from contracts with customers are disclosed in Note 6 and Note 16 respectively.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(f) 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.

(g) 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.

(h) 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
- unused tax losses to the extent that it is not probable that future tax profits will be available against which they can be used

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.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

(i) Financial Instruments

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

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. 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.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

The Company classifies its financial instruments as financial assets at amortised cost and financial liabilities at amortised cost. The classification depends on the purpose for which the financial instruments were acquired, which is determined at initial recognition based upon the business model of the Company.

The Company has the following non-derivative financial assets:

- Cash and cash equivalents
- Loans and receivables

(ii) Non-derivative financial assets - measurement

Amortised Cost

The Company classifies its financial assets at amortised cost if the asset is held with the objective of collecting contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. These include trade receivables and bank term deposits. Bank term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are financial assets at amortised cost and are included in current assets, except for those with maturities greater than 12 months after the reporting date.

(iii) Non-derivative financial liabilities - measurement

On initial recognition, the Company measures a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

financial liability. After initial recognition trade payables and interest bearing loans and borrowings are stated at amortised cost.

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 AASB 112.

(j) Property, Plant and Equipment

(i) Recognition and measurement

Items of 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.

(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.

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:

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

	2019	2018
Pipeline & Installation	3.75% - 40%	3.75% - 40%
Water Storage – 500ML	8.99% - 20%	8.99% - 20%
Pumps & Installation	3.75% - 50%	3.75% - 50%
Meters & Installation	10% - 40%	10% - 40%
Office Furniture & Equipment	7.5% - 66.6%	7.5% - 66.6%
Motor Vehicles	16.6% - 25%	16.6% - 25%
Leasehold Improvements	2.5% - 13.3%	2.5% - 13.3%

(j) Intangible Assets

(i) River Murray Water Rights

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

(ii) Other Intangible Assets

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

(iii) 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 amortisation rates for the current and comparative periods are as follows:

	2019	2018
Software	20%	20%
SA Water Capital Works	4%	4%

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

(k) Impairment

(i) Non-derivative financial assets

The Company considers evidence of impairment for financial assets measured at both a specific asset and a collective level. All individually significant assets are assessed for specific 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.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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

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.

(I) Financial Risk Management

Overview

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

- credit risk
- liquidity risk
- market risk

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 recent 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 (2018: 7%) of the Company's revenue.

The majority of the Company's customers have been transacting with the Company for over ten years, and no losses have occurred.

The Company has not established an allowance for impairment due to the historical success in controlling receivables. The credit policy of the Company requires that all overdue receivables are actively followed up. Receivables are reviewed bi-annually to assess whether any indications of impairment are evident.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Market Risk

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

Interest rate risk

The Company is carrying debt at variable rates due to favourable market rates, but continues to monitor developments in the market that would influence a change from the current position.

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.

(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.

(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) 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.

	2019 \$	2018 \$
Note 2: PERSONNEL EXPENSES		
Wages, salaries and directors fees	556,550	503,069
Other associated personnel expenses	6,999	13,390
Contributions to defined contribution superannuation funds	65,765	65,579
Increase in liability for annual leave	4,988	181
Increase in liability for long service leave	19,270	9,012
	653,572	591,231

Note 3: AUDITOR'S REMUNERATION

Auditors of the Company: KPMG Australia		
Audit of the financial statements	43,375	33,900
Other Services: Taxation Advice	3,588	3,229
	46,963	37,129

Note 4: INCOME TAX EXPENSE

(a) Recognised in the statement of comprehensive income

Current period	-	-
Deferred tax expense		
Origination/(Reversal) of temporary differences	401,419	1,540,185
Deferred tax asset not recognised	(352,139)	-
Recognition of previously unrecognised tax losses	(49,280)	-
Total income tax expense	-	1,540,185

(b) Numerical reconciliation between tax expense and pre-tax accounting profit

Profit before tax	830,852	3,308,544
Income tax using company tax rate of 27.5%	228,484	909,850
Increase/(Decrease) in income tax expense due to:		
Non-deductible expenses	1,506	510
Non-deductible depreciation	6,267	6,644
Utilisation of prior year losses not previously recognised	(49,280)	-
Current year losses for which no deferred tax asset is recognised	-	623,181
Movement in deferred tax liability offset by deferred tax asset	(186,977)	-
Income tax expense on pre-tax net profit	-	1,540,185

Deferred tax assets have not been recognised in respect of unassessed carried forward tax losses of \$2,086,915, because it is not probable that future taxable profit will be available against which the Company can use the benefits.

Note 4 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

	2019	2018
	\$	\$
(c) Current Tax Liabilities		
<i>Movements during the year:</i>		
Balance at beginning of year	-	(23,327)
Income tax refunded/(paid): operating activities – prior year	-	23,327
Current year's income tax expense on pre-tax profit	-	1,540,185
Current year's timing differences for accounting and income tax purposes	-	(1,540,185)
Less Instalments Paid	-	-
	-	-

(d) Deferred Tax Assets and Liabilities

Deferred tax liability is attributable to :

Property, plant and equipment	1,680,113	1,733,891
Accrued interest income	490	367
Prepaid Expenses	306,228	236,064
Intangible Assets – Capital Works	764,718	324,111
Accrued water sales - unused	1,860	-
	2,753,409	2,294,433

Deferred tax asset is attributable to:

Employee benefits	44,439	38,406
Borrowing Costs	5,225	6,792
Contract liabilities	3,044,309	-
Cost of Equity	9,272	13,908
Legal Fees	2,303	3,070
Deferred tax not recognised	(352,139)	-
	2,753,409	62,176
Net Deferred Tax Liabilities	-	2,232,257

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

Contract liability	812,052	-
Property, plant and equipment	53,778	(1,359,466)
Interest income	(123)	576
Prepaid Expenses	(70,164)	(72,686)
Intangible Assets – Capital Works	(440,607)	(105,840)
Accrued water sales	(1,860)	-
Employee benefits	6,033	2,677
Borrowing Costs	(1,567)	6,403
Government Grant	-	(10,283)
Cost of Equity	(4,636)	(4,636)
Legal Fees	(767)	3,070
Deferred tax not recognised	(352,139)	-
Net movement	-	(1,540,185)
Net movement through equity on adoption of AASB 15	2,232,257	-

(f) Dividend Franking Account

The amount of franking credits available to shareholders of Barossa Infrastructure Ltd for subsequent financial years is \$3,909,472 (2018 : \$3,909,472). The ability to utilise the franking credits is dependent upon the capacity to declare dividends.

Note 5: CASH AND CASH EQUIVALENTS

Cash and cash equivalents	4,273,688	2,602,217

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

Note 6: TRADE AND OTHER RECEIVABLES

Trade Debtors	2,188,588	1,632,760
Sundry Debtors	40,000	25,004
Net GST Receivable	115,637	341,727
	2,344,225	1,999,491

Note 7: OTHER ASSETS

Current

Prepayments	1,754,930	219,988
Accrued Income – Water Sales	1,021,025	1,005,700
Accrued Income – Infrastructure levies and Interest	1,783	6,333
Other Assets	-	160,820
Total Current Other Assets	2,777,738	1,392,841

Non-Current

Prepayments	3,604,389	3,598,349
Total Non-Current Other Assets	3,604,389	3,598,349

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

	2019 \$	2018 \$
Note 8: PROPERTY, PLANT & EQUIPMENT		
Pipeline and Installation		
At cost	29,173,779	29,146,345
Less: Accumulated Depreciation	(16,829,828)	(16,131,860)
Total Pipeline and Installation	12,343,951	13,014,485
Water Storage		
At cost	3,993,280	3,993,280
Less: Accumulated Depreciation	(359,052)	-
Total Water Storage	3,634,228	3,993,280
Pumps and Installation		
At cost	2,836,069	2,440,197
Less: Accumulated Depreciation	(1,376,123)	(1,294,966)
Total Pumps and Installation	1,459,946	1,145,231
Meters and Installation		
At cost	2,406,076	2,406,076
Less: Accumulated Depreciation	(1,977,704)	(1,855,668)
Total Meters and Installation	428,372	550,408
Capital Works in Progress		
At cost	3,234,747	1,676,063
Less: Accumulated Depreciation	-	-
Total Capital Works in Progress	3,234,747	1,676,063
Office Equipment		
At cost	84,760	82,127
Less: Accumulated Depreciation	(66,541)	(61,324)
Total Office Equipment	18,219	20,803
Motor Vehicles		
At cost	91,620	91,836
Less: Accumulated Depreciation	(22,575)	(26,866)
Total Motor Vehicles	69,045	64,970
Leasehold Improvements		
At cost	15,606	15,606
Less: Accumulated Depreciation	(2,356)	(1,809)
Total Leasehold Improvements	13,250	13,797
Total Property Plant & Equipment net book value	21,201,758	20,479,037

	2019 \$	2018 \$
Note 8: PROPERTY, PLANT & EQUIPMENT <i>continued</i>		
Reconciliations		
Pipeline and Installation		
Carrying Amount at Beginning of Year	13,014,485	12,931,444
Acquisitions	27,434	777,204
Depreciation	(697,968)	(694,163)
Carrying Amount at End of Year	12,343,951	13,014,485
Water Storage		
Carrying Amount at Beginning of Year	3,993,280	-
Acquisitions	-	3,993,280
Depreciation	(359,052)	-
Carrying Amount at End of Year	3,634,228	3,993,280
Pumps and Installation		
Carrying Amount at Beginning of Year	1,145,231	958,622
Acquisitions	395,872	256,506
Depreciation	(81,157)	(69,897)
Carrying Amount at End of Year	1,459,946	1,145,231
Meters and Installation		
Carrying Amount at Beginning of Year	550,408	571,487
Acquisitions	-	115,044
Depreciation	(122,036)	(136,123)
Carrying Amount at End of Year	428,372	550,408
Capital Works in Progress		
Carrying Amount at Beginning of Year	1,676,063	70,926
Acquisitions	1,981,990	6,740,279
Transfers to Assets and Expenses	(423,306)	(5,135,142)
Carrying Amount at End of Year	3,234,747	1,676,063
Office Equipment		
Carrying Amount at Beginning of Year	20,803	21,153
Acquisitions	5,471	8,906
Disposals	(182)	(377)
Depreciation	(7,873)	(8,879)
Carrying Amount at End of Year	18,219	20,803
Motor Vehicles		
Carrying Amount at Beginning of Year	64,970	81,976
Acquisitions	45,913	426
Disposals	(25,021)	-
Depreciation	(16,817)	(17,432)
Carrying Amount at End of Year	69,045	64,970

Note 8 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

	2019 \$	2018 \$
Note 8: PROPERTY, PLANT & EQUIPMENT <i>continued</i>		
Leasehold Improvements		
Carrying Amount at Beginning of Year	13,797	14,371
Depreciation	(547)	(574)
Carrying Amount at End of Year	13,250	13,797
Total Depreciation Expense for Year	1,285,450	927,068

Note 9: INTANGIBLE ASSETS

River Murray Water Rights – at cost

Carrying Amount at Beginning of Year	6,090,126	3,382,065
Acquisitions	1,109,840	2,708,061
Carrying Amount at End of Year	7,199,966	6,090,126

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	3,910,587	2,236,713
Acquisitions	5,116,000	1,770,000
Less: Amortisation	(255,993)	(96,126)
Carrying Amount at End of Year	8,770,594	3,910,587

This is the portion of the increased capacity fee paid to SA Water to specifically build infrastructure to enable the project to move from 8GL to 11GL. The fee is amortised over the period of the contract with SA Water to 2040.

Software – at cost

Carrying Amount at Beginning of Year	21,460	28,292
Disposals	-	(191)
Less: Amortisation	(6,629)	(6,641)
Carrying Amount at End of Year	14,831	21,460

Total Intangible Assets at net book value	15,985,391	10,022,173

2019	2018
\$	\$

Note 10: TRADE AND OTHER PAYABLES

Current

Trade Creditors	204,503	510,132
Other Creditors and Accruals	624,424	1,145,488
	828,927	1,655,620

Note 11: INTEREST BEARING LOANS AND BORROWINGS

Current

Secured Loan – Bendigo Bank Ltd	1,858,000	-
Total Current Interest Bearing Loans and Borrowings	1,858,000	-

Non-Current

Secured Loan – Bendigo Bank Ltd	8,642,000	2,500,000
Total Non-Current Interest Bearing Loans and Borrowings	8,642,000	2,500,000

Bank Loans

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. The Company has seasonal overdraft facilities of \$1.0 million which is secured by the same Deed of Charge.

The Company entered into a Construction Loan with a total facility of \$13m. During the year drawdowns of \$8m occurred resulting in cash inflows from financing activities of \$8m. The Construction Loan reverted to a Principal and Interest loan facility and is repayable over 7 years. The interest rate on the current facility is carried at variable rates that amounted to 4.08% at 30 June 2019. The Company has met all covenants under the loan facility for the 2019 financial year.

Note 12: MOVEMENTS IN EQUITY

Ordinary Shares

Balance at the Beginning of the Year	15,395,637	15,166,387
Shares Issued	-	229,250
Total Share Capital	15,395,637	15,395,637

No ordinary shares were issued during the year (2018 : 229,250).

Retained Earnings

Retained earnings at beginning of year	12,386,319	10,617,960
Adjustment on initial application of AASB 15 net of tax	(7,846,176)	-
Total recognised income and expense	830,852	1,768,359
Balance at end of year	5,370,995	12,386,319

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

2019
\$

2018
\$

Note 13: LEASES

Non-cancellable operating leases are payable as follows

Within one year	682,276	467,366
One year or later and not later than five years	1,611,883	1,193,366
Later than five years	-	176,488
	2,294,159	1,837,220

The Company leases River Murray Water Rights, office and storage premises under non-cancellable operating leases for periods from 1 to 5 years. Lease payments comprise a base amount plus a movement in the Consumer Price Index.

Note 14: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Profit after tax	830,852	1,768,359
Adjustments for:		
Depreciation and Amortisation	1,717,219	1,199,093
Loss on Sale of Non-Current Assets	111	568
Finance Costs	-	25,850
Income Tax Expense	-	1,540,185
Operating profit before changes in working capital	2,548,182	4,534,055

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

(Increase)/Decrease in Receivables	(681,018)	288,897
Increase in contract liabilities	2,064,662	855,701
Net GST Received/(Paid)	238,884	(15,607)
Increase in Prepayments & Accrued Income	(1,536,793)	(182,766)
Decrease in Creditors	(369,025)	(210,113)
(Decrease)/Increase in Accruals	(506,452)	62,327
Increase in Provisions and Employee Benefits	24,258	9,193
Income Taxes Refunded	-	23,327

Net Cash from Operating Activities	1,782,698	5,365,014

	2019 \$	2018 \$
Note 15: EMPLOYEE BENEFITS		
Aggregate Liability for Employee Entitlements		
Current		
- Liability for annual leave	60,329	55,341
- Liability for long service leave	100,991	81,721
	161,320	137,062
Number of Employees at Year End	5	5

Note 16: DEFERRED INCOME/CONTRACT LIABILITIES

Current		
Income in Advance	-	4,388,655
Contract Liabilities	3,462,992	-
Total Current Deferred Income/Contract Liabilities	3,462,992	4,388,655
Non-Current		
Income in Advance	-	1,398,558
Contract Liabilities	14,467,318	-
Total Non-current Deferred Income/Contract Liabilities	14,467,318	1,398,558
Changes in the contract liabilities balance during the year is as follows:		
Balance transferred from Income in Advance	5,787,213	-
Balance arising on adoption of AASB 15	10,087,433	-
Revenue recognised during the year	(3,610,973)	-
Revenue deferred to future years	2,203,645	-
Total Non-current Deferred Income/Contract Liabilities	14,467,318	-

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	432,097	360,156
Other long term benefits	19,742	8,165
Post employment benefits	32,547	33,332
	484,386	401,653

Note 17 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

2019
\$

2018
\$

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:

	2019 Number Held	2018 Number Held
G W Burge	-	-
Burge Corporation Pty Ltd	563,500	563,500
S P Dahlitz		
Dahlitz Estate Pty Ltd	22,750	-
T J McCarthy	-	-
M McCarthy	17,500	17,500
Total Number of Shares in the Company held by Directors and their Director Related Entities:	603,750	581,000

Other Transactions with the Company

The Company Secretary, G M Davis and Director, J L Kerr, of Barossa Infrastructure Limited, hold positions in other entities that result in them having control or significant influence over these entities. 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 2019. J L Kerr is a key management person and is the principal of the firm Capital Strategies Pty Ltd, Chartered Accountants, resulting in him having significant influence over the financial and operating policies of that entity. Capital Strategies Pty Ltd is engaged as Barossa Infrastructure Limited's corporate adviser and has provided services to the Company associated with this appointment. The terms and conditions of the transactions with G M Davis and J L Kerr and their related entities, 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	2019 (\$)	2018 (\$)
G M Davis	Geoff Davis & Associates	166,460	187,696
J L Kerr	Capital Strategies Pty Ltd	13,000	26,580
Current Payable	Geoff Davis & Associates	12,974	24,658

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:

		Carrying Amount	
	Note	2019	2018
		\$	\$
Cash and cash equivalents	5	4,273,688	2,602,217
Trade and other receivables	6	2,344,225	1,999,491
		6,617,913	4,601,708

Impairment losses

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

	Gross 2019	Gross 2018
	\$	\$
Not past due	2,020,920	1,520,779
Past due 31-60 days	-	-
Past due 61-90 days	58,790	71,310
Past due 91 days and >	108,878	40,671
	2,188,588	1,632,760

The Company does not expect to recognise any impairment in relation to trade receivables based on past history. The Company has not experienced any credit loss over the history of its operations and does not expect to in the future.

(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 years	2 – 5 years	More than 5 years
Overdraft facility	-	-	-	-	-	-	-
Bank Loan	10,500,000	(11,551,004)	(2,042,481)	(176,133)	(2,144,426)	(7,187,964)	-
Trade and other payables	828,927	(828,927)	(828,927)	-	-	-	-
	11,328,927	(12,379,931)	(2,871,408)	(176,133)	(2,144,426)	(7,187,964)	-

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 7.3%.

Note 18 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2019

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	
	2019	2018
	\$	\$
Fixed rate instruments		
Financial liabilities	-	-
Variable rate instruments		
Financial assets	4,273,688	2,602,217
Financial liabilities	(10,500,000)	(2,500,000)
	(6,226,312)	102,217

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 expansion of the scheme to 11GL has been completed within budget during the year and there are no further commitments.

Note 20: EVENTS SUBSEQUENT TO REPORTING DATE

Since reporting date, the South Australian State Government announced at 1 September 2019, that 74% water allocations (last year 100%) will apply to entitlements for River Murray Water for 2020. The announcement indicated that there was a 99% chance of allocations reaching 100% allocation in an exceptionally dry year. Water storage in the Murray Darling system is at 42% as at 24 July 2019, compared to 52% at 25 July 2018 and compared to the long term average of 72%.

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.

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 46, 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 2019 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.

10 September 2019

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 of Barossa Infrastructure Limited for the financial year ended 30 June 2019 there have been:

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

A stylized, handwritten-style version of the KPMG logo, with the letters 'KPMG' in a dark blue color.

KPMG

A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko

Partner

Adelaide

10 September 2019



Independent Auditor's Report

To the Shareholders of Barossa Infrastructure Limited

Opinion

We have audited the **Financial Report** of Barossa Infrastructure Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Statement of financial position as at 30 June 2019;*
- *Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;*
- Notes including a summary of significant accounting policies; and
- *Directors' Declaration.*

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Barossa Infrastructure Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Audit Report



Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

A stylized, handwritten-style logo of the letters 'KPMG' in black.

KPMG

A handwritten signature in black ink, appearing to read 'Paul Cenko'.

Paul Cenko

Partner

Adelaide

10 September 2019



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

