Barossa Infrastructure

LIMITED

ANNUAL REPORT • 2020

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

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Year at a Glance

OPERATING PERFORMANCE

10,465ML delivered (second highest)

Reliable system - minimal downtime

Security of supply paramount - goal achieved

COVID impact on operations minimal

FINANCIAL PERFORMANCE

Loss for year **$1.9** million

$4.9 million cost of leasing River Murray Water Rights - up $2.7 million on prior year

Good cash flow **$1.55** million

Strong cash position **$5.8** million

Unrealised gain on owned River Murray Water Entitlements **$10.8** million

LONG TERM SECURITY OF SUPPLY

Customer contracts to **2040**

Water Transport Agreement to **2040**

Both renewable to **2060**

River Murray Water Rights owned or long term leased **7,577ML**

Drier Weather Continues

Weather conditions in the Barossa were challenging for the second year in a row for both growers and for Barossa Infrastructure Ltd (BIL). The continued dry resulted in BIL supplying 10,465ML of water, approximately 1GL less than 2018/19, but 1.6GL more than the next highest year.

The requirement for water over summer was particularly strong and the Board was able to assist customers by allowing a portion of off peak water to be converted to spot water which could then be taken during summer when it was needed.

The challenge for BIL was security of supply. The 2019/20 growing season commenced with low River Murray water allocations and continued dry weather conditions across the Murray Darling Basin (BIL's primary water source) were concerning. Bleak early season outlooks from the Department for Environment and Water (DEW) improved by early summer 2019, and BIL was able to fulfill 100% of customer's entitlements.

Looking to the year ahead, DEW's River Murray initial outlook was for a high risk of restrictions, but with some reasonable subsequent rains in the catchment allocations reached 100% by August 2020.

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.

With security of supply being imperative, BIL entered the water market early in the season and secured temporary water at prices of $800ML for annual leases. These high prices, coupled with almost 3GL of water on long term leases, resulted in a total cost of water leases for the financial year of $4.98 million, compared to $2.3 million in the prior year.

No entitlements were purchased in 2019/20 due to high prices. BIL's historical average cost of the 2,972ML of owned entitlements is $2,228ML, whilst the market price throughout the year was in excess of $6,000ML. The strategy remains to hold at least 70% of the customer contracted volumes of water as either owned or long term leases. At 30 June 2020 that holding was 68%. Whilst the price of purchasing River Murray water allocations remained constant at $6,000ML, the Company entered into several long term leases of 3-5 years to ensure ongoing security of supply.

The Company took the proactive step in April 2019 of purchasing a forward water allocation which provided 1,500ML of delivered water in the 2019/20 financial year. The purchase was made against a backdrop of a bleak allocation outlook and rising prices and helped BIL meet its quarterly water balance requirements.

COVID-19

The Company has not been significantly impacted by COVID-19. The office was shut for several weeks and we thank our customers for adapting to this change. BIL's IT systems allowed staff to work from home, while our operations and maintenance contractors worked in separate teams to provide continual service in the event that one became infected. Thankfully, none of BIL's team have.

Stock held as spares was reviewed and increased in some instances as the risk of potential disruption to supply

chains intensified. We remain confident that any repair can be completed with the minimum disruption to supply.

Financial

The Company made an after tax loss of $1,915,215 for the year after the application of the Accounting Standard (AASB 15 *Revenue from Contracts with Customers*) requiring infrastructure levies to be spread over the life of the contract to 2040, rather than being recognised in the water year to which they applied. The comparable loss for 2020 using AASB 118 *Revenue* (the Accounting Standard preceding AASB 15) was $112,253 and in 2019 a profit of $1,768,359.

The loss is directly attributed to the large increase in the cost of leasing water – up some $2.7 million on the prior year and up $1.5 million on budget.

Net assets are reported at a healthy $18,851,417, down from $20,766,632 for 2019.

The bank loan facilities have been drawn down to $11,000,050 to part fund the scheme expansion. At 30 June 2020, after the first annual repayment of $1,858,000, the outstanding balance amounted to $9,142,050. At the time of writing, a second annual repayment of $1,858,000 has been made.

BIL's current water price does not fully recover cash operating costs by approximately $70ML, depending on the cost of leasing River Murray Water Rights. The Board intends to incrementally adjust water prices over the coming three years to recover all cash operating costs by the commencement of the 2022/23 water year i.e. from 1 October 2022.

Customer Contracts Available to 2060

As part of the recent expansion to an 11GL supply, a new Water Transport Agreement was negotiated with SA Water. This provides for a right of renewal for BIL to extend the term from 2040 to 2060. The new Customer Contracts issued for the expansion run to 2040 and also contain a right of renewal to 2060.

At the AGM last November, a special resolution was passed unanimously to provide for the original customer contracts and those entered into prior to 2017 to similarly contain the right to renew to 2060.

With customer contracts able to run to 2060 and a robust Water Transport agreement in place for the same long term, it is pleasing that both BIL and its shareholders/customers can plan with some certainty for long term water supply.

Consideration of Further Expansion and Recycled Water

The Company has received Expressions of Interest for more than 3GL of additional water, predominately from existing customers.

Throughout 2019, BIL had an ongoing dialogue with SA Water to access additional water through its network. From late 2019, we have also been discussing possibilities for securing appropriate quality additional water from Bolivar in conjunction with Bunyip Water (Light Regional Council and Randall Wine Group).

Discussions with respect to the Bolivar water resource were suspended following announcement of the Primary Industries and Resources SA (PIRSA) process that intends to seek Expressions of Interest from parties interested in participating in the supply of Bolivar water to the Barossa and possibly other regions. BIL will engage with the PIRSA process at the appropriate time and will continue to have discussions with the State Government on this important issue.

BIL remains interested in exploring options for additional appropriate water resources that reduces its dependence on the River Murray. However, the quality and commercial parameters must continue to reinforce and enhance the Barossa Valley as a pre-eminent wine district.

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.

I reiterate that 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.

Simon Schutz has completed his first financial year as General Manager of BIL. I thank him for his professionalism, dedication and adaptability as he successfully worked through all the issues this past difficult year has presented.

Robert I Chapman
Chairman

15 September 2020

Tough Weather Conditions

The Barossa experienced below average rainfall in winter and early spring 2019, while late spring, summer (except for February) and early autumn received well below average rainfall. Unsurprisingly, water supplied through the BIL system over summer was as high as 2018/19. Encouragingly, there were very few bursts, leaks and customer callouts to disrupt supply when it was needed most.

The continued dry weather across the Murray Darling Basin was also challenging. South Australian Class 3 (irrigation) allocations opened on 1 July 2019 at 26% before climbing to 87% on 1 October for the start of BIL's 2019/20 water year and reached 100% on 15 November 2019. A similar pattern occurred with BIL's Victorian water entitlements, although they did not increase to 100%.

Despite recent rainfall across a large part of the Basin, some areas remain in drought and southern basin storages that supply South Australia's water needs remain below long-term average levels. Promisingly, catchments have wetted up and rainfall is producing reasonable runoff into storages at a time when the Basin historically receives most of its rainfall (winter and spring).

In August 2020, DEW announced 100% allocations. This provides BIL and our customers' certainty in the upcoming Water Year 2020/21.

River Murray water rights are critical to the operations of BIL. To this end, BIL has maintained its membership of the National Irrigators' Council to better understand and monitor the Murray-Darling Basin. The Company provided a written submission to the ACCC's Water Market Inquiry and is actively involved with the South Australian Murray Irrigators.

BIL has implemented a range of forward purchases of assured supply, entering into long term leases and structuring holdings for carryover water where the risk warranted such positions. The continued high price of owned water rights in excess of $6,000ML has kept BIL from using this preferred holding of water rights.

Operations

The other key aspect of security of supply is ensuring the distribution system is well maintained and breakdown disruptions are kept to a minimum. The recent expansion included enhancements to minimise such disruptions.

Bursts, leaks and customer callouts across the year have reduced compared to previous years, indicating the infrastructure is working well. In addition, the Hoffmann storage has proved invaluable in balancing supply across the system. In all, a testament to the design and construction teams completing that major expansion project.

Steve Dewar and Caleb Staehr of Infrastructure Maintenance Services and Chris and Casandra Hoare of Water Treatment and Engineering continue to provide BIL with highly responsive, professional and quality service. I extend my thanks to them for their contribution to the efficient, reliable operation of the scheme.

Water quality over summer was relatively poor, with a higher than normal load of fibrous plant material, fish and shrimp. This resulted in an increased need for filter cleaning to ensure the scheme continued to operate as intended. This issue was raised with SA Water, as the transporter of water to BIL. Whilst no immediate resolution was reached to improve the water quality, the issue is part of their long term management of the Warren Reservoir.

General Manager's Report September 2020

BIL recently tendered its electrical power needs and was able to secure rates that are expected to result in a 30% saving at Olsen pump station and 15% at Whitmore pump station.

SA Water

SA Water plans to undertake major works on the Warren Reservoir outlet structure in the winter of 2022, requiring the reservoir to be drained during this time. In preparation for this, SA Water has commenced planning and design of works at BIL's Fromm Square connection to SA Water to ensure BIL continues to receive the required flow and pressure while the reservoir is offline. The Fromm Square works are planned for winter 2021.

The Warren Reservoir is currently full, ready for the upcoming summer irrigation period.

Water Price Schedule

From 1 July 2020 new rules apply to the way BIL displays its water prices, including water use charges, other fees and charges, such as infrastructure levies or new connection costs, and a description of each charge. As a result, the water price schedule will now span 3 pages. BIL worked closely with the ACCC and our lawyers, Minter Ellison, to understand how the rules apply to BIL and the legal requirements for the price schedule of the Water Charge rules.

Nuriootpa Community Wastewater Management Scheme

Barossa Council supplied BIL 223 ML of treated recycled water in 2019/20, which represents 13% 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. We thank the customers that were able to help during winter to keep water flowing in this line, which in turn helps Council avoid discharging to local watercourses.

Seed Consulting prepared BIL's annual recycled water audit report and a soil audit report for SA Health. The soil audit report occurs every 5 years, and encouragingly there is no significant difference between the 2014 and 2019 data. The reports are published on the Company's website.

IT Security Upgrade

During the year BIL changed its office IT configuration and SCADA communication system to increase security and decrease operating costs.

Customers and Staff

My thanks go to Mrs Lisa Buckley, Mr Neville Skipworth and Mr Borvin Kracman for their commitment, efficiency and support throughout the year. I would also like to extend my thanks to BIL's Board who have a diverse background and set of skills which I draw on regularly.

Finally, thank you to BIL's customers, many of who have taken the time to introduce themselves and their water needs 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
B.E. (Civil) (Hons), B.Sc., CPEng
General Manager

15 September 2020

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, has been substantially implemented 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, two Directors and the General Manager, the day to day operational decisions within approved policies and budgets.

Risk Management

Risk management for Barossa Infrastructure Ltd is summarised below. The risks were reviewed in 2020.

1. **Work Health and Safety**
    - *Workplace health and safety is a paramount consideration; an audit was completed in previous years 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*
    - *COVID issues for staff and customers has been monitored carefully and to date has not presented any issues within the guidelines of social distancing and safe practices*

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 Megalitres capacity and a right to extend to 2060*
    - *Principle of 'good faith decisions' in reviewing the charges are included*

3. **Management and Board Succession**
    - *A database contains all customer records and allows billing, with procedures in place for backup and off site secure storage*
    - *A program of Board renewal continues 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*

- *The transition to new General Manager occurred seamlessly in mid 2019, reflecting the processes put in place and the quality of the new Manager and the retiring GM*

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 is assessed annually and reports are made to SA Health*
- *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 and for confined spaces*
- *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*
- *COVID has had little impact directly on BIL's operations. The impact on customers is being closely monitored and is not expected to be a significant issue for BIL's ongoing operations. Similarly, the impact on suppliers is also expected to be minimal.*

7. Funding

- *Impact of the state of the wine industry and the ability of customers to pay their accounts is routinely monitored and supported by debtor monitoring and control mechanisms*
- *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. 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*
- *BIL is monitoring water allocations for the 2020/2021 year*
- *Dependency on River Murray water is being closely examined and alternative sources of water pursued*

9. 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 and the variants of the Bolivar Water Project; 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*

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 2020 and the auditor's report thereon.

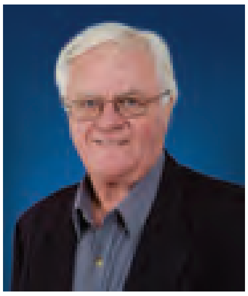
Directors

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 *Appointed 14 September 1998* 	69	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 Grand Council 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 Past Committee Member Barossa Tourism Association Past Committee Member Lyndoch Football Club Patron Lyndoch Cricket Club
Robert Ian Chapman Independent Director Assoc Dip Bus, FAICD, F Fin **Chairman** *Appointed 4 June 2012* *Member Executive Committee* 	56	Chairman Chapman Capital Partners Chairman T-Ports Director EFA 2019 - present Adelaide Football Club (Chairman 2008 – present) 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)

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Samuel Paul Dahlitz Director *Appointed 29 April 2019* 	46	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 *Appointed 3 August 1999* *Member Executive Committee* 	72	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 *Appointed 2 February 2004* 	48	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

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
John Leslie Kerr Independent Director B Ec, FCA, F Fin *Appointed 2 May 2017* 	56	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)
Timothy James McCarthy Director *Appointed 28 February 2017* 	39	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

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Victor John Patrick Independent Director *Appointed 28 April 2008* *Member Executive Committee* 	76	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' Meeting Attendance

For the year ended 30 June 2020, 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	6	7
R I Chapman	7	7
G M Davis	7	7
S P Dahlitz	7	7
G R Grieger	7	7
J L Kerr	7	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

Review of Operations

The net loss after providing for income tax amounted to $1,915,215 (2019: profit $830,852). No water restrictions applied to River Murray Water Rights for the 2020 year and customers were entitled to take 100% of their contracted amounts. This was the first year in which the full expanded scheme volumes of 11GL could be taken by customers. The dry spring and warm summer resulted in a high delivery of water for the financial year to 30 June 2020. The cost of leasing temporary water rights rose dramatically during the peak demand period resulting in a doubling of the water lease expense compared to 2019 and was the main reason for the loss reported for the year.

The Company adopted accounting standard, AASB 15 *Revenue from Contracts with Customers*, for the first time in 2019. Infrastructure levies were previously 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. Consequently, infrastructure levies reported for the year to 30 June 2020 is $2,117,145 less than what was received and would have been reported prior to the adoption of AASB 15 *Revenue from Contracts with Customers.*

The Company has been in a most fortunate position where the COVID 19 pandemic has not had any impact on operations to 30 June 2020, and at this stage the Board does not foresee any future significant impact. Trade debtors are monitored closely and no individual customer debt is permitted to exceed the value in their contract that BIL could on sell to recoup the debt should a customer experience financial distress. The operations have not been affected by closed borders or interruption to supply chains. The company increased its holding of maintenance spares to mitigate against this risk.

State of Affairs

In the 2019 financial year, 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. The contracted volumes of 11GL was first available for the water year to 30 September 2020.

Loan facilities of $13.0 million have been entered into to part finance the expansion project and acquire additional River Murray Water Rights. The bank loan facilities have been drawn down to $11 million. At 30 June 2020, after the first annual repayment of $1.858 million the outstanding balance amounted to $9.14 million.

No share capital was issued during the year and total share capital at 30 June 2020 is $15,395,637.

Continued expansion of plantings in the Barossa, plus the demand for additional water after two drought years

reducing subsoil moistures, and the expected impact of climate change, provides a continued demand for water and the need to expand the scheme to meet customer demand.

For the impact of COVID 19, please refer to the statement under 'Review of Operations'.

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 2020 amounted to $196,167.

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 for Environment and Water and Landscape South Australia Northern and Yorke 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 eighteenth full "water year" on 30 September 2020.

In addition, BIL continues to seek alternative sources of water of similar quality and cost to reduce the dependency on the River Murray. Discussions in respect of this are ongoing but at a preliminary stage.

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 $10,295 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 17 August 2020, water allocations of 100% for 2021.

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 2020.

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

R I Chapman
Director

G M Davis
Director

Tanunda, S.A.
15 September 2020

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	**2020**	2019
		$	$
Sale of Water		9,930,405	10,094,837
Cost of Sales		(13,820,534)	(11,297,359)
Gross Loss		(3,890,129)	(1,202,522)
Infrastructure Levies Revenue		3,336,432	3,610,973
Other Income		98,520	6
Administrative Expenses		(1,150,837)	(1,238,624)
Results From Operating Activities		(1,606,014)	1,169,833
Financial Income		7,273	55,601
Financial Expenses		(316,474)	(394,582)
Net financing expense		(309,201)	(338,981)
Profit/(Loss) Before Tax		**(1,915,215)**	830,852
Income Tax Expense	4 (a)	-	-
Profit/(Loss) After Tax		**(1,915,215)**	830,852
Total Comprehensive Income/(Loss)		**(1,915,215)**	830,852

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2020

	Attributable to equity holders of the Company		
	Issued Capital $	Retained Earnings $	Total Equity $
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
Balance at 30 June 2019	15,395,637	5,370,995	20,766,632
Balance at 1 July 2019	15,395,637	5,370,995	20,766,632
Total comprehensive income			
Loss after tax	-	(1,915,215)	(1,915,215)
Balance at 30 June 2020	15,395,637	3,455,780	18,851,417

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2020

	Note	**2020**	2019
		$	$
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	5,827,702	4,273,688
Trade and Other Receivables	6	2,889,714	2,344,225
Other Assets	7	2,302,954	2,777,738
Total Current Assets		**11,020,370**	9,395,651
Non-current Assets			
Other Assets	7	3,426,469	3,604,389
Property, Plant and Equipment	8	19,714,868	21,201,758
Intangible Assets	9	15,576,013	15,985,391
Right of Use Assets	13	35,898	-
Total Non-current Assets		**38,753,248**	40,791,538
TOTAL ASSETS		**49,773,618**	50,187,189
LIABILITIES			
Current Liabilities			
Trade and Other Payables	10	1,643,788	828,927
Employee Benefits	15	41,343	161,320
Lease Liabilities	13	36,854	-
Loans & Borrowings	11	1,858,000	1,858,000
Contract Liabilities	16	3,473,703	3,462,992
Total Current Liabilities		**7,053,688**	6,311,239
Non-current Liabilities			
Loans & Borrowings	11	7,284,050	8,642,000
Contract Liabilities	16	16,584,463	14,467,318
Total Non-current Liabilities		**23,868,513**	23,109,318
TOTAL LIABILITIES		**30,922,201**	29,420,557
NET ASSETS		**18,851,417**	20,766,632
EQUITY			
Issued Capital	12	15,395,637	15,395,637
Retained Earnings	12	3,455,780	5,370,995
TOTAL EQUITY		**18,851,417**	20,766,632

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2020

	Note	**2020 $**	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers		14,962,105	15,022,067
Cash Paid to Suppliers and Employees		(11,721,028)	(12,925,310)
Cash from Operating Activities		3,241,077	2,096,757
Interest Received		9,056	55,151
Interest Paid		(326,962)	(369,210)
Net Cash from Operating Activities	14	**2,923,171**	1,782,698
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		181	25,203
Acquisition of Property, Plant and Equipment		(42,316)	(1,910,590)
Acquisition of Intangibles		-	(6,225,840)
Net Cash used in Investing Activities		**(42,135)**	(8,111,227)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Government Grants		30,928	-
Proceeds from Borrowings		500,050	8,000,000
Repayment of Borrowings		(1,858,000)	-
Net Cash (used in)/ from Financing Activities		**(1,327,022)**	8,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,554,014**	1,671,471
Cash and Cash Equivalents at 1 July*		4,273,688	2,602,217
Cash and Cash Equivalents at 30 June	5	**5,827,702**	4,273,688

*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

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 15th September 2020. 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 2020 and earlier adoption is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements because they do not have a material effect on the Company's financial statements.

(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 adopted AASB16 Leases from 1 July 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

The Company applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under AASB 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under AASB 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in AASB 16.

B. As a lessee

As a lessee, the Company leases assets associated with its business premises and storage facility. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under AASB 16, the Company recognises the right-of-use assets and lease liabilities for these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

i. Leases classified as operating leases under AASB 117

Previously the Company classified property leases as operating leases under AASB 117. Payments made under operating leases were recognised in profit or loss on a straight line basis over the term of the lease.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 July 2019 (see Note 1 (d) C). Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application (the Company has applied this approach to its property leases;) or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The Company used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 17. In particular, the Company:

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

ii. Leases classified as finance leases under AASB 117

The Company did not have any finance leases under AASB 117.

C. Impact on financial statements

On transition to AASB 16, the Company recognised right of use assets and lease liabilities in the balance sheet as follows:

	1 July 2019
Right of use assets	74,274
Lease liabilities	(74,274)

(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 recognised when the water passes through the customer's meter and the related risks and rewards of ownership transfer.

Unused water

The estimated water charge for unused water is spread lineally over the water year at any financial reporting date.

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 contract term, 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.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Sale of Non-current Assets

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

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

Contract Balances

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

(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 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:

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

- 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.

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

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(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 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.

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(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:

	2020	2019
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%

(k) 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(l)). 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.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(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:

	2020	2019
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.

(l) 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.

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.

No impairment issues have arisen from the COVID 19 pandemic consequences and climate change is not expected to give rise to impairment concerns with infrastructure assets, intangibles or other assets.

Financial assets measured at amortised cost

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

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

Note 1 continued overleaf

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.

(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.

(m) Financial Risk Management

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk Management Framework

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

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 expected to be less impacted by any problems for the wine industry as a result of the COVID 19 pandemic and from climate change. The Company does not have a significant exposure to any one customer as no single customer is in excess of approximately 8 percent (2019: 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.

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.

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

(n) 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.

(o) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(p) Government Grants

The Company was the recipient of government grants under the Federal Governments COVID-19 stimulus package, 'Boosting Cash Flow for Employers Program'. The Boosting Cash Flow for Employers Program provides temporary tax free cash flow boosts to eligible small and medium businesses based on PAYG withheld on employees' salary and wages for the period from March to June 2020. As a result of the Company meeting the eligibility requirements for the initial cash flow boost, it has automatically qualified for the additional cash flow boost, which will be paid in instalments on lodgment of the June to September monthly activity statements. The revenue was recognised on meeting the eligibility requirements.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(q) Leases

Policy until 30 June 2019

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

Policy from 1 July 2020

At inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in AASB 16.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is measured at amortised cost using the effective interest method. The present value of future lease payments is discounted using the rate implicit in the lease, or if the rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Under the amortised cost effective interest method, each period a lease payment is made, the lease liability is partially reduced and interest expense on the lease liability is recognised in the statement of profit or loss and other comprehensive income under 'finance costs'. The interest expense recognised on the lease is relatively higher in the earlier years of the lease than at the end of the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset of the site on which it is located, less any incentives received. The right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease term or the cost of the asset reflects that the Company will exercise a purchase option or ownership transfer to the Company at the end of the lease term, in which case the asset is depreciated over the useful life of the asset. Depreciation expense on the right-of-use asset is recognised in the statement of profit or loss and other comprehensive income. In addition, the asset is periodically reduced by impairment losses, if any, and remeasured for certain remeasurements of the lease liability.

Note 2: PERSONNEL EXPENSES

	2020 $	2019 $
Wages, salaries and directors fees	615,447	556,550
Other associated personnel expenses	4,413	6,999
Contributions to defined contribution superannuation funds	58,522	65,765
(Decrease)/Increase in liability for annual leave	(44,897)	4,988
(Decrease)/Increase in liability for long service leave	(75,079)	19,270
	558,406	653,572

Note 3: AUDITOR'S REMUNERATION

	2020 $	2019 $
Auditors of the Company: KPMG Australia		
Audit of the financial statements	44,155	43,375
Other Services: Taxation Advice	-	3,588
	44,155	46,963

Note 4: INCOME TAX EXPENSE

(a) Recognised in the statement of comprehensive income

	2020 $	2019 $
Current period	-	-
Deferred tax expense		
(Reversal)/Origination of temporary differences	(659,815)	401,419
Deferred tax asset not recognised	-	(352,139)
Recognition of previously unrecognised deferred tax assets	659,815	(49,280)
Total income tax expense	**-**	-

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

	2020 $	2019 $
(Loss)/Profit before tax	(1,915,215)	830,852
Income tax using company tax rate of 27.5%	(526,684)	228,484
Increase/(Decrease) in income tax expense due to:		
Non-assessable income	(26,543)	-
Non-deductible expenses	2,533	1,506
Non-deductible depreciation	12,736	6,267
Utilisation of prior year losses not previously recognised	-	(49,280)
Current year losses for which no deferred tax asset is recognised	1,197,773	-
Movement in deferred tax liability offset by deferred tax asset	(659,815)	(186,977)
Income tax expense on pre-tax net profit	**-**	-

Note 4: INCOME TAX EXPENSE (continued)

(c) Deferred Tax Assets and Liabilities

	2020 $	2019 $
Deferred tax liability is attributable to :		
Property, plant and equipment	2,323,748	1,680,113
Accrued interest income	-	490
Prepaid Expenses	378,512	306,228
Intangible Assets – Capital Works	1,164,972	764,718
Accrued water sales - unused	65,058	1,860
	3,932,290	2,753,409
Deferred tax asset is attributable to:		
Employee benefits	11,420	44,439
Borrowing Costs	3,702	5,225
Contract liabilities	3,605,111	3,044,309
Cost of Equity	4,636	9,272
Legal Fees	1,535	2,303
Deferred tax not recognised	-	(352,139)
Unassessed tax losses recognised	305,886	-
	3,932,290	2,753,409
Net Deferred Tax Liabilities	**-**	-

Deferred tax assets have not been recognised in respect of unassessed carried forward tax losses of $5,330,143 because it is not probable that future taxable profit will be available against which the Company can use the benefit.

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

	2020 $	2019 $
Contract liability	560,610	812,052
Property, plant and equipment	(643,636)	53,778
Interest income	490	(123)
Prepaid Expenses	(72,284)	(70,164)
Intangible Assets – Capital Works	(400,254)	(440,607)
Accrued water sales	(65,058)	(1,860)
Employee benefits	(33,019)	6,033
Borrowing Costs	(1,523)	(1,567)
Cost of Equity	(4,636)	(4,636)
Legal Fees	(768)	(767)
Lease costs	263	-
Deferred tax recognised/(not recognised)	659,815	(352,139)
Net movement	**-**	-
Net movement through equity on adoption of AASB 15	**-**	2,232,257

(e) Dividend Franking Account

The amount of franking credits available to shareholders of Barossa Infrastructure Ltd for subsequent financial years is $3,909,472 (2019 : $3,909,472). The ability to utilise the franking credits is dependent upon the capacity to declare dividends.

	2020	2019
	$	$

Note 5: CASH AND CASH EQUIVALENTS

Cash and cash equivalents	**5,827,702**	4,273,688

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	2,724,894	2,188,588
Sundry Debtors	65,592	40,000
Net GST Receivable	99,228	115,637
	2,889,714	2,344,225

Note 7: OTHER ASSETS

Current		
Prepayments	1,383,643	1,754,930
Accrued Income – Water Sales	919,311	1,021,025
Accrued Income – Interest	-	1,783
Other Assets	-	-
Total Current Other Assets	**2,302,954**	2,777,738
Non-Current		
Prepayments	3,426,469	3,604,389
Total Non-Current Other Assets	**3,426,469**	3,604,389

Note 8: PROPERTY, PLANT & EQUIPMENT

	2020 $	2019 $
Pipeline and Installation		
At cost	29,336,349	29,173,779
Less: Accumulated Depreciation	(17,488,074)	(16,829,828)
Total Pipeline and Installation	11,848,275	12,343,951
Water Storage		
At cost	4,424,923	3,993,280
Less: Accumulated Depreciation	(724,187)	(359,052)
Total Water Storage	3,700,736	3,634,228
Pumps and Installation		
At cost	5,365,172	2,836,069
Less: Accumulated Depreciation	(1,721,223)	(1,376,123)
Total Pumps and Installation	3,643,949	1,459,946
Meters and Installation		
At cost	2,503,428	2,406,076
Less: Accumulated Depreciation	(2,089,058)	(1,977,704)
Total Meters and Installation	414,370	428,372
Capital Works in Progress		
At cost	12,311	3,234,747
Less: Accumulated Depreciation	-	-
Total Capital Works in Progress	12,311	3,234,747
Office Equipment		
At cost	88,961	84,760
Less: Accumulated Depreciation	(60,398)	(66,541)
Total Office Equipment	28,563	18,219
Motor Vehicles		
At cost	91,620	91,620
Less: Accumulated Depreciation	(37,684)	(22,575)
Total Motor Vehicles	53,936	69,045
Leasehold Improvements		
At cost	15,606	15,606
Less: Accumulated Depreciation	(2,878)	(2,356)
Total Leasehold Improvements	12,728	13,250
Total Property Plant & Equipment net book value	**19,714,868**	21,201,758

Note 8: PROPERTY, PLANT & EQUIPMENT *continued*

Reconciliations

	2020 $	2019 $
Pipeline and Installation		
Carrying Amount at Beginning of Year	12,343,951	13,014,485
Acquisitions	162,570	27,434
Depreciation	(658,246)	(697,968)
Carrying Amount at End of Year	11,848,275	12,343,951
Water Storage		
Carrying Amount at Beginning of Year	3,634,228	3,993,280
Acquisitions	431,643	-
Depreciation	(365,135)	(359,052)
Carrying Amount at End of Year	3,700,736	3,634,228
Pumps and Installation		
Carrying Amount at Beginning of Year	1,459,946	1,145,231
Acquisitions	2,567,515	395,872
Disposals	(24,804)	-
Depreciation	(358,708)	(81,157)
Carrying Amount at End of Year	3,643,949	1,459,946
Meters and Installation		
Carrying Amount at Beginning of Year	428,372	550,408
Acquisitions	97,352	-
Depreciation	(111,354)	(122,036)
Carrying Amount at End of Year	414,370	428,372
Capital Works in Progress		
Carrying Amount at Beginning of Year	3,234,747	1,676,063
Acquisitions	5,628	1,981,990
Transfers to Assets and Expenses	(3,228,064)	(423,306)
Carrying Amount at End of Year	12,311	3,234,747
Office Equipment		
Carrying Amount at Beginning of Year	18,219	20,803
Acquisitions	16,826	5,471
Disposals	(103)	(182)
Depreciation	(6,379)	(7,873)
Carrying Amount at End of Year	28,563	18,219
Motor Vehicles		
Carrying Amount at Beginning of Year	69,045	64,970
Acquisitions	-	45,913
Disposals	-	(25,021)
Depreciation	(15,109)	(16,817)
Carrying Amount at End of Year	53,936	69,045

	2020	2019
	$	$
Leasehold Improvements		
Carrying Amount at Beginning of Year	13,250	13,797
Depreciation	(522)	(547)
Carrying Amount at End of Year	12,728	13,250
Total Depreciation Expense for Year	**1,515,453**	1,285,450

Note 9: INTANGIBLE ASSETS

River Murray Water Rights – at cost		
Carrying Amount at Beginning of Year	7,199,966	6,090,126
Acquisitions	-	1,109,840
Carrying Amount at End of Year	7,199,966	7,199,966

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. The current market value of River Murray Water Rights is $18m, resulting in an unrealised gain of $10.8m.

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	8,770,594	3,910,587
Acquisitions	-	5,116,000
Less: Amortisation	(402,732)	(255,993)
Carrying Amount at End of Year	8,367,862	8,770,594

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	14,831	21,460
Less: Amortisation	(6,646)	(6,629)
Carrying Amount at End of Year	8,185	14,831
Total Intangible Assets at net book value	**15,576,013**	15,985,391

	2020	2019
	$	$

Note 10: TRADE AND OTHER PAYABLES

	2020 $	2019 $
Current		
Trade Creditors	509,532	204,503
Other Creditors and Accruals	1,134,256	624,424
	1,643,788	828,927

Note 11: INTEREST BEARING LOANS AND BORROWINGS

	2020 $	2019 $
Current		
Secured Loan – Bendigo Bank Ltd	1,858,000	1,858,000
Total Current Interest Bearing Loans and Borrowings	**1,858,000**	1,858,000
Non-Current		
Secured Loan – Bendigo Bank Ltd	7,284,050	8,642,000
Total Non-Current Interest Bearing Loans and Borrowings	**7,284,050**	8,642,000

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 $500,050 and a loan repayment of $1,858,000 occurred, resulting in cash outflows from financing activities of $1,357,950. 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 2.79% at 30 June 2020.

During the year the Company became aware that it may be in breach of its Interest Cover Ratio covenant (calculated as an annual interest coverage to be greater than 1.5 times of EBIT divided by interest expense at year end). The Company met with Bendigo Bank and the parties agreed that the Interest Cover Ratio covenant for the year ended 30 June 2020 would be removed and replaced with a new measurement covenant referred to as the Debt Service cover Ratio, with its first year of measurement occurring at 30 June 2021. The Company has met all covenants under the loan facility for the 2020 financial year.

	2020	2019
	$	$

Note 12: MOVEMENTS IN EQUITY

	2020 $	2019 $
Ordinary Shares		
Balance at the Beginning of the Year	15,395,637	15,395,637
Total Share Capital	**15,395,637**	15,395,637

No ordinary shares were issued during the year (2019 : 0).

	2020 $	2019 $
Retained Earnings		
Retained earnings at beginning of year	5,370,995	12,386,319
Adjustment on initial application of AASB 15 net of tax	-	(7,846,176)
Total recognised income and expense	(1,915,215)	830,852
Balance at end of year	**3,455,780**	5,370,995

Note 13: LEASES

The Company leases office premises and storage facilities under non-cancellable leases. The right-of-use assets and related lease liabilities are as follows:

	2020 $	2019 $
Right of Use Assets		
Opening balance	-	-
Recognised on adoption of AASB 16	74,274	-
Depreciation for the year	(38,376)	-
Closing balance	35,898	-
Lease Liabilities		
Opening balance	-	-
Recognised on adoption of AASB 16	74,274	-
Repayments during the year	(37,420)	-
Closing balance	36,854	-
Lease liabilities – current	36,854	-
Lease liabilities – non-current	-	-
Closing balance	**36,854**	-

The Company leases River Murray Water Rights. However, given the nature of these water entitlements (i.e. intangible assets) the Company has elected to not apply AASB 16 to these arrangements.

	2020	2019
	$	$

Note 14: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2020 $	2019 $
(Loss)/Profit after tax	(1,915,215)	830,852
Adjustments for:		
Depreciation and Amortisation	2,132,704	1,717,219
Loss on Sale of Non-Current Assets	24,725	111
Government Grants	(96,520)	-
Income Tax Expense	-	-
Operating profit before changes in working capital	**145,694**	2,548,182
Changes in assets and liabilities (attributable to the operating activities of the Company):		
Increase in Receivables	(496,306)	(681,018)
Increase in contract liabilities	2,127,860	2,064,662
Net GST Received	17,543	238,884
Decrease/(Increase) in Prepayments & Accrued Income	483,205	(1,536,793)
Increase/(Decrease) in Creditors	304,395	(369,025)
Increase/(Decrease) in Accruals	460,777	(506,452)
(Decrease)/Increase in Provisions and Employee Benefits	(119,997)	24,258
Net Cash from Operating Activities	**2,923,171**	1,782,698

Note 15: EMPLOYEE BENEFITS

Aggregate Liability for Employee Entitlements

	2020 $	2019 $
Current		
- Liability for annual leave	15,432	60,329
- Liability for long service leave	25,911	100,991
	41,343	161,320
Number of Employees at Year End	4	5

Note 16: DEFERRED INCOME/CONTRACT LIABILITIES

	2020 $	2019 $
Current		
Contract Liabilities	3,473,703	3,462,992
Total Current Deferred Income/Contract Liabilities	**3,473,703**	3,462,992
Non-Current		
Contract Liabilities	16,584,463	14,467,318
Total Non-current Deferred Income/Contract Liabilities	**16,584,463**	14,467,318

Changes in the contract liabilities balance during the year is as follows:

	2020 $	2019 $
Carrying amount at the beginning of year	14,467,318	-
Balance transferred from Income in Advance	-	5,787,213
Balance arising on adoption of AASB 15	-	10,087,433
Revenue recognised during the year	(3,336,432)	(3,610,973)
Revenue deferred to future years	5,453,577	2,203,645
Total Non-current Deferred Income/Contract Liabilities	**16,584,463**	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:

	2020 $	2019 $
Short-term employee and director benefits	366,219	432,097
Other long term benefits	-	19,742
Post employment benefits	25,895	32,547
Termination benefits	135,870	-
	527,984	484,386

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

Note 17 continued overleaf

Note 17: RELATED PARTY DISCLOSURES *continued*

Directors' holdings of shares

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

	2020 Number Held	2019 Number Held
G W Burge	-	-
Burge Corporation Pty Ltd	**563,500**	563,500
S P Dahlitz	-	-
Dahlitz Estate Pty Ltd	**22,750**	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**	603,750

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 2020. 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	2020 ($)	2019 ($)
G M Davis	Geoff Davis & Associates	149,950	166,460
J L Kerr	Capital Strategies Pty Ltd	40,796	13,000
Current Payable	Geoff Davis & Associates	12,534	12,974
	Capital Strategies Pty Ltd	7,892	-

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	**2020**	2019
		$	$
Cash and cash equivalents	5	5,827,702	4,273,688
Trade and other receivables	6	2,889,714	2,344,225
		8,717,416	6,617,913

Impairment losses

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

	Gross 2020	Gross 2019
	$	$
Not past due	2,384,239	2,020,920
Past due 31-60 days	-	-
Past due 61-90 days	137,169	58,790
Past due 91days and >	203,486	108,878
	2,724,894	2,188,588

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	9,142,050	(9,672,116)	(1,965,650)	(101,577)	(2,015,389)	(5,589,500)	
Trade and other payables	1,643,788	(1,643,788)	(1,598,944)	(44,844)	-	-	-
Lease Liability	36,854	(37,794)	(20,179)	(17,615)			
	10,822,692	**(11,353,698)**	**(3,584,773)**	**(164,036)**	**(2,015,389)**	**(5,589,500)**	**-**

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 6.64%.

Note 18 continued overleaf

Note 18: FINANCIAL INSTRUMENTS *continued*

(iii) Interest Rate Risk

Profile

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

	Carrying Amount	
	2020	2019
	$	$
Fixed rate instruments		
Financial liabilities – Lease liabilities	**36,854**	-
Variable rate instruments		
Financial assets – Cash and cash equivalents	**5,827,702**	4,273,688
Financial liabilities – Loans and borrowings	**(9,142,050)**	(10,500,000)
	(3,314,348)	(6,226,312)

Fair value sensitivity analysis for fixed rate instruments

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

Note 19: COMMITMENTS

The Company has no capital commitments at 30 June 2020 (2019 : $Nil).

The Company entered into non-cancellable agreements to lease River Murray Water Rights for periods from 1 to 3 years. Payments under these arrangements are as follows:

Within one year	1,419,851	682,276
Later than one year	3,234,006	1,611,883
	4,653,857	2,294,159

Note 20: EVENTS SUBSEQUENT TO REPORTING DATE

Since reporting date, the South Australian State Government announced at 17 August 2020, that 100% water allocations (last year 68%) will apply to entitlements for River Murray Water for 2021. Water storage in the Murray Darling system is at 50% as at 19 August 2020, compared to 46% at 21 August 2019.

As a result of the evolving nature of the COVID-19 pandemic and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the Company is not in a position to reasonably estimate the financial effects of the COVID-19 pandemic on the future financial performance and financial position of the Company.

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 2020 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.
15 September 2020

KPMG

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

To the Directors of Barossa Infrastructure Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Barossa Infrastructure Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

15 September 2020

KPMG

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 2020 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 2020;
- *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 (including Independence Standards)* (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.

KPMG

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 and whether the use of the going concern basis of accounting is appropriate. 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 the 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.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

15 September 2020

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