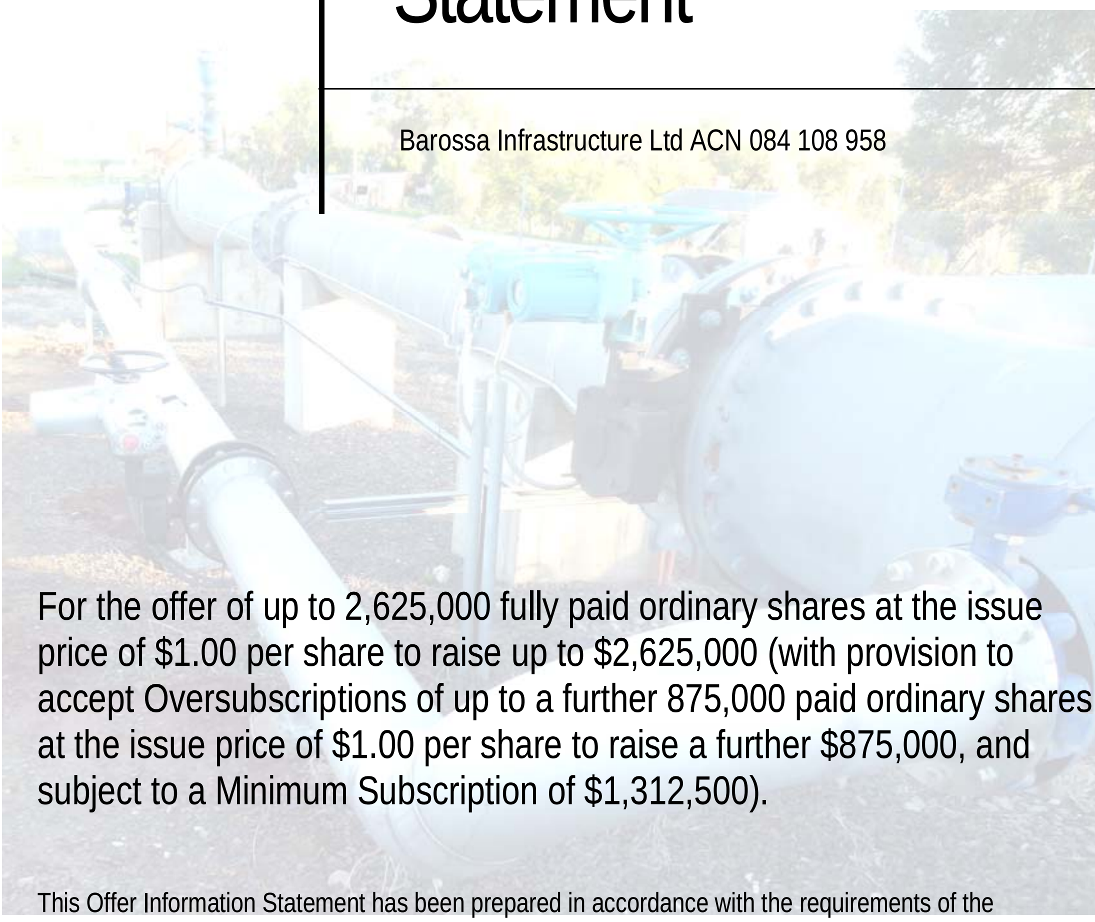
Offer Information Statement

Barossa Infrastructure Ltd ACN 084 108 958



For the offer of up to 2,625,000 fully paid ordinary shares at the issue price of $1.00 per share to raise up to $2,625,000 (with provision to accept Oversubscriptions of up to a further 875,000 paid ordinary shares at the issue price of $1.00 per share to raise a further $875,000, and subject to a Minimum Subscription of $1,312,500).

This Offer Information Statement has been prepared in accordance with the requirements of the Corporations Act. Eligible Applicants should read it in its entirety and seek professional investment advice before deciding to apply for Shares. This OIS is not a prospectus and as such, contains a lower level of disclosure than a prospectus.

This OIS was lodged with ASIC on 2 December 2016. ASIC takes no responsibility for the content of the statement. The securities offered by this OIS should be considered speculative.

OFFER INFORMATION STATEMENT

1. CORPORATE DIRECTORY

Board of Directors/Management

Grant Burge	Director
Rob Chapman	Independent Director, Chairman
Geoffrey Davis	Independent Director, Company Secretary
Gayle Grieger	Independent Director
Vic Patrick	Independent Director
Steve Wilson	Director
Paul Shanks	General Manager

Company Secretary

Geoffrey Davis	Independent Director, Company Secretary

Registered Office	**Customer Service Centre**
c/- Level 6	2 Basedow Road
81 Flinders Street	Tanunda SA 5352
Adelaide SA 5000	

WEBSITE: www.barossainfrastructure.com.au/

Australian Legal Adviser

MinterEllison
Level 10, 25 Grenfell Street
ADELAIDE SA 5000

Auditor

KPMG
151 Pirie Street
ADELAIDE SA 5000

Corporate Adviser

Capital Strategies Pty Ltd
Level 6, 81 Flinders Street
ADELAIDE SA 5000

Engineering Consultants

Arup Pty Ltd
Level 7, 185 Victoria Square
ADELAIDE SA 5000

2. IMPORTANT NOTICES

Information

This OIS is prepared as at and dated 2 December 2016 and issued under Part 6D.2 of the Corporations Act. This OIS contains details of the offer to apply for Shares in the Company. This document is not a prospectus and the content requirements for an OIS (set out in section 715 of the Corporations Act) are less onerous than that required for a prospectus.

This OIS contains details of the offer to apply for Shares in the Company. It is intended to raise capital of not more than $2,625,000 with the ability to accept Oversubscriptions to raise a further $875,000.

Eligible Applicants should read this OIS in its entirety before deciding to invest in the Company and obtain professional investment advice before acting on the Offer. This Offer does not take into account the investment objectives, personal circumstances (including financial and taxation issues) and the particular needs of Eligible Applicants. An investment in the Company should be considered as speculative.

The information contained in this OIS is current as at the above date. A copy of this OIS was lodged with the Australian Securities and Investments Commissions (**ASIC**) on 2 December 2016. ASIC does not take any responsibility for the contents of this OIS or the merits of the Offer contained in it.

No securities will be allotted or issued on the basis of this OIS later than 13 months after the OIS Date.

No person is authorised to give any information or to make any representation, in connection with the Offer, other than that which is contained in this OIS. Any information or representation not contained in this OIS may not be relied on as having been authorised by the Company or its Directors or any other person in connection with the Offer. The Company is not liable for this OIS, or in respect of the Offer, except to the extent required by law.

Offer for Australian Residents

This Offer is available to Australian residents located in Australia. The distribution of this OIS in jurisdictions outside of Australia may be restricted by law and persons who obtain it in jurisdictions outside of Australia should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This OIS does not constitute an offer or an invitation in any place outside of Australia where, or to any person whom, it would be unlawful to make such an offer or invitation.

Financial Information

All financial amounts shown in the OIS are expressed in Australian dollars, unless stated otherwise.

Exposure Period

The Corporations Act prohibits the Company from processing applications in the seven (7) day period after the OIS Date. This period may be extended by ASIC for a further seven (7) days. This period is known as the Exposure Period. The purpose of the Exposure Period is to enable this OIS to be examined by market participants prior to the raising of funds. That examination may result in the identification of deficiencies in the disclosure document. In those circumstances any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on applications received during the Exposure Period.

Definitions

Capitalised terms used in this OIS have the specific meaning given to them in the Glossary in Section 12.

Unless otherwise indicated, all references to dates and time are to dates and time in South Australia.

3. LETTER FROM CHAIRMAN

Dear Grape Grower and or Customer,

On behalf of the Board I am pleased to offer you an opportunity to become a shareholder in Barossa Infrastructure Ltd (BIL or the Company), which will enable BIL to supply additional supplementary irrigation water in the Barossa Valley. This Offer is in response to enquiries concerning additional water received by BIL over the past 18 months. This follows the successful capacity upgrades to the Company's existing infrastructure (Pipe Network) since 2014 that have seen the Company's capacity increased from 7,250 Megalitres to just over 9,000 Megalitres per annum.

The goal of this Offer is to extend the Pipe Network's annual capacity by up to 2,500 Megalitres, including an additional 750 to 1,500 Megalitres of Premium Water (**Project**). This expansion incudes Off Peak Water that may be taken from April to November each year. All current and new Customers wishing to take this Premium Water and/or Off Peak Water will be required to enter into a Customer Contract for the water requested. Customer Contracts include annual levy payments for 5 and 8 years, for the respective Off Peak and Premium Water contracts.

BIL has prepared concept designs and estimates, which indicate a cost of approximately $17.0million for this volume to be supplied to most areas of the Barossa serviced by the Company's Pipe Network.

At present, apart from an operating overdraft facility of $1,000,000, the Company is debt free. The Company will apply all funds received to the Project.

The water to be supplied to Customers is primarily for viticulture, with consideration being given to other uses which are designed sustainably and have environmental approval for their water use. To ensure the ability to meet your supply needs, BIL must confirm the technical capacity to supply the water requested, at the minimum pressure of 10 metres. This may take a few weeks to confirm.

Once confirmation is received that there has been sufficient acceptance, then the process is intended to be as follows:

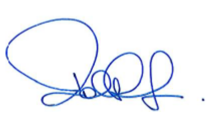
- Confirmation individual Customer requests can be met for supply and pressure
- Confirmation all other Conditions Precedent are met, and,
- Issue New Shares and counter sign Customer Contracts (which is expected to take place by 30 April 2017).

The Project is not underwritten, and is dependent on sufficient acceptances being received from Customers that may be technically capable of being supplied.

If you have any questions concerning the Offer or the Customer Contracts please contact the Customer Service Office in Tanunda on 08 8563 2300. If the office is unattended please contact Paul Shanks on 0407 901 651 or email paulshanks@barossainfrastructure.com.au.

Please ensure you read this full document and consider the detailed information in it. This is an exciting development, that when complete is anticipated to result in considerable new employment and increase in the volume and value of wine produced in the Barossa. Thank you for your interest.

Rob Chapman



Chairman

4. INVESTMENT OVERVIEW

Topic	Summary	For more information
Background	Barossa Infrastructure Ltd was incorporated in 1998, and successfully operates the Pipe Network in the Barossa Valley. As a result of recent enquiries concerning additional water to be delivered to new and existing Customers, the Company is seeking further capital from parties wishing to become Shareholders in the Company, which will enable the Company to deliver additional water to Customers when the Project is completed. The Company currently has over 12 million Shares on issue, and has contracted to deliver some 9,000 ML of supplementary irrigation water to its Customers. All Shareholders are required to hold a Customer Contract for the quantity of water that equals to 1,750 Shares for each ML of Premium Water, in accordance with the Constitution. Please refer to the diagram in Section 5.	Section 5 Section 6.1 Sections 7 and 8
The Offer	***The Company is offering up to a further 2,625,000 New Shares, to be issued in lots of 1,750 Shares for each ML of Premium Water requested by the Customer. Customers requiring a new connection need to apply for a minimum of 8,750 Shares (corresponding to 5 ML).*** The funds raised will be used to make certain payments to expand the Company owned infrastructure (**Project**). In addition to the capital funds raised, the construction payments including payments to SA Water are intended to be funded from bank debt, which debt is intended to be repaid by the Company from the Infrastructure Levies payable under the new Customer Contracts. ***It should be noted that the primary objective of the Company is to deliver water to its Customers at low sustainable commercial prices. It is not intended that the Company will pay dividends, nor will it offer a return to its Shareholders other than through supplying water at an appropriate low sustainable price.***	Section 6

Customer Contract	In addition to subscribing for New Shares, Shareholders will be required to enter into a Customer Contract. ***Under this contract there is a requirement to pay:*** • ***an annual operating price for Premium Water (currently $710/ML or 71 cents/ KL); and*** • ***Infrastructure Levies (totalling $12,000 per ML over 8 years).*** Refer to the KPMG Taxation Report at Appendix 2 for information about the deductibility to Customers of prices and levies, which states that these payments should, in the ordinary course, be deductible to the vineyard operators. The Customer Contracts will provide for water delivery to 2040, with a right of renewal for 20 years to 2060. In applying for New Shares, you are also requested to complete a Request for Customer Contract, which will be used in assessing the viability of connecting a particular landholding to the Pipe Network as part of the Project. This request also allows you to request water take up spread over the three coming Water Years, commencing 1 October 2017, 2018 and 2019, to suit your needs.	Section 5 Section 6.4 Section 8 Appendix 2
Conditions Precedent	***You should note that this Offer is subject to the following Conditions Precedent.*** • ***Company to sign the revised Water Transport Agreement with SA Water*** • ***Company to secure adequate finance*** • ***Sufficient Eligible Applicants enter into Customer Contracts*** • ***Construction costs based on actual demand are within Project estimates***	Section 6.6
Accounts	***The Company's audited accounts for 2015/16 are included in this document,*** and you should consider those accounts before making a decision to apply for New Shares.	Appendix 1
Risk Factors/ Other Matters	***This document is an OIS and includes details of investment risks that you should consider before making a decision to apply for New Shares***.	Sections 9 and 10

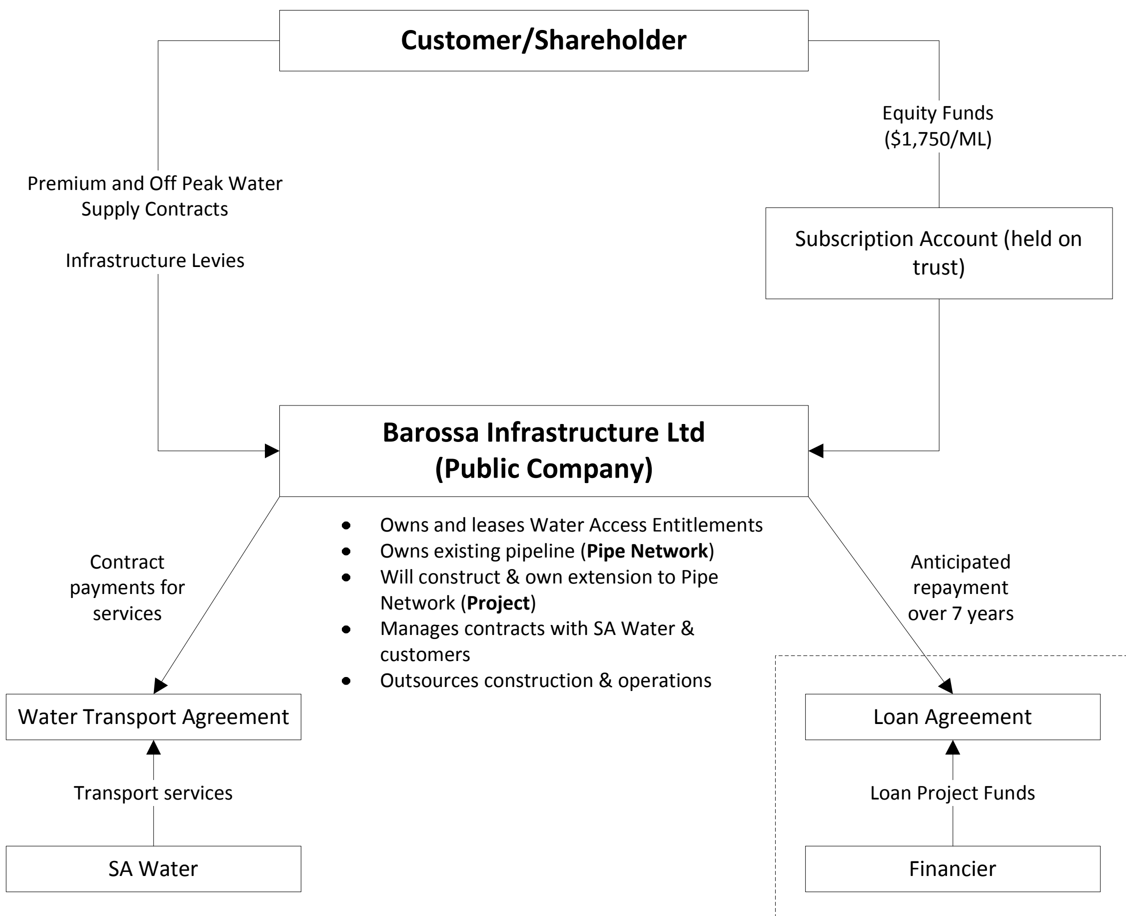
5. OWNERSHIP AND OPERATING STRUCTURE

The Company is an unlisted public company with over 280 Shareholders, with no Shareholder owning more than 8% of the issued Shares. The only issued securities are ordinary fully paid Shares. For more details refer to the audited financial statements at Appendix 1.

All Shareholders of the Company are required to hold a Customer Contract for the quantity of water that equals to 1,750 Shares for each ML of Premium Water, in accordance with the Constitution. Please refer to the diagram below.

The Board is responsible for setting the policies and direction of the Company and monitoring its performance. The General Manager is responsible for the day to day activities of the Company, compliance with all legal and environmental requirements and for implementing Board Policy. The General Manager, together with three directors, forms the Executive Committee of the Board which has been delegated to make day to day operational decisions within the approved policies of the Board.

The following diagram sets out the Company's relationships with its key stakeholders.



6. INVESTMENT DETAILS

6.1 The Project

The Barossa Water Project was developed by the Company in consultation with the Barossa community, to address the requirement for reliable, quality supplementary water to sustain vineyard production. The water for the Pipe Network is delivered to the Company's network by SA Water under a Water Transport Agreement which has recently been extended to 2040. Under this agreement, the Company is required to hold sufficient River Murray Water Access Allocations to cover the quantity of water taken each year.

Due to an increasing demand for water, the Company now wishes to increase the amount of water supplied. In order to do so, the capacity of its existing system will need to be increased beyond its original design, and there will be an increase in the applicable fees paid by the Company under the Water Transport Agreement.

Customers are sought for:

(a) **Premium Water**: To be available on demand throughout the year, in particular, in the months of December to March each year; and

(b) **Off Peak Water:** To be available to Customers in April to November each year.

The water will be provided under Customer Contracts. The water will be sourced from the River Murray, and is expected to be of similar quality to the water currently provided to Customers by BIL. Refer to the Customer Contract and the Company's website for more information about the water quality.

Parties interested in becoming Premium Water Customers are required to become Shareholders under this OIS.

6.2 The Offer

The Company is seeking capital from new parties wishing to become Premium Water Customers, or in the case of existing Customers, wishing to take additional Premium Water. Customers will be required to become Shareholders in the Company, in proportion to their contracted volume of Premium Water. The Company wishes to extend the Pipe Network's annual capacity by offering 1,750 Shares per each ML of Premium Water for $1.00 per Share, to expand the Pipe Network's annual delivery of Premium Water by between 750 ML to 1,500 ML (which will require the issue of 1,312,500 – 2,625,000 New Shares). The Company reserves the right to accept Oversubscriptions under the Offer, to raise further funds to be used to expand the Pipe Network's annual capacity by up to a further 500ML, via the issue of up to a further 875,000 New Shares.

The primary objective of the Company is to deliver water to its Customers at low commercial prices. It is not intended that the Company will pay dividends, nor will it offer a return to its Shareholders other than through supplying water at what the Company considers to be the minimum sustainable price.

Under the Project, participants are required to both:

(a) subscribe for Shares in the Company under this OIS: to fund costs associated with expanding the Project and satisfying the Conditions Precedent. Further, this will provide a mechanism for participants to have an ongoing input in the direction of the Company, as Shareholders; and

(b) contract for the delivery of an agreed volume of water to their property via a Customer Contract.

More information about the Shares and the Customer Contracts is set out in Section 0 of this OIS.

6.3 Purpose of Offer

The purpose of this Offer is to extend the Pipe Network's annual capacity by up to a maximum of 2,000 ML, including an additional 750 to 1,500 ML of Premium Water and 250 ML to 500 ML of Off Peak Water. Refer to Section 6.2 of this OIS for more detail.

6.4 Minimum subscription

The minimum subscription for the Offer is 1,312,500 New Shares. The Company will not issue any New Shares pursuant to this OIS until the minimum subscription is satisfied.

Should the minimum subscription not be reached within 4 months from the date of this OIS, the Company will either repay the Application Money to the applicants or issue a supplementary OIS or replacement OIS and allow Applicants one month to withdraw their Applications and be repaid their Application Money. No interest will be paid on this money.

6.5 Who is an Eligible Applicant?

In accordance with the Company's Constitution, Shareholders must be a Premium Water Customer (or in the process of becoming a Premium Water Customer). The Customer Contract requires the water allocation to be applied in an approved manner on land owned or occupied by the Shareholder.

The Directors will ultimately determine the Applications for all New Shares. The Directors reserve the right to reject any Application.

6.6 Conditions precedent

The following items are Conditions Precedent to the Company issuing Shares under this OIS:

(a) **Company to sign revised Water Transport Agreement with SA Water**

It is a condition precedent that a new Water Transport Agreement between the Company and SA Water is signed (or the arrangements with SA Water are otherwise dealt with to the Board's satisfaction) by 1 April 2017 and the terms of that Agreement or arrangements are within the parameters of the Project and permit the Company to proceed as envisaged in this OIS, to the Board's satisfaction, in its absolute discretion.

(b) **Company to secure adequate finance**

The Project requires finance of approximately $10.0million on acceptable terms which are anticipated to include repayment over 7 years. It is a condition precedent that the Company obtains the necessary finance by 1 April 2017 on terms which are within the parameters of the Project and permit the Company to proceed as envisaged in this OIS, to the Board's satisfaction, in its absolute discretion.

(c) **Sufficient Eligible Applicants enter into Customer Contracts**

In addition to subscribing for Shares in the Company, Applicants are required to enter into Customer Contracts (for water delivery to 2040, with a right of renewal for 20 years to 2060) for the delivery of water to their property, corresponding to the number of Shares to be issued to the Applicant. See Section 8 for more details. It is a condition precedent that the Company obtains the necessary additional Premium Water Customer Contracts by 31 January 2017 (or later date if extended by the Board) on terms which are within the parameters of the Project and permit the Company to proceed as envisaged in this OIS, to the Board's satisfaction, in its absolute discretion.

(d) **Construction costs based on actual demand are within Project estimates**

It is a condition precedent that the construction costs provided to the Company (the majority of which will be under its tender process), based on actual demand for additional water, are within the Company's Project estimates for the necessary infrastructure upgrades as part of the Project, and permit the Company to proceed as envisaged in this OIS, to the Board's satisfaction, in its absolute discretion.

6.7 Allocation policy

The basis of allocation of the New Shares under the Offer will be determined by the Company.

The Company will consider various factors in determining the acceptance of Applications, including but not limited to receiving insufficient acceptable Applications from particular areas, whether the connection is in the vicinity of BIL's existing Pipe Network, the volume requested together with the volume requested by adjacent Applicants, the impact on water pressure, geographical, engineering, planning, environmental and other technical constraints, and whether the individual connections cannot be supplied either viably or within the technical engineering constraints of BIL's Pipe Network and the Project. The allocation of New Shares will be determined at the absolute discretion of the Board.

6.8 Key Dates

Event	Date
Offer Lodgement Date at ASIC	2 December 2016
Offer Opens	16 December 2016
Closing Date	31 January 2017
Shares Issued	30 April 2017

The Company reserves the right, subject to the Corporations Act and other applicable laws, to vary the dates of the Offer (including extending the Offer or accepting late applications) without notice.

6.9 Ranking of New Shares

New Shares issued under the Offer will rank equally with Existing Shares.

A summary of the rights and liabilities attaching to the New Shares are set out in Section 8.2 of this OIS.

6.10 Withdrawal of Offer

The Company reserves the right to withdraw all or part of the Offer at any time before the issue of the New Shares, in which case the Company will refund Application Money without payment of interest.

6.11 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application or payment once it has been accepted, except as allowed by law.

6.12 Use of funds

All of the funds raised will be used for construction of the infrastructure for the Project, regardless of whether the full amount of the Offer ($2,625,000) or a lesser amount is raised. These funds will not be sufficient to pay for the entire Project. The Company intends to use a combination of its own funds and loan funds to finance the shortfall and pay for the Project, as explained in this OIS.

The Company anticipates that the funds raised by the Offer, together with the Company's sound financial position, will ensure that the Project will have support from a financier at the level required for the financier to provide the necessary debt finance and guarantees, to enable the Company to build the infrastructure required for the Project, under which the Pipe Network will be expanded.

By Customers entering into contracts which include a requirement to pay an Infrastructure Levy, the Company anticipates that such levies will ensure sufficient funds are available to repay the bank debt and interest over a period of 7 years, and allow the Company to secure access to SA Water's infrastructure.

All of the funds raised by the Offer are to be used for payment of the additional infrastructure required to the existing Pipe Network to deliver the additional water to Customers under the Project. The balance of the cost of the infrastructure, and the payments to SA Water for the upgrade of their systems, are intended to be financed by a seven year term loan.

6.13 Underwriting

The Offer is not underwritten.

6.14 How to apply under the Offer?

What is the minimum and maximum Application under the Offer?

For an existing Customer for an existing connection, applications must be for a minimum of 1,750 New Shares, and in multiples of 1,750.

For a new or existing Shareholder applying for a new connection, the minimum Application is for 8,750 New Shares, and in multiples of 1,750

Apply by Post or By Hand and pay by Cheque, Bank Draft, Money Order or EFT

The Offer opens for Applications on 16 December 2016. Applications for New Shares must be made using the Application Form accompanying this OIS. Payment of the New Shares must be made in full at the issue price of $1.00 per Share. Completed Application Forms and Application Money must reach the Company Customer Service Office in Tanunda no later than 5pm (Adelaide time) on Tuesday 31 January 2017, subject to the Directors extending the Closing Date. Details for Applicants are set out below:

By Hand	By Post
2 Basedow Road, Tanunda	PO Box 665, Tanunda SA 5352

For electronic funds details, please contact the Company on 08 8563 2300. If the office is unattended please contact Paul Shanks on 0407 901 651 or email paulshanks@barossainfrastructure.com.au

6.15 Allotment of New Shares and Application Money

It is expected that allotment of the New Shares will take place as soon as practicable after the Closing Date, and satisfaction of the Conditions Precedent. It is expected that the New Shares will be allotted no later than 30 April 2017. However, if the Closing Date is extended, the date for allotment may also be extended.

Application Money will be held in trust for Applicants until allotment of the New Shares. Application Money will be held in a separate subscription account until allotment. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the Application Money will be for the benefit of the Company and will be retained by the Company, irrespective of whether allotment takes place, and each Applicant waives the right to claim any interest.

Where the number of New Shares allotted is less than the number applied for, the surplus money will be returned by cheque as soon as practicable after the Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on money refunded.

6.16 Privacy Act

If you complete an Application Form for New Shares and a Request for Customer Contract, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate corporate communications to you and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information we hold about you. Please contact the Company at the contact details set out below.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act* 1988 (Cth) (as amended), and the Corporations Act. You should note that if you do not provide the information required on the Application Form and the Request for Customer Contract, the Company may not be able to accept or process your Application.

6.17 Enquiries

Any question concerning the Offer and Customer Contracts should be directed to the Customer Service Office in Tanunda on 08 8563 2300. If the office is unattended contact Paul Shanks on 0407 901 651 or email paulshanks@barossainfrastructure.com.au.

7. THE COMPANY

7.1 Overview

The Company is an unlisted public company, formed in 1998 in response to a demand in the Barossa Valley for a reliable supply of quality water suitable for viticulture. This was to replace or supplement existing sources of water which were becoming increasingly saline or insufficient for reliable viticultural practices.

A prospectus dated 5 October 1999 raised some $8.7 million in share capital, and after borrowing additional funds of $21.5 million a Pipe Network of 210 kilometres was constructed, originally delivering water to some 260 Customers in the Barossa. The water was delivered to the system by SA Water pursuant to a 20 + 20 year Water Transport Agreement, which required the Company to hold sufficient River Murray Water Allocation to cover the quantity of water taken.

The structure of the arrangement was that to hold a Premium Water contract, the Customer had to subscribe for 1,750 Shares of $1.00 each in the Company for each ML of Premium Water. The Customer also committed to pay an Infrastructure Levy for a 15 year period. As a corollary, Shares in the Company could only be held by a person holding a Customer Contract for the equivalent amount of Premium Water. The Customer Contract also provided for the supply of Off Peak Water, which did not require the holding of Shares or the payment of any levies but cost an additional $200/ML (20 cents/KL) for water supplied. The Customer Contracts were for a 20 year period, with a right of renewal for a further 20 years, and are a take or pay contract meaning that unused water must also be paid for by the Customer.

The Project is “community rated” in that a Premium Water Customer pays the same amount for water delivered as all other Premium Water Customers. Similarly all Off Peak Water Customers pay the same price for water as all other Off Peak Water Customers.

The objective of the Company, as set out in the original prospectus, is to deliver quality water at the lowest possible price that is sustainable in the long term, rather than necessarily pay dividends or other returns to Shareholders.

In 2011, the Company entered into an agreement to receive approximately 260 ML of treated town effluent (referred to as CWMS). This water is supplied to Customers on Gomersal Road west of Lindner Road. These Customers receive a discount of $70/ML (7 cents/KL) for CWMS water received.

The Pipe Network's annual capacity has been expanded in the past 3 years, with Customer Contracts for Premium Water now totalling 7,000 ML and Off Peak Water being 2,000 ML - a total of 9,000 ML. This expansion has required additional payments to SA Water as agreed to under the Water Transport Agreement, for increased capacity fees and to pay for the necessary additional SA Water infrastructure to deliver the additional water volumes. The Water Transport Agreement currently provides for the supply of up to 10,000 ML of water, and the Company's Pipe Network was designed for this capacity, for the annual supply of 6,000 ML of Premium Water and 4,000 ML of Off Peak Water.

7.2 Assets

The major asset of the Company is the Pipe Network consisting of some 210 kilometres of pipeline throughout the Barossa Valley plus four pump stations, a series of pressure reducing valves, and the value in over 300 Customer Contracts. The main part of the Pipe Network was predominantly constructed in 2000, at a cost of $32,187,545. The current book value of the Pipe Network is $15,426,056.

Other significant assets of the Company include:-

- River Murray Water Access Entitlements at cost $3,130,770
- SA Water owned capital works at amortised value $2,332,839

- Increased capacity fees prepayments to SA Water $4,106,124

For more detail refer to the audited financial statements at Appendix 1.

7.3 Recent Trading History

A succession of 3 dry and warm seasons has resulted in water deliveries above the averages experienced in earlier years. This has resulted in strong profits which, to the extent cash flow permitted, have been rebated to existing Customers.

The strong profits, coupled with the additional Infrastructure Levies paid with the gradual expansion of the Pipe Network to 9,000 ML, enabled the original bank debt to be paid down on time in July 2016, and for the Company to acquire additional assets being River Murray Water Access Entitlements. Together with the additional Share capital subscribed for at the time, the expansion of the Pipe Network capacity described above was able to be accomplished without further borrowings by the Company. The Company now has Shareholder funds in excess of $21.4 million, as at 30 June 2016. Since that date BIL has paid down the last instalment to the bank and is now debt free, except for a seasonal Overdraft Facility.

The trading and financial position can be summarised as follows

	30 June 2014	30 June 2015	30 June 2016
Water volume sold	6,557 ML	7,545 ML	9,047 ML
Sales revenue	$5,570,429	$6,659,445	$7,338,732
Infrastructure Levies Revenue	$2,672,075	$2,890,766	$4,369,401
Profit after tax	$942,710	$950,643	$1,859,915
Net Assets	$16,332,293	$18,420,436	$21,433,601
Bank liability	$4,232,199	$2,800,210	$1,368,210

With a significant investment in electronic metering and remote reading of pressures and flow rates, the Pipe Network is well managed and is reliable with minimum disruption to supply. Management is stable, having been involved since the first delivery of water, and has a thorough knowledge of the delivery system and the requirements of a diverse Customer base.

7.4 Recent Developments

With the return of some buoyancy to the wine sector, especially with the perceived demand for Barossa shiraz, there has been significant enquiries seeking additional annual water, which now exceeds 2,500 ML.

It is believed this indicative demand is a response to the experience of 3 dry years in a row. For some growers the additional water is needed for sustainable viticulture, as a response to climate change and increased temperatures or drought proofing their vineyards. For others it is a response to the demand for more Barossa shiraz, leading to increased plantings and/or an increased yield to some existing vineyards.

Initial costing by SA Water has indicated that the cost of infrastructure and increased capacity fees pursuant to the Water Transport Agreement to supply this additional volume will be approximately $9.0 million, and the cost to the Company of increasing the capacity of its existing system beyond its original design for 10,000 ML under the Project is some $8.0 million. This final cost will depend on the location of the final demand by Customers.

The Water Transport Agreement runs to 2020, with a right of renewal to 2040. This right of renewal has been exercised by the Company, with the intention that the new Agreement run to 2040, with a right of renewal for a further 20 years to 2060. The basis for pricing for the extended period is not required to be settled until

2019, but the Company with the agreement of SA Water is in discussion to settle this matter and other pertinent issues relating to the agreement, before committing to the Project.

Both SA Water and the Company are using this opportunity to rewrite the Water Transport Agreement to simplify it, remove redundant clauses and make it better reflect the current operations and requirements of both parties.

7.5 Directors and Management Team

Grant Burge: Director appointed on 14 September 1998
Rob Chapman: Independent Director, Chairman appointed on 4 June 2012
Geoffrey Davis: Independent Director, Company Secretary appointed on 3 August 1999
Gayle Grieger: Independent Director appointed on 2 February 2004
Vic Patrick: Independent Director appointed on 28 April 2008
Steve Wilson: Director appointed on 14 September 1988
Paul Shanks: General Manager appointed in 2001 *For more details of the Directors and Management Team refer to the audited financial statements at Appendix 1. Please note that at the Company's 2016 AGM on 24 October 2016 two founding directors of the Company, Edgar Schild and Martin Pfeiffer, stepped down and are no longer directors. The Company thanks them for their outstanding service to the Company, for close to 20 years.*

7.6 Capital Structure

Issued capital	$12,182,500
Retained earnings	$9,254,901
Total equity at 30 June 2016	$21,433,601

For more details refer to the audited financial statements at Appendix 1. The Company's capital structure has not materially changed since 30 June 2016.

8. SHARES AND CUSTOMER CONTRACTS

8.1 Amounts payable in respect of securities

Eligible Applicants can subscribe for 1,750 ordinary Shares in the Company for $1.00 per Share in proportion to their proposed contracted volume (per ML) of Premium Water under a corresponding Customer Contract.

8.2 Rights and liabilities attaching to Shares

The New Shares under this OIS will be fully paid ordinary shares in the capital of the Company and will rank equally with Existing Shares. A summary of the rights that the New Shares confer on Shareholders is set out below. The summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of any of the Company's Shareholders. For full details of the rights attaching to New Shares, Eligible Applicants should refer to the Constitution of the Company, a copy of which is available for inspection on request.

Summary

Subject to the Constitution, all Shares attract the following rights, privileges and conditions:

- the right to receive notice of and to attend and vote at all general meetings of the Company at one vote per each fully paid Share;
- the right to receive dividends (although, it is not intended that the Company will pay dividends nor will it offer a return to its Shareholders other than through supplying water at what the Company considers to be the minimum sustainable price); and
- in a winding up, the right to participate equally in the distribution of the assets of the Company (both capital and surplus), subject only to any amounts unpaid on Shares.

Shares in the Company, together with the Customer Contracts, may be transferred subject to the provisions of the Company's Constitution, the Customer Contract and the secondary trading provisions of the Corporations Act.

Shareholders may only sell their Shares after procuring the consent of the Company and the purchaser to an assignment of the corresponding Customer Contract. Shareholders may sell all of their Shares, and assign all of their entitlement to water under their Customer Contracts. Shareholders may transfer part of their shareholding, together with assigning the appropriate portion of their entitlement to water under the associated Customer Contract, provided a minimum of 1,750 Shares are transferred (together with an assignment of portion of the corresponding Customer Contract for 1 ML). All Share transfers must be for multiples of 1,750 Shares.

The Company maintains a register of Shareholders and records of Customers. Share transfer forms must be signed by the transferor and the transferee, and the transferor is deemed to remain the holder until the name of transferee is entered into the register maintained by the Company. Share transfers and assignment of Customer Contracts (on which the appropriate amount of stamp duty if any has been paid) together with any such evidence of title as the Company requires, must be left with the Company for registration. Shareholders will also need to comply with the secondary sale provisions of the Corporations Act. The Company intends to take whatever steps it considers reasonable to assist Shareholders to comply with this requirement.

If a Shareholder ceases to be a Customer, the Shareholder must dispose of all their Shares in accordance with the Company's Constitution. If the Shareholder fails to comply with that provision, the Shareholder must allow the Company to buy back or dispose of his or her Shares, in accordance with the Company's Constitution. In the case of a transfer of Shares, the transferee must be or apply to become a Premium Water Customer. The Directors may at their discretion decline to register a transfer of Shares, and must not

register the transfer of Shares where they form the opinion that the transfer would result in a person breaching the provisions of the Constitution which provide that Shares may only be held by Customers.

Applicants should realise that:

- there is not an active secondary market for Shares in the Company;
- Shares may only be transferred to purchasers who agree to take over the Shareholder's responsibility under the Customer Contract to take the associated entitlement to water; and
- the Company is not obliged to buy back their Shares.

Shares in the Company, together with the associated Customer Contracts, may therefore not be readily sold, and there is no guarantee that the sale price will represent fair value.

8.3 Customer Contract Overview

In addition to subscribing for Shares under this OIS, the Company is separately offering Applicants the opportunity to enter into Customer Contracts on a long term basis for both Premium Water and Off Peak Water, for the period to 2040 with the right to renew until 2060.

A summary of the contract terms and conditions is set out below. Copies of the Customer Contract with the full terms and conditions are available for review at the Company's office or on the Company's website.

(a) Premium Water Terms and Conditions:

- Water is to be delivered on demand at a sufficient flow rate to ensure the entire Premium Water could be delivered to each Customer over a 50 day period.
- A minimum delivery pressure of 10 metres of head is proposed.
- Water ordered will be available on an annual basis in each water year, commencing 1 October and concluding 30 September in the following year. Water can be traded with the agreement of the Company, however, no water entitlements can be carried forward to the next year.
- There is a charge for unused water.
- Water prices automatically vary in line with indexation movements in the Water Transport Agreement.
- Customer meters are read on or around the following dates: 30 November, 31 January, 31 March and 30 September each year, with bills rendered on the following basis following each reading:-
    - 30 November: Customers will be charged for all water used in the 1 October – 30 November period;
    - 31 January and 31 March: Customers will be charged for all water used in the relevant two month period at the prevailing price; and
    - 30 September: Customers will be charged for all water used in the 6 month period 1 April – 30 September at the prevailing price. In addition, Customers will be charged for any unused water at the prevailing price.
- Infrastructure Levies are payable. Refer to the KPMG Tax Opinion at Appendix 2 for information about the deductibility of the levies to Customers.
- The Water Transport Agreement sets out various mechanisms under which transportation can either be suspended or terminated, including in the December to March period. Customers should also be aware that supplies are not guaranteed under certain circumstances including:-
    - Drought period where metropolitan Adelaide is placed on restrictions;

- Emergency issues (system failure); and
- Other critical periods as directed by the SA Government.

(b) Off Peak Water Terms and Conditions:

This water should be generally available in the same quality and quantity and pressure as Premium Water, however, it is only available for delivery in the periods 1 October – 30 November and 1 April – 30 September each water year.

8.4 Customer Contract Costs

(a) Fixed Infrastructure Levies

The Customer Contract will require each Customer to make Infrastructure Levy payments of the following amounts for each ML of Premium Water purchased, with the timing of payment depending on when the Customer first requires the water to be delivered (Water Year 2017, 2018 or 2019). Any variations will be set out in the final Customer Contract.

Payment No	Timing	Water Infrastructure Levy per ML 2017	Water Infrastructure Levy per ML 2018	Water Infrastructure Levy per ML 2019
1.	30 June 2017	$1,000	$0	$0
2.	30 June 2018	$2,000	$1,000	$0
3.	30 June 2019	$1,500	$2,000	$1,000
4.	30 June 2020	$1,500	$1,500	$2,000
5.	30 June 2021	$1,500	$1,500	$1,500
6.	30 June 2022	$1,500	$1,500	$1,500
7.	30 June 2023	$1,500	$1,500	$1,500
8.	30 June 2024	$1,500	$1,500	$1,500
9.	30 June 2025		$1,500	$1,500
10.	30 June 2026			$1,500

The contract will also require Infrastructure Levies for Off Peak Water to be paid as follows:

Payment No	Timing	Water Infrastructure Levy per ML 2017	Water Infrastructure Levy per ML 2018	Water Infrastructure Levy per ML 2019
1.	Date of signing Contract	$1,000	$1,000	$1,000
2.	30 June 2018	$500	$0	$0
3.	30 June 2019	$500	$500	$0
4.	30 June 2020	$500	$500	$500
5.	30 June 2021	$500	$500	$500
6.	30 June 2022	-	$500	$500
7.	30 June 2023	-	-	$500

The initial $1,000 Infrastructure Levy will be paid at the time of signing the contract for Off Peak Water.

(b) Connection / Disconnection Fees

Customers are required to pay the costs to connect the water to their properties. For the purposes of this Offer the following connection fees will apply to applicable Customer Contracts:

Water Required	Water Connection Fee
5ML – 20ML	$7,500 + GST (fixed fee)
Over 20ML	The Customer will be required to pay the actual cost of connection.

Customer connections to the Pipe Network are carried out by a suitably qualified and accredited contractor nominated by the Company (to ensure the contractor is properly qualified to undertake the work).

When a new connection is requested by a new Customer, the Company will arrange for the contractor to undertake the work. The contractor will then invoice the Company directly for the work, with the Company then passing that cost through to the Customer (except in the case of the fixed fee detailed above).

The Company doesn't charge any disconnect fee or termination charges, however if a Customer is disconnected from the Pipe Network due to failure to pay or other default on the part of the Customer, and the Customer then requests reconnection, the Company will charge that Customer a fixed reconnection fee. The reconnection fee for the 2016/2017 Water Year is $1,100 (including GST) and any additional costs incurred by BIL in reconnecting the Customer.

(c) Usage Charges

The Customer Contract requires the Customer to pay charges for water used and unused throughout each Water Year.

The usage charges will be subject to annual review. The 2016/2017 charges are as below:

Type	Charge
Premium Water	$710/ML (or 71 cents/KL)
Premium Water not taken	$480 ML (or 48 cents/KL)
Off Peak Water (supplied through two periods): • Oct – Nov, maximum 25% taken during this period • April – Sep, second Off Peak Water period, supply rate is 12.5% per month	$910/ML (or 91 cents/KL)
Off Peak Water not taken	$480/ML (or 48 cents/KL)
CWMS	Customers receive a discount of $70/ML (or 7 cents /KL) for CWMS water

9. INVESTMENT RISKS

9.1 Overview

The Project to expand the Pipe Network has the usual risks of significant infrastructure projects, ranging from engineering risk, economic risk, operating risk and the risk of insufficient demand in the areas that the Company can economically supply.

With some 15 years operating experience of the Pipe Network the Company believes these risks can be appropriately managed.

Prospective investors should be aware that this is not an exhaustive list of the risks associated with becoming a Shareholder in the Company and they should be considered in conjunction with the other information disclosed in this OIS. Prospective investors should also note that the occurrence or consequences of some of the risks described in this section of the OIS are partially or completely outside the control of the Company, its Directors and its advisers. There can be no guarantee that the Company will achieve its stated objectives in respect of the Project or that any forward looking statements contained in this OIS will be realised or otherwise eventuate.

Prospective investors should have regard to their own business and investment objectives and financial circumstances, and should consider seeking professional guidance from their solicitor, accountant or other independent professional adviser before deciding whether or not to become a Shareholder.

9.2 General Risks

(a) **Legal and Regulatory risks**: Changes in legislation and other rules in domestic and potentially foreign jurisdictions, may impact on the Company's ability to complete the Project or sustain its pricing for the supply of water into the future. In particular, there may be changes to legislation dealing with taxation, accounting and investment, environmental, rationalisation of water and changes to River Murray Water Access Entitlements (or allocations), which may adversely impact the Company.

(b) **Extreme weather events**: The supply and demand of water is significantly influenced by extreme weather conditions. For example too much rain and flooding would significantly decrease the demand for water and impact on the Company's seasonal cashflow. In the case of a drought, the supply of water is significantly reduced, driving up demand and pricing for water. Extreme heat weather events may impact on the Company's ability to maintain consistency of pricing its water, for example if the Company's water allocations were reduced, then the Company would most likely need to lease or acquire additional River Murray Water Allocations in order to secure enough water to satisfy Customer Contracts.

(c) **Australian agriculture and foreign exchange risk**: The demand for water is significantly dependent on the water use of the agricultural industry. The performance of the agricultural sector, including the wine industry, is exposed to a number of underlying commodity prices. Any adverse commodity price movements may make production by Customers uneconomic and therefore impact on the demand for the Company’s water or the ability to pay the prevailing rate for water. The agricultural industry is also driven, in part, by the demand and supply dynamics of export markets. As such, if the Australian dollar was to significantly change in value, the demand for Australian agriculture would also shift dramatically. Consequently, the production of agriculture would shift (either between industries or between countries) and the demand for water may respond accordingly, impacting water prices and the value of the Company's infrastructure.

(d) **Technology risk**: Advances in technology, such as desalination plants and water transfer infrastructure, may increase the supply of water. If this was to occur, this may have the effect of

changing water prices, which may impact on the Company's supply of its Customer Contracts or the value of the Company's infrastructure in the longer term.

(e) **Structural risk**: As irrigators become more water-efficient (eg through technological adoption and crop modification), water demand may decrease, impacting the price of water in the market.

(f) **Climate change**: Advancing variability in climate and weather patterns may have an impact on water quality and water availability. The demand and supply of water available for agricultural use will respond to these changes accordingly, impacting on the price of water. There is a risk that climate change could mean the Company is unable to benefit from rainfall and reliable water sources which could have an adverse effect on the Company's ability to satisfy its obligations under the Customer Contracts or the value of the Company's infrastructure.

(g) **No market:** The Company is an unlisted public Company, and therefore does not trade on a market. There is no readily available market to sell the Shares on, which may increase the difficulty in selling or transferring your Shares in the Company. As a consequence, the realisable value of your Shares may be less than the apparent value or it may take a longer period of time before the investment is able to be realised at market value (if at all) or there may be no market for the Shares.

9.3 Economic Risks

(a) **Pump upgrades**: The cost of the Company's pump upgrades is greater than estimates from Arup. The most significant risk is the cost of connection to the power grid for the additional new pumps. The costing has been based on actual costs of recent installations. Further allowances of a contingency of 25% has been built into the model.

(b) **Industry:** Wine industry slow down or other depression of grape prices or both results in cash flow pressure on Customers and therefore the Company.

(c) **Cost increases (water)**: The 20 year extension of the Water Transport Agreement past 2020 results in charges by SA Water that significantly increase the cost of water to prohibitive prices for Customers. The terms currently being agreed with SA Water by BIL are considered to minimise this risk.

(d) **Competition**: Alternative suppliers of water take away Customers thereby spreading operating costs over smaller volumes. This risk is considered low based on both the quality and cost of alternatives. Also since such alternatives are anticipated to be mainly for Off Peak Water, the need to have on farm storage for those sources of water is considered to make BIL's water (which doesn't require farm storage) more attractive in comparison.

(e) **Drought**: Drought in the Murray Darling Basin**.** This is a foreseeable event and the Board policy is to allow the rationed amount to each Customer and to purchase additional River Murray Water Allocations on the market, and pass these additional costs to the Customers who request the water. The water market is regulated as part of the Murray Darling Basin Plan.

9.4 Operating and Engineering Risks

(a) **Initial Cost estimates not sufficient:** Current modelling for the Project has built in a reasonable contingency over the current pre-tender cost estimates. The Company considers this a sufficient buffer in the model, should the initial cost estimates be exceeded.

(b) **Flow rates and pressures not achieved:** While this is a risk, the Company's strategy would be to negotiate reduced flow rates and pressures.

(c) **Timing of construction:** The period of construction could be delayed by various approval delays and the lead times for purchasing key infrastructure. This is not considered a major issue as the water for new plantings will not all be required in the first year.

(d) **Cost of energy supply and connections:** The Company has available alternate strategies to mitigate the cost of this issue in most foreseeable circumstances.

(e) **Capital depreciation risk:** There is a risk that the value of the key assets, being the Pipe Network (including the Project once completed) may depreciate in value over the investment period.

10.OTHER MATTERS

10.1 Consents

The following persons have given and have not, before the lodgement of this OIS, withdrawn their written consent to the issue of this OIS in the terms specified below:

(a) MinterEllison has given its consent to be named as the Australian Legal Adviser to the Company in the form and context in which it is named, and has not withdrawn its consent.

(b) KPMG has given its consent to the inclusion of its auditor's report and to being named as the Company's auditors in the form and context in which the report is included and it is named, and has not withdrawn its consent.

(c) KPMG has given its consent to the inclusion of its Taxation Report in the form and context in which the opinion is included, and has not withdrawn its consent.

(d) Capital Strategies has given its consent to be named as the Corporate Adviser to the Company in the form and context in which it is named, and has not withdrawn its consent.

(e) Arup Pty Ltd has given its consent to be named as the Engineering Consultants to the Company in the form and context in which it is named, and has not withdrawn its consent.

None of the persons outlined above have authorised or caused the issue of this document and, except as set out in this section, make or purport to make any statement in this document and to the maximum extent permitted by law, each expressly disclaims and takes no responsibility for any part of this document other than giving its consent as set out in this section.

10.2 Governing Law

This OIS, and the contracts formed on acceptance of applications under the Offer are governed by the laws applicable in South Australia, Australia.

10.3 Privacy

The information about an Eligible Applicant included on an Application Form and the Request for Customer Contract is used for the purposes of processing the Application and the application to become a Customer to administer the Eligible Applicant's holding of New Shares. By submitting an Application Form and the Request for Customer Contract, each Eligible Applicant agrees that the Company may use the information provided by an Eligible Applicant on the Application Form and the Request for Customer Contract for the purposes set out in this privacy statement and may disclose if for the purposes to the Company's related bodies corporate, agents and contractors and third party service provides, including professional advisers, and to other regulatory authorities, by way of example but not limited to, as may be required for the Pipe Network, the Project, and SA Water.

The Corporations Act requires the Company to include information about each Shareholder (including name, address and details of the Shares held) in the Share register of the Company. The information contained in the share register of the Company must remain there even if that person ceases to be a Shareholder. Information contained in the share register is also used to facilitate payments and corporate communications (including the Company's financial results annual reports and other information that the Company wishes to communicate about its Shareholders) and compliance by the Company with legal and regulatory requirements.

Under the *Privacy Act* 1988 (Cth), you may request access to your personal information held by, or on behalf of the Company. For further details, including how to access your personal information, and information on the privacy complaints handling procedure, please contact Paul Shanks on paulshanks@barossainfrastructure.com.au.

10.4 Future performance and forward looking statements

This document may contain certain forward looking statements with respect to the financial condition, results of operations, projects and business of the Company. These forward looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved.

Forward looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this OIS.

10.5 Electronic Offer Information Statement

This OIS is available in electronic form via www.barossainfrastructure.com.au. Eligible Applicants using the Application Form must be located within Australia. Persons who receive an electronic version of this OIS should ensure they download and read the entire OIS.

11. DIRECTORS' STATEMENT

Each Director has consented to the lodgement of this OIS with ASIC and has not withdrawn that consent.

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made in this OIS are not misleading or deceptive.

The OIS is signed for and on behalf of the Company pursuant to a resolution of the Board by:

Signed by **Geoffrey Davis**

←

Director

2 December 2016

Date

12. GLOSSARY OF TERMS

A$** and **$ means Australian dollars unless specified otherwise.

ABN means Australian Business Number.

Applicant means a person who submits a valid Application Form and the required Application Money pursuant to this OIS.

Application means an application for Shares under this OIS.

Application Form means the application form accompanying this OIS.

Application Money means the money required on application of the New Shares.

Arup means Arup Pty Ltd ACN 000 966 165.

ASIC means the Australian Securities and Investments Commission.

Company means Barossa Infrastructure Limited ACN 084 108 958.

Closing Date means the date that the Offer closes for applications.

Conditions Precedent means the conditions precedent set out in Section 6.6 of this OIS.

Connection Costs means all costs incurred in providing a connection for Customers to the BIL infrastructure including all pipe laying and back flow prevention devices. It does not include meter and WASP or other electronic reading and transmitting device, which always remain the property of the Company.

Corporations Act means the *Corporations Act* 2001 (Cth).

Customer means any person who is a customer in good standing of the Company and has entered into a Customer Contract with the Company.

Customer Contract means the long term water contract Customers who are required to enter into with the Company for the delivery of water to their property.

CWMS means water supplied to the Company from the Nuriootpa Community Wastewater Management Scheme to Customers on Gomersal Road west of Lindner Road.

Director means a director of the Company.

Eligible Applicant means a potential investor who satisfies the criteria in Section 6.5 of this OIS.

Existing Shares means all the Shares on issue in the Company as at the date of this OIS.

Exposure Period means the 7 day period commencing from lodgement of this OIS with ASIC, and any extension of this period by ASIC.

Infrastructure Levy means the annual infrastructure levies for Premium Water and Off Peak water as set out in the applicable Customer Contract.

Issue means the issue of New Shares under this OIS.

GL means Gigalitre.

GST means Goods and Services Tax under the *New Tax System (Goods and Services Tax) Act 1999* (Cth).

Minimum Subscription means the minimum raising of $1,312,500 by the issue of 1,312,500 New Shares pursuant to this OIS.

ML means Megalitre.

New Shares means the Shares that are issued under this OIS.

Off Peak Water means water which is available to Customers in April to November each year, ideally for storage in dam or bore water.

OIS Date means 2 December 2016.

Offer means the offer of New Shares pursuant to this OIS.

Offer Information Statement or OIS means this Offer Information Statement dated 2 December 2016.

Overdraft Facility means the Company's $1million seasonal overdraft facility with Bendigo Adelaide Bank Ltd.

Oversubscriptions means a total of 875,000 New Shares to raise an additional $875,000.

Pipe Network means the Company's existing infrastructure in the Barossa Valley for the delivery of water to Customers.

Premium Water means water which is available on demand throughout the year, in particular, in the months of December to March each year.

Premium Water Customers means those Customers with a premium water contract with the Company for the supply of water.

Project means the proposed expansion of the Pipe Network's annual capacity by up to 2,500 ML, including an additional 750 to 1,500 ML of Premium Water.

River Murray Water Access Entitlements means water access entitlements which entitle the holder to an ongoing right to take a specified share of water available for allocation from the River Murray and are issued on a Water Licences.

River Murray Water Allocation is the annual allocation of a water share from the **River Murray Water Access Entitlements** that may be diverted from the River Murray.

SA Water means South Australian Water Corporation.

Share means a fully paid ordinary share in Barossa Infrastructure Limited ACN 084 108 958.

Shareholder means the holder of a Share.

Water Transport Agreement means the contract as amended and dated 5 September 2000 between SA Water and the Company for the transportation of water to the Company's infrastructure and where applicable any successor to that contract.

Water Year has the same meaning as in the Customer Contract.

Appendix 1 – FY16 Financial Statements (audited)

Extract 1 – Details of Directors and Management Team from the 2016 Annual Report

Directors' Report

The Directors present their report together with the financial report of Barossa Infrastructure Limited ("the Company") for the financial year ended 30 June 2016 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the financial year are:

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Wendy Kay Allan Director *Appointed 4 June 2008* *Resigned 26 October 2015*	50	Vigneron Director – Owner/Operator Pindarie Pty Ltd Graduate Diploma in Wine Business Associate Diploma in Farm Management – Viticulture Former Viticultural Lecturer TAFE Barossa Campus Former Viticultural Consultant, Winemakers Federation of Australia Former Senior Viticulturist, Southcorp Wines 1998 – 1995 Wine Industry Study Tours Chile, France Former Barossa Vineyard Manager, Southcorp Wines Former Viticultural Extension Manager, Penfolds Wine Group 1992 Viticulture Research and New Technology Study Tour Israel, Italy, France and Germany 1989 Study Trip Geyser Peak Winery California
Grant Walker Burge Director *Appointed 14 September 1998*	65	Vigneron Chief Executive Grant Burge Corp Pty Ltd, Illaparra Winery Pty Ltd, Burge Vineyard Services Pty Ltd Burge Pastoral Co Pty Ltd, Burge Estates Barossa Valley Strategic Water Management Study 'Vision 2045' Baron of the Barossa – Inducted 1990 Former Chief Executive Grant Burge Wines Pty Ltd Past Director Krondorf Ltd, Mildara Ltd, Rycroft Vineyards Pty Ltd Past Member Barossa Water Resources Board Past Councillor The Barossa Council Past President & Committee Member Barossa Winemakers Association Past Committee Member SA Wine Industry Association
Geoffrey Maxwell Davis B Ec, FCA, CTA Independent Director **Company Secretary** *Appointed 3 August 1999* *Member Executive Committee*	68	Chartered Accountant, Principal Geoff Davis & Associates Past Chairman AC Johnston Pty Ltd (Pirramimma Wines) Former Partner Ernst & Young Board Member of Sevenhill Cellars Past Chair of Saint Ignatius College Council Former Member SA Egg Board
Gayle Robin Grieger B Sc (Hon), PhD Independent Director *Appointed 2 February 2004*	44	Environmental Scientist Senior NRM Policy Officer, Adelaide and Mt Lofty Ranges NRM Board Member Australian Soil Science Society Past Member Australian Society of Viticulture & Oenology Past Committee Member 7th South Australian Rural Women's Gathering

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Robert Ian Chapman Independent Director Assoc Dip Bus, FAICD, F FIN Chairman *Appointed 4 June 2012* *Member Executive Committee*	52	Adelaide Football Club (Chairman 2008 – present) Fortisago (Chairman 2015) Perks Accounting & Financial Services (Chairman 2012) Member of The Economic Development Board Member SA Economic Development Committee Member Next Generation Manufacturing Investment Programme Interim Committee Past President of Business SA - (2005/07) Past President of CEDA SA – (2003/06) Past Chief Executive Officer St. George Group (2010/12) Past Managing Director Bank SA (2002/10) Past Regional General Manager, WA, SA, NT Commonwealth Bank of Australia Past Chairman Kelly & Co Business Advisory Panel (2012) Past Chairman Bank SA Advisory Board (2012) *Former Memberships:* cando4kids (Ambassador) Catholic Church Diocesan Finance Council (Chairman 2004) Flinders Medical Centre Foundation History Trust of South Australia Olympic Games Fundraising Committee Premier's Climate Change Council UniSA MBA Program (Past Chairman)
Victor John Patrick Independent Director *Appointed 28 April 2008* *Member Executive Committee*	72	Director Red Dirt Estate Joint Venture Director Graymoor Estate Joint Venture Director Farmer Eden Valley/Kalangadoo Diploma – Viticulture, Vinification, Wine Chemistry & Technology Oenological Diploma Agriculture 2004-1996 Director Viticulture Foster's Group 1996-1987 Director Global Viticulture Mildara Blass Ltd 1987-1985 Ass. General Manager Vineyards Southcorp Wines Chairman Wine Grape Growers Australia Member Wine Grape Council of SA Member SA Wine Industry Assoc. Environment Committee Member University of Adelaide School of Agriculture Food & Wine Advisory Board Former Chairperson SE Soil Conservation Board Former Chairperson SA Wine Industry Council Former President SA Wine Industry Association Former Member SA Soil Conservation Board Former Member Lower SE Water Resources Committee Former Member SE Catchment Management Board Former Member SA Water Resources Council

Directors' Report

Name, Qualifications and Independence Status	Age	Experience and Special Responsibilities
Martin Paul Pfeiffer Director *Appointed 18 December 1998*	64	Vigneron Director – Owner/Operator Whistler Wines, Heysen Estate Vineyards 1998 Wine Industry Study Tour France, Italy, Germany, Spain 1999 Irrigation Technology Tour Israel, California Member Barossa Wine & Tourism Association Member Barossa Winemakers Past President Barossa Lions Club Charter President Morgan Lions Club
Edgar Gordon Schild Director *Appointed 14 September 1998*	75	Vigneron Managing Director EG & LF Schild Pty Ltd, Schild Estate Wines Wine Industry Study Tour Australia, Europe, California, South Africa 1996 Barossa Valley Vigneron of the Year Member Barossa Grape Growers Council Life Member Rowland Flat Agricultural Bureau
Steven James Wilson Director *Appointed 14 September 1998*	61	Vigneron Managing Director Anandale Vineyards Pty Ltd, Linfield Rd Wines Pty Ltd Past Member Wine Grape Growers Council – Tanunda branch Member & Past Secretary South Australian Farmers Federation Past Member SAFF Research & Development Board Past Director BREDA

Extract 2 – Financial Statements of the Company for the year ended 30 June 2016

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

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

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2016

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

The accompanying notes form part of these financial statements

Statement of Financial Position

For the year ended 30 June 2016

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

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2016

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

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

The accompanying notes form part of these financial statements

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Barossa Infrastructure Limited (the "Company") is a company domiciled in Australia. The financial statements were approved by the Board of Directors on 13th September 2016. The Company is a for-profit entity.

(a) Basis of Accounting

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

(b) Basis of Measurement

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

Standards issued but not yet effective

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

AASB 9 Financial Instruments

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

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

AASB 15 Revenue from Contracts with Customers

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

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

AASB 16 Leases

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

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

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

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Going Concern basis of preparation

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

Use of Estimates and Judgements

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

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

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

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

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

(c) Revenue Recognition

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

Sale of Water

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

Infrastructure Levies

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

Government Grants

Government grants related to assets are presented in the statement of financial position as deferred income when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Finance Income

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

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Sale of Non-current Assets

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

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

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Finance Expenses

Finance expenses comprise interest expense on borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Interest payments in respect of financial instruments classified as liabilities are included in finance expenses.

Finance costs are expensed as incurred unless they relate to qualifying assets in which case they are capitalised to the cost of the asset as occurred during the construction of the pipeline.

(f) Income Tax – Note 4

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

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or receivable that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.
Current tax assets and liabilities are offset only if certain criteria are met.

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

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

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

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

(g) Financial Instruments

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

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

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

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:
Loans and receivables

(ii) Non-derivative financial assets - measurement

Loans and receivables

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

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

Cash and cash equivalents

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

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iv) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

(h) Property, Plant and Equipment

(i) Recognition and measurement

All assets acquired including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition, less accumulated depreciation and any accumulated impairment losses.

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

Complex Assets

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

Useful Lives

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

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

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

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

(i) Intangible Assets

(i) River Murray Water Rights

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

(ii) Other Intangible Assets

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

(iii) Subsequent Expenditure

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

(iv) Amortisation

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

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

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

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

(j) Impairment

(i) Non-derivative financial assets

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

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Objective evidence that financial assets are impaired includes:

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

Financial assets measured at amortised cost

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

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

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

(ii) Non-financial assets

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

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives the recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(k) Financial Risk Management

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk Management Framework

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

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

Credit Risk

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

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry in which customers operate. All customers are shareholders who have a direct interest in the Company. The Company's customer base is located in the prime sector of the Barossa Valley which is less impacted by the current problems facing the wine industry. The Company does not have a significant exposure to any one customer as no single customer is in excess of approximately 7 percent (2015: 6%) of the Company's revenue.

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

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

Liquidity Risk

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

Note 1 continued overleaf

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

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

Interest rate risk
With prevailing low interest rates, a significantly reduced liability on the long term borrowings and the long term loan being repayable in July 2016, the Company no longer fixes forward interest rates in view of the minimal interest rate risk (refer Note 11).

Capital Management
The Board's policy is to maintain a strong capital base and a balance between borrowings and share capital. The policy is not to maximise dividend returns to shareholders but to deliver water at the lowest price that is sustainable in the long term. The Board's aim is to continue to reduce the bank debt and improve the flexibility of the Company to take advantage of investment opportunities, such as the acquisition of permanent River Murray Water Rights or the entering into long term contracts for the purchase of water from other sources such as town CWMS.

(l) Deferred Income – Note 16
Of the income in advance $1,209,410 relates to Infrastructure Levies billed and due at 30 June 2015. These levies related to the water year 1 October 2015 – 30 September 2016. Therefore, one quarter of the total Infrastructure Levies billed at 30 June 2015 is income in advance at 30 June 2016.

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

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

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

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

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(n) Provisions

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

(o) Interest Bearing Borrowings – Note 11

Bank loans are recognised at their principal amount. From 1 January 2002, interest paid and accrued has been recognised as an expense.

(p) Operating lease payments

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

Note 2: PERSONNEL EXPENSES

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

Note 3: AUDITOR'S REMUNERATION

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

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

	2016	2015
	$	$

Note 4: INCOME TAX EXPENSE *continued*

Deferred tax asset is attributable to:		
Employee benefits	35,244	29,466
Borrowing Costs	584	743
Government Grant	32,733	-
	68,561	30,209
Net Deferred Tax Liabilities	**391,258**	278,324

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

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

(f) Dividend Franking Account

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

Note 5: CASH AND CASH EQUIVALENTS

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

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

Note 6: TRADE AND OTHER RECEIVABLES

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

	2016	2015
	$	$
Note 7: OTHER ASSETS		
Current		
Prepayments	207,866	146,266
Accrued Income – Water Sales	319,450	364,150
Accrued Income – Interest Income	1,292	6,941
Total Current Other Assets	**528,608**	517,357
Non-Current		
Prepayments	3,936,865	1,990,582
Total Non-Current Other Assets	**3,936,865**	1,990,582

Note 8: PROPERTY, PLANT & EQUIPMENT

	2016	2015
Pipeline and Installation		
At cost	27,957,861	27,920,116
Less: Accumulated Depreciation	(14,705,640)	(14,020,244)
Total Pipeline and Installation	13,252,221	13,899,872
Pumps and Installation		
At cost	2,065,385	2,060,053
Less: Accumulated Depreciation	(1,161,870)	(1,134,395)
Total Pumps and Installation	903,515	925,658
Meters and Installation		
At cost	2,164,297	2,169,971
Less: Accumulated Depreciation	(1,528,405)	(1,469,482)
Total Meters and Installation	635,892	700,489
Capital Works in Progress		
At cost	548,121	492,222
Less: Accumulated Depreciation	-	-
Total Capital Works in Progress	548,121	492,222
Office Equipment		
At cost	80,122	72,412
Less: Accumulated Depreciation	(60,215)	(54,928)
Total Office Equipment	19,907	17,484
Motor Vehicles		
At cost	87,947	89,147
Less: Accumulated Depreciation	(27,890)	(35,862)
Total Motor Vehicles	60,057	53,285
Leasehold Improvements		
At cost	7,052	7,052
Less: Accumulated Depreciation	(709)	(288)
Total Leasehold Improvements	6,343	6,764
Total Property Plant & Equipment net book value	**15,426,056**	16,095,774

	2016	2015
	$	$
Note 8: PROPERTY, PLANT & EQUIPMENT *continued*		
Reconciliations		
Pipeline and Installation		
Carrying Amount at Beginning of Year	13,899,872	14,602,397
Acquisitions	37,745	17,459
Depreciation	(685,396)	(719,984)
Carrying Amount at End of Year	13,252,221	13,899,872
Pumps and Installation		
Carrying Amount at Beginning of Year	925,658	968,685
Acquisitions	38,412	30,800
Disposals	(3,397)	(15,460)
Depreciation	(57,158)	(58,367)
Carrying Amount at End of Year	903,515	925,658
Meters and Installation		
Carrying Amount at Beginning of Year	700,489	923,617
Acquisitions	223,814	-
Disposals	(110,004)	
Depreciation	(178,407)	(223,128)
Carrying Amount at End of Year	635,892	700,489
Capital Works in Progress		
Carrying Amount at Beginning of Year	492,222	175,036
Acquisitions	393,572	334,645
Transfers to Assets and Expenses	(337,673)	(17,459)
Carrying Amount at End of Year	548,121	492,222
Office Equipment		
Carrying Amount at Beginning of Year	17,482	22,594
Acquisitions	7,712	1,864
Disposals	-	(267)
Depreciation	(5,287)	(6,709)
Carrying Amount at End of Year	19,907	17,482
Motor Vehicles		
Carrying Amount at Beginning of Year	53,285	71,047
Acquisitions	45,708	-
Disposals	(25,636)	
Depreciation	(13,300)	(17,762)
Carrying Amount at End of Year	60,057	53,285
Leasehold Improvements		
Carrying Amount at Beginning of Year	6,764	3,684
Acquisitions	-	3,192
Depreciation	(421)	(112)
Carrying Amount at End of Year	6,343	6,764
Total Depreciation Expense for Year	**939,969**	1,026,062

	2016	2015
	$	$

Note 9: INTANGIBLE ASSETS

	2016 $	2015 $
River Murray Water Rights – at cost		
Carrying Amount at Beginning of Year	2,637,023	2,661,368
Acquisitions	493,747	35,475
Disposals	-	(59,820)
Carrying Amount at End of Year	3,130,770	2,637,023

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

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

	2016 $	2015 $
SA Water Capital Works – at cost		
Carrying Amount at Beginning of Year	-	-
Acquisitions	2,405,000	-
Less: Amortisation and Impairment	(72,161)	-
Carrying Amount at End of Year	2,332,839	-

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

	2016 $	2015 $
Software – at cost		
Carrying Amount at Beginning of Year	8,874	13,892
Acquisitions	-	455
Less: Amortisation & Impairment	(5,301)	(5,473)
Carrying Amount at End of Year	3,573	8,874
Total Intangible Assets at net book value	**5,467,182**	2,645,897

Note 10: TRADE AND OTHER PAYABLES

	2016 $	2015 $
Current		
Trade Creditors	15,472	3,577
Customer Rebate	330,000	990,587
Other Creditors and Accruals	268,253	1,694,774
	613,725	2,688,938

Note 11: INTEREST BEARING LOANS AND BORROWINGS

	2016 $	2015 $
Current		
Secured Loan – Bendigo Bank Ltd	1,368,210	1,432,000
Total Current Interest Bearing Loans and Borrowings	**1,368,210**	1,432,000
Non-current		
Secured Loan – Bendigo Bank Ltd	-	1,368,210
Total Non-current Interest Bearing Loans and Borrowings	**-**	1,368,210

Bank Loans

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

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

Note 12: MOVEMENTS IN EQUITY

	2016 $	2015 $
Ordinary Shares		
Balance at the Beginning of the Year	11,025,750	9,888,250
Shares Issued at $1 each	1,153,250	1,137,500
Total Share Capital	**12,179,000**	11,025,750
Retained Earnings		
Retained earnings at beginning of year	7,394,686	6,444,043
Total recognised income and expense	1,859,915	950,643
Balance at end of year	**9,254,601**	7,394,686

	2016 $	2015 $

Note 13: LEASES

Non-cancellable operating leases are payable as follows

	2016 $	2015 $
Within one year	222,445	185,950
One year or later and not later than five years	536,641	201,366
Later than five years	20,352	6,189
	779,438	393,505

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

Note 14: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2016 $	2015 $
Profit after tax	1,859,915	950,643
Adjustments for:		
Depreciation and Amortisation	1,164,956	1,042,782
Finance Costs	0	250
Loss on Sale of Non-Current Assets	83,925	14,953
Customer Rebate	329,337	990,588
Income Tax Expense	811,598	377,345
Operating profit before changes in working capital	**4,249,731**	3,376,561
Changes in assets and liabilities (attributable to the operating activities of the Company):		
(Increase)/Decrease in Receivables	(1,074,033)	121,387
Increase in Deferred Income, including government grant	124,362	1,165,400
Net GST (Paid)/Received	(14,236)	(24,484)
Increase in Prepayments & Accrued Income	(2,131,421)	(2,213,049)
(Decrease)/Increase in Creditors	(754,397)	418,209
(Decrease) in Accruals	(951,358)	(643,117)
Increase in Provisions and Employee Benefits	19,586	7,339
Income Taxes Paid	(481,035)	(186,652)
Net Cash (used)/from in Operating Activities	**(1,012,801)**	2,021,594

	2016	2015
	$	$

Note 15: EMPLOYEE BENEFITS

	2016 $	2015 $
Aggregate Liability for Employee Entitlements		
Current		
- Liability for annual leave	49,477	39,500
- Liability for long service leave	64,455	54,846
	113,932	94,346
Number of Employees at Year End	5	5

Note 16: DEFERRED INCOME

	2016 $	2015 $
Current		
Income in Advance	4,069,358	3,760,901
Government Grants	71,718	85,483
Total Current Deferred Income	**4,141,076**	3,846,384
Non-Current		
Income in Advance	953,316	1,007,410
Government Grants	37,392	-
Total Non-current Deferred Income	**990,708**	1,007,410

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

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

Note 17: RELATED PARTY DISCLOSURES

Key management personnel compensation

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

	2016 $	2015 $
Short-term employee and director benefits	272,126	258,205
Other long term benefits	9,971	3,922
Post employment benefits	50,994	51,356
	333,091	313,483

Note 17: RELATED PARTY DISCLOSURES *continued*

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

Directors' holdings of shares

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

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

Other Transactions with the Company

The Company Secretary of Barossa Infrastructure Limited, G M Davis, is a key management person who is the principal of the firm Geoff Davis & Associates, Chartered Accountants resulting in him having significant influence over the financial and operating policies of that entity. Geoff Davis & Associates has provided secretarial, consulting and accounting services to the Company in the ordinary course of business for the year ended 30 June 2016. The terms and conditions of the transactions with G M Davis and his related entity were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related parties on an arm's length basis.

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

Director	Director Related Entity	2016 ($)	2015 ($)
G M Davis	Geoff Davis & Associates	161,260	139,777

Note 18: FINANCIAL INSTRUMENTS

(i) Credit Risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	Note	Carrying Amount 2016	2015
		$	$
Cash and cash equivalents	5	1,675,364	6,738,643
Trade and other receivables	6	2,275,567	1,187,299
		3,950,931	7,925,942

Impairment losses

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

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

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables that are not past due or past due by up to 30 days. Of the trade receivables balance of $2,181,458 at 30 June 2016, payments since received from customers for the period from 1 July 2016 to 9 August amount to $1,849,850 and have been applied as follows: Not past due $1,824,683 Past due 61-90 days $7,438 and Past due 91 days and > $17,729. The remaining outstanding balance relates to customers that have a satisfactory credit history with the Company.

(ii) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Non-derivative financial liabilities	Carrying	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 year	2 – 5 years	More than 5 years
Secured bank loans	1,368,210	(1,372,202)	(1,372,202)	-	-	-	-
Trade and other payables	283,725	(279,732)	(279,732)	-	-	-	-
Customer Rebate	330,000	(330,000)	(330,000)	-	-	-	-
	1,977,942	**(1,981,934)**	**(1,981,934)**	-	-	-	-

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

Note 18 continued overleaf

Note 18: FINANCIAL INSTRUMENTS *continued*

(iii) Interest Rate Risk

Profile

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

	Carrying Amount	
	2016	2015
	$	$
Fixed rate instruments		
Financial liabilities	-	-
Variable rate instruments		
Financial assets	**1,675,364**	6,738,643
Financial liabilities	**(1,368,210)**	(2,800,210)
	307,154	3,938,433

Fair value sensitivity analysis for fixed rate instruments

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

Note 19: COMMITMENTS

The company has no commitments as at balance date.

Note 20: EVENTS SUBSEQUENT TO REPORTING DATE

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

Directors' Declaration

In the opinion of the Directors of the Company:

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

  (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

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

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

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

Signed in accordance with a resolution of the directors.

R I Chapman
Director

G M Davis
Director

Tanunda, S.A.
13 September 2016

Auditor's Independence Declaration

KPMG

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

To: the directors of Barossa Infrastructure Limited

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

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

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

KPMG

Scott Fleming
Partner

Adelaide

13 September 2016

KPMG

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

We have audited the accompanying financial report of Barossa Infrastructure Limited (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Audit Report

Auditor's opinion

In our opinion:

(a) the financial report of Barossa Infrastructure Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

KPMG

Scott Fleming
Partner

Adelaide

13 September 2016

Appendix 2 – KPMG Taxation Report

Tax
151 Pirie Street
Adelaide SA 5000

GPO Box 2499
Adelaide SA 5001
Australia

ABN: 51 194 660 183
Telephone: +61 8 8236 3111
Facsimile: +61 8 8236 3299
DX: 456 Adelaide
www.kpmg.com.au

Private and confidential
The Directors
Barossa Infrastructure Ltd
Level 5
81 Flinders Street
Adelaide SA 5001

Our ref 28177321_1

Contact Tim Sandow (08 8236 3234)
Anetta Johnston (08 8236 7251)

2 December 2016

Dear Directors

Barossa Infrastructure Limited - Taxation Report

Independent Tax Consultant's Opinion

The following is our opinion regarding the income tax consequences for participants investing in Barossa Infrastructure Limited ("BIL").

Background

Due to indicated increased demand for water from existing customers and potential new customers ("Customers"), BIL proposes to increase the prevailing capacity of water transported under the Water Transport Agreement (between BIL and South Australian Water Corporation) to 11 gigalitres ("GL") of water.

BIL will fund the increased capacity of water by (amongst other things) raising additional share capital and charging customers an infrastructure levy.

This Independent Tax Consultants' Report ("the Report") has been prepared for inclusion in an Offer Information Statement ("OIS") dated 5 December 2016 to be issued by BIL in relation to an offer to the public to:

i) participate as a shareholder in and customer of BIL; and

ii) subscribe for up to 2,625,000 ordinary shares at $1 each in the year ended 30 June 2017 (with the ability to issue 875,000 oversubscriptions)

to raise up to $3,500,000 in additional ordinary share capital.

The OIS invites Customers to apply for shares in BIL in proportion to their indicated increased demand for water at the rate of $1,750 for each megalitre ("ML") of water required. This will entitle the Customer to 1,750 ordinary shares of $1 each. The subscription monies are payable on application prior to 31 January 2017 with the monies to be held in a separate trust account until the ordinary shares are issued.

Customers will also be required to enter into a long term contract to 2040 (with a right to extend for a further 20 years) for the delivery of contracted volumes of water for viticulture use ("Customer Contract"). This Report has been prepared on the basis the terms of the Customer Contract will be identical with the terms of the existing customer contracts (prepared in October 1999), other than the quantum of the infrastructure levy.

Payment terms under the Customer Contract will be as follows:

i) connection reimbursement payment for new Customers – a once off reimbursement payment to BIL will be made by Customers for the construction of appropriate infrastructure (e.g. pipes, new metres and backflow connectors) to connect the water to the Customer's property:

  - water required is 5ML-20ML – $7,500;
  - water required is over 20ML – BIL will provide a written estimate for the Customer to agree to before the Customer Contract is signed;

ii) water usage charge (premium) – $710 per ML per annum;

iii) water usage charge (off-peak) – $910 per ML per annum; and

iv) infrastructure levy in relation to:

  - premium water – $1,000 per ML in year 1, $2,000 per ML in year 2 and $1,500 per ML in years 3 to 8 (inclusive) totalling $12,000 per ML over a period of 8 years; and
  - off-peak water – $1,000 per ML in year 1 and $500 in years 2 to 5 (inclusive) totalling $3,000 per ML over a period of 5 years.

In relation to the infrastructure levy, as Customers have the ability to take the requested volume of water in step jumps over the first three year period, the amount of the infrastructure levy payable in that first three year period may change for those Customers (however, the total payable will remain the same).

The Directors of BIL have asked KPMG to comment on the tax deductibility of the water usage charge, infrastructure levy, connection fee and share subscription price and the impact of Goods and Services Tax ("GST") for Customers.

Deductibility of Customer Contract payments

Customers will be able to deduct expenses under section 8-1 of the *Income Tax Assessment Act 1997* ("ITAA 1997"), where:

- the expenses are incurred in gaining or producing assessable income; or
- the expenses are necessarily incurred in carrying on a business for the purposes of gaining or producing assessable income,

and are not capital, private or domestic in nature.

We are advised the majority of Customers will be carrying on a business of primary production and that the water supplied will be used in the course of operating that primary production business. However, Customers must note that the tests for deductibility need to be applied to each individual participant's circumstances as explained in further detail below.

Water usage charge

The payment of the water usage charge will be deductible to each Customer provided they use the water in carrying on their business. Water is considered to be an essential element of a primary production business and consequently, the water usage charge would be deductible. As water usage is charged on a take or pay basis, the payment will be deductible even if water is not delivered in a particular year.

If the water is used for private purposes e.g. watering of private gardens, no deduction will be allowable to the customer in respect of their expenditure.

Infrastructure levy

The payment of the infrastructure levy will be deductible where it is necessarily incurred in carrying on the Customer's business and to the extent that there is no lasting and capital benefit obtained from the payment. The infrastructure levy payments are recurrent payments required to be paid over an 8 year period for premium water and over a 5 year period for off-peak water under the Customer Contracts. We consider the payments for the delivery of water to be revenue in nature and therefore deductible to Customers.

If the water is used for private purposes, no deduction will be allowable to the customer in respect of their expenditure.

Connection reimbursement payment

The connection reimbursement payment will be deductible to each Customer in the year in which the reimbursement is made under Subdivision 40-F of the ITAA 1997.

As a result of the reimbursement, Customers will be acquiring depreciating assets. As these depreciating assets will be used for the primary and principle purpose of conveying water or that are reasonably incidental to conveying water, the definition of a 'water facility' will be satisfied. Thus, an immediate deduction will be available to the Customer for that payment.

If the water is used for private purposes, no deduction will be allowable to the customer in respect of their expenditure.

Subscription for shares

The subscription money for the shares will not be deductible for tax purposes as they are capital amounts made for the acquisition of a capital asset. Each share acquired will be an asset for Capital Gains Tax purposes and shareholders may be liable to pay tax on any gains made on the subsequent sale of the shares.

Impact of GST for Customers

Section 38-285 of the *Goods and Services Act 1999* ("the GST Act") states that a "supply of water" will be GST-free. BIL will not include GST in the price of water sold to Customers.

We consider that the payment of the infrastructure levy by Customers will also constitute a payment for the supply of water for the purposes of section 38-285 of the *GST Act.* Accordingly, BIL will not charge GST on this component of the price.

The issue of shares by BIL will be an input taxed supply under subsection 40-50(1) of the GST Act. BIL will not include GST in the price of the shares and Customers cannot claim input tax credits associated with the share subscription.

The connection reimbursement payment will be GST- free under section 38-285 of the GST Act as the activities performed by the subcontractors engaged by BIL are integral to the physical delivery of water by BIL to the Customers.

* * * * * *

Our income tax advice is based on current taxation law as at the date our advice is provided. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the tax legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities. It is the responsibility of the investors to take their own independent professional advice.

We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.

Although we have commented on the likely tax position for investors based on the facts provided, it is the responsibility of each investor to take their own independent professional advice.

KPMG's Tax Practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. Investors should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

Yours faithfully

Tim Sandow
Partner

Application Form & Instructions

Barossa Infrastructure Limited

ACN 084 108 958

Application Form under the Offer Information Statement dated
2 December 2016 (**OIS**)

This Application Form is for the Offer by Barossa Infrastructure Limited ACN 084 108 958 (**Company**) under the OIS dated 2 December 2016. You should read this OIS in its entirety and seek professional investment advice before deciding to apply for Shares.

This Application Form must be completed and returned by 5:00pm (Adelaide time) on 31 January 2017. When completed please send to the Company Secretary, Barossa Infrastructure Limited:

By Hand	By Post
2 Basedow Road, Tanunda	PO Box 665, Tanunda SA 5352

For electronic funds details, please contact the Company on 08 8563 2300. If the office is unattended please contact Paul Shanks on 0407 901 651 or email paulshanks@barossainfrastructure.com.au

Premium Water Requested (MLs)		**(A)**
Shares applied for		**(B)** = A x 1,750
Application monies	A$	**(B)** x $1.00

Please tick	*cheque*	
	Bank cheque	
	EFT	

1	Mr/Mrs/Miss/Ms Surname (**Individual Applicant**)	Given name/s
	Mr/Mrs/Miss/Ms Surname (**Joint Applicant**)	Given name/s
	(**Company**)	ACN/ABN/ARBN

2	Address
3	Phone contact (in case of queries) Work ( ) Home (optional) ( )
4	Are you a current shareholder? ☐ Yes ☐ No If yes please quote your BIL Customer number:
5	1. I/We hereby accept the offer under the OIS to acquire Shares, and agree to be bound by the Constitution (a copy of which is available from the Company Secretary) and hold the Shares issued to me under, and subject to, the Constitution of the Company. 2. I/We hereby authorise my/our name to be placed on the register of members of Barossa Infrastructure Limited ACN 084 108 958 in respect of Shares acquired by me under the OIS. 3. I/We hereby acknowledge that I/we have submitted a Request for Customer Contract. 4. I/We acknowledge that I/we have had the opportunity to obtain independent advice (as required) and am satisfied as to the consequences of my acquisition of Shares under the OIS and acknowledge that the information contained in the OIS (or any supplementary or replacement OIS) is not investment advice or a recommendation that the Shares are suitable for you, given your investment objectives, financial situation or particular needs.
	Signature Date / / Signature Date / / Signature Date / / (**Individual/Joint Applicant(s)**)
	Executed by____________________________ (company name) in accordance with Section 127 of the *Corporations Act 2001* in the presence of ____________________ ← ____________________ Signature of director Signature of director/company secretary (Please delete as applicable) ____________________ ____________________ Name of director (print) Name of director/company secretary (print) (**Signed by Company or Corporate Trustee**)