

ACN 611 976 517



1. Reporting period

From 1 January 2018 to 30 June 2018
From 1 January 2017 to 30 June 2017

2. Results for announcement to the market

					\$,000
Revenue from ordinary activities	up	348%	to		\$7,989
Profit (loss) from ordinary activities after tax attributable to members	up	20%	to		\$1,173
Net profit (loss) for the period attributable to members	up	20%	to		\$1,173
				2018	2017
Net asset value per share				\$1.083	\$1.090
Net asset value per share at fair market value				\$1.277	\$1.102

On 18 April 2018 the Company paid a \$0.024 interim dividend, franked to 60%.

	Record date	Date payable	Amount per security	Franked amount per security
Current year				
Interim dividend	14 March 2018	18 April 2018	\$0.024	\$0.018

The Company's net profit after tax for the half year amounted to \$1.173 million (30 June 2017: \$0.974 million).

The net asset value of the Company as at 30 June 2018 amounted to \$96,943 million or \$1.083 per share. The net asset value of the Company as at 30 June 2017 was \$69.726 million or \$1.090 per share. The net asset value of the Company on a fair market value basis at 30 June 2018 was \$114.324 million or \$1.277 per share (30 June 2017: \$70.483 million or \$1.102 per share).

Permanent water entitlements are held at historical cost of \$95.245 million less accumulated impairment losses of \$0.032 million. The net book value of the water entitlements at 30 June 2018 is \$95.213 million compared to \$68.254 million as at 30 June 2017.

Duxton Water Ltd releases a monthly Net Asset Value (NAV) statement, expressed as a value per share. This is consistent with the manner in which the NAV of the Company is reported to the Board for internal reporting purposes.

Presented below is a summary of the Company's NAV on the fair market value basis compared to the basis of preparation described in the financial statements.

Duxton Water Limited

ACN 611 976 517

30 June 2018	Per Company Statement of Financial Position \$'000	Per Fair Market Value* \$'000	Variance \$'000
Assets			
Permanent water entitlements	95,213	119,872	24,659
Temporary water entitlements	2,252	2,252	-
Net current and deferred tax asset	281	(6,946)	(7,227)
Net other assets	697	646	(51)
Net non-current liabilities	(1,500)	(1,500)	-
Total net assets	96,943	114,324	17,382
Net asset value per share	\$1.083	\$1.277	\$0.194

3. Net tangible assets per share

	30 Jun 2018	30 June 2017
Net tangible assets per ordinary share	0.02	0.02
Net assets per ordinary share	1.08	1.09

4. Control gained or lost during the period

Not applicable

5. Dividends

	Record date	Date payable	Amount per security	Franked amount per security
Current year	14/03/2018	18/04/2018	\$0.024	\$0.014
Previous year	02/11/2017	16/11/2017	\$0.023	\$0.017

6. Dividend reinvestment plan

The Company operates a dividend reinvestment plan. Shareholders were able to participate in the dividend reinvestment plan for the interim dividend. A 3% discount applied to the 2018 interim dividend. The last date for lodgement of election notices for the DRP was 29 March 2018.

7. Associates and joint ventures

There are no associates or joint venture entities.

8. Foreign entities

Not applicable

Other information

This report is based on the half-year financial statements which have been reviewed by KPMG.



DUXTON
WATER LTD

DUXTON WATER LIMITED

HALF YEAR REPORT

For the six months ended 30 June 2018

ACN: 611 976 517 | ASX Code: D20

CORPORATE DIRECTORY

Non-Executive Chairman

Edouard Peter

Non-Executive Director

Stephen Duerden

Independent Non-Executive Directors

Dirk Wiedmann

Peter Michell

Dennis Mutton

Company Secretary

Donald Stephens

Principal and Registered Office

7 Pomona Road

Stirling SA 5152

Telephone: (08) 8130 9500

Facsimile: (08) 8130 9599

Legal Advisors

Cowell Clarke

63 Pirie Street

Adelaide SA 5000

Share Registry

Computershare

Auditors

KPMG

151 Pirie Street

Adelaide SA 5000

Computershare Investor Services

Level 5, 115 Grenfell Street

Adelaide SA 5000

Stock Exchange Listing

Australian Securities Exchange

Share Code: D20

Option Code: D200

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DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018

The Directors of Duxton Water Limited submit herewith their report, together with the financial report of Duxton Water Limited (the Company) for the half year ended 30 June 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the Directors of the Company that held office during and since the end of the interim period are:

Mr Edouard Peter
Mr Stephen Duerden
Mr Dirk Wiedmann
Mr Peter Michell
Mr Dennis Mutton

The office of company secretary is held by Mr Donald Stephens.

Principal activities

The principal activities of the Company during the financial year were the acquisition and management of a portfolio of Australian Water Entitlements. Income was derived through the provision of water supply solutions to predominantly primary producers through a combination of long term lease arrangements and sale of temporary water allocations.

There were no significant changes in the nature of the activities of the Company during the period.

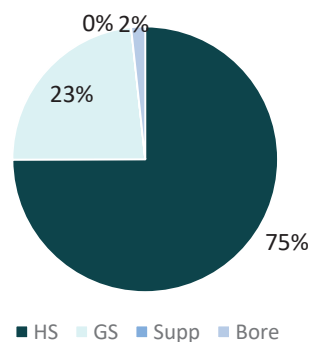
Review of operations

Over the past 6 months, Duxton Water Ltd has continued to grow and build its water entitlement portfolio. During this period, the Company acquired 7,180ML of permanent water entitlement, completed a \$20 million capital raise through the exercise of issued options and actively managed and traded water allocation from the unleased portion of the portfolio.

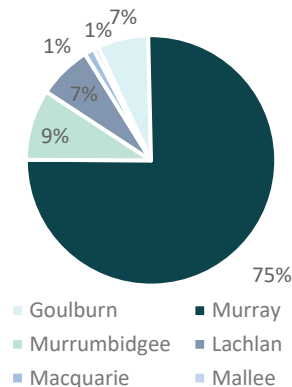
At 31 December 2017, the Company held 36,759ML of Water Entitlement and had a total portfolio value (entitlement and allocation) of \$86.4 million. The past 6 months has seen the Company's total permanent water entitlement holding grow to 43,939ML and have an aggregated total portfolio value of \$122.1 Million. During this period, the targeted water entitlement portfolio achieved a \$15.8 million uplift due to the rise in water prices in zones of which the Company has purchased in.

See below graphs for permanent water entitlement breakdown by security class and region.

Water Security Breakdown



Entitlement Region by Market Value



DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018

Below is a breakdown by zone of permanent water entitlements held by the Company as at 30 June 2018.

Entitlement type	Volume held by portfolio (ML)
Vic 1A Greater Goulburn HRWS	2,294.2
Vic 1A Greater Goulburn LRWS	21.8
Vic 3 Goulburn HRWS	120.0
Vic 5 Loddon HRWS	239.0
Vic 6 Murray (Dart to Barmah) HRWS	5,561.0
Vic 7 Murray (Barmah to SA) HRWS	3,936.1
Vic 7 Murray (Barmah to SA) LRWS	19.2
NSW Murray 10 GS	7,066.0
NSW Murray 11 HS	7,421.1
NSW Murray 11 GS	2,799.9
NSW Murray 11 Supp	83.0
NSW Murrumbidgee 13 HS	1,873.0
NSW Murrumbidgee 13 GS	1,020.0
NSW Lachlan GS - Jemalong Irrigation	2,660.0
NSW Lachlan GS	5,110.0
NSW Lower Lachlan Ground Water	638.0
NSW Macquarie Valley GS	1,120.0
SA Murray HS	1,456.6
SA Mallee Prescribed Wells Area	500.0
Total	43,938.9

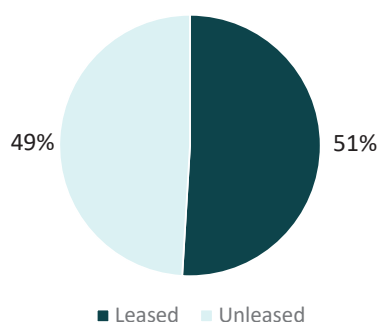
The Company is pleased to report that a total of \$20,094,559.10 was raised from the conversion of 18,267,781 options which expired on the 31st May 2018. This number represents a take up of approximately 28.56% of options issued. During this period, the Company utilised a debt facility to smooth over capital deployment which enabled the company to purchase water entitlements at lower prices and prior to the option expiry date and as a result, little to no NAV dilution occurred. Upon completion of the Company's option program, it was pleasing to see the Company's share price strengthen and as at the last trading day of the financial year (29 June 2018), the Company's share price closed at \$1.19, resulting in a total market capitalisation value of \$106,540,253.

Whilst the Company has not entered into any new water leasing arrangements over the past 6 months, it actively managed the growing portfolio and took advantage of increasing temporary allocation prices. In anticipation of continued dry conditions, the Board and Investment Manager were comfortable with the dilution of the Company's leased portion of the portfolio which reduced from approximately 62% at 31 December 2017 down to approximately 51% at 30 June 2018. The dilution of the leased portion of the portfolio occurred due to Entitlement acquisition, as opposed to lease roll-off. That being said, the Board affirm their long-term goal of achieving between 70% - 80% of the portfolio being locked into long term lease arrangements and due to expected increased demand for water supply solutions, the Company expects to increase the leased portion of the portfolio over the next 6 months.

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018

Leasing Breakdown as at 30 June 2018:



With respect to temporary water allocation, for the 6 months ended 30 June 2018, the Company recorded temporary allocation sales of \$6.598 million. This represents an average sale price of \$155.95/ML which is reflective of increased demand for temporary water due to drier weather conditions. By comparison, the average sale price of \$43.51/ML was achieved for the 6 months ended 30 June 2017.

With drier than usual conditions observed over the past 6 months and an outlook of well below average rainfall conditions predicted through the second half of 2018, the Company, through the retention of unsold allocation and some acquisition, was strategically positioned to fully utilised its carry over capability into the 18/19 Water Year (1 July 2018 to 30 June 2019). The Company carried allocations of approximately 12.7 GL, which has enabled it to benefit from stronger allocation pricing already observed in July and August 2018. The Company has since sold approximately 14.7 GL of temporary allocation at an average price of \$321.22/ML between 1 July 2018 and 8 August 2018.

This has enabled the Company to bring forward the 2018 interim dividend which is to be paid on 14 September 2018 (see note 7b).

Financial overview

The Company's net profit after tax for the half year amounted to \$1.173 million (30 June 2017: \$0.974 million). The net asset value (NAV) of the Company in accordance with Australian Accounting Standards as at 30 June 2018 is \$96.943 million or \$1.083 per share (31 December 2017: \$77.378 million or \$1.087 per share).

The net asset value of the Company on a fair market value basis at 30 June 2018 was \$114.324 million or \$1.277 per share (31 December 2017: \$84.026 million or \$1.180 per share).

In accordance with Australian Accounting Standards, Permanent water entitlements are held at historical cost of \$95.245 million (31 December 2017: \$75,785) million less accumulated impairment losses of \$0.032 million (31 December 2017: \$0.320 million). The net asset book value of the water rights as at 30 June 2018 is \$95.213 million (31 December 2017: \$75.753 million).

Duxton Water releases a monthly NAV statement, expressed as a value per share. This is consistent with the manner in which the NAV of the Company is reported to the Board for internal reporting purposes. To determine the NAV on a fair market value approach, the Company's permanent water entitlements, temporary water allocations related to those entitlements and separately acquired temporary water allocations are valued by an independent expert. The independent expert employs a market valuation approach which draws on publicly available water trade data from the relevant state water registers as well as analysis of trade data obtained from market intermediaries to calculate a dollar per ML volume weighted average price for each entitlement and allocation type. This measure of reporting is not in accordance with the recognition and measurement

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018

requirements of the Australian Accounting Standards in relation to the Company's permanent water entitlements and temporary water allocations related to those entitlements. Therefore increases in the market value of water assets are not reported in the statutory accounts.

For financial statement reporting purposes, in accordance with the basis of preparation described in Note 2 of the financial statements, the Company's permanent water entitlements are carried at cost less any accumulated impairment losses, while the temporary water allocations related to those entitlements are not recognised in the Statement of Financial Position. Temporary water allocations are recognised at cost when they are separately acquired.

Presented below is a summary of the Company's NAV on the fair market value basis compared to the basis of preparation described in Note 2 of the financial statements.

30 June 2018	Per Company Statement of Financial Position \$'000	Per Fair Market Value* \$'000	Variance \$'000
Assets			
Permanent water entitlements	95,213	119,872	24,659
Temporary water allocations	2,252	2,252	-
Net current and deferred tax asset	281	(6,946)	(7,227)
Net other assets	697	646	(51)
Net non-current liabilities	(1,500)	(1,500)	-
Total net assets	96,943	114,324	17,382
Net asset value per share	\$1.083	\$1.277	\$0.194

31 December 2017	Per Company Statement of Financial Position \$'000	Per Fair Market Value* \$'000	Variance \$'000
Assets			
Permanent water entitlements	75,753	84,566	8,813
Temporary water allocations	1,116	1,799	683
Net current and deferred tax asset	257	(2,591)	(2,848)
Net other assets	2,252	2,252	-
Net non-current liabilities	(2,000)	(2,000)	-
Total net assets	77,378	84,026	6,648
Net asset value per share	\$1.087	\$1.180	\$0.093

* Fair market value is a non-IFRS measure which has not been audited or reviewed by the Company's auditor. The fair market value is provided because it is consistent with the way the assets are measured and reviewed internally.

Further detail by reported segment is disclosed in Note 4 of the financial statements.

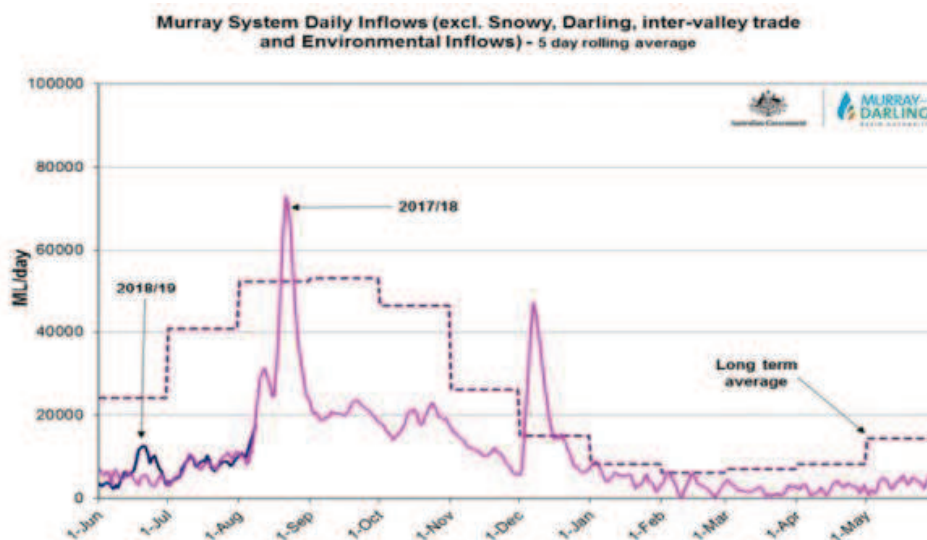
DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018

Market Overview

With one of the driest January to June periods on record, irrigators drew down on the carry over and allocation reserves that had been built during the wet spring of 2016. Many Irrigators used allocation in excess of expected budgets through the first half of 2018 which has led to wide spread overuse towards the end of the 17/18 Water Year. At the same time that irrigators would traditionally look ahead and consider purchasing allocation to carry over, others had to enter the market to rebalance their over used water accounts and avoid being fined. With increase demand and price at the end of the 2017/2018 water year, it was observed that many irrigators pulled back from the market and did not cover their 2018/2019 water use through carry over as they may otherwise have done had pricing eased towards 30 June.

Rainfall and corresponding inflow to storages has been significantly lower than the long-term averages (see Murray Inflow Graph). This has resulted in lower opening allocations across a number of regions.



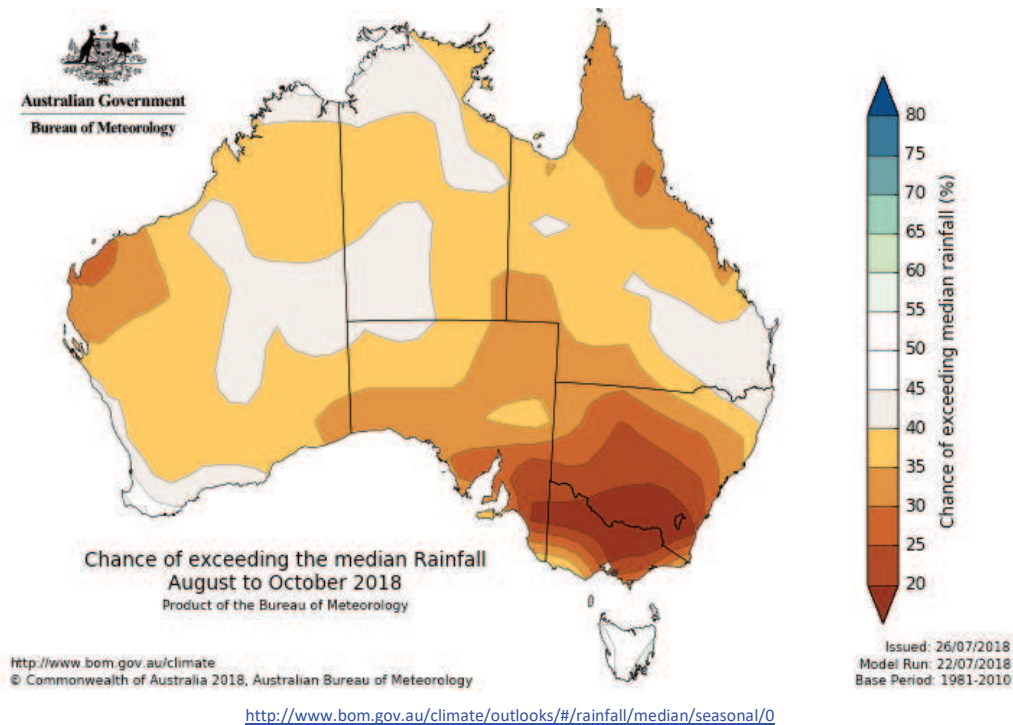
<https://www.mdba.gov.au/sites/default/files/weeklyreports/River-Murray-Operations-Weekly-Report-1st-August-2018.pdf>
MDBA Weekly Report 1st August 2018 ©Murray Darling Basin Authority 2018

The current forecasts through to October, which encompasses the bulk of the normal inflow period, is indicating a less than 20% chance of exceeding the median rainfall for the Southern MDB Catchments. Whilst High Security entitlements are likely to reach to obtain close to their full allocation, lower tier entitlements are likely to fall well short, the result of which will be significantly lower allocation availability across the Southern Murray Darling Basin.

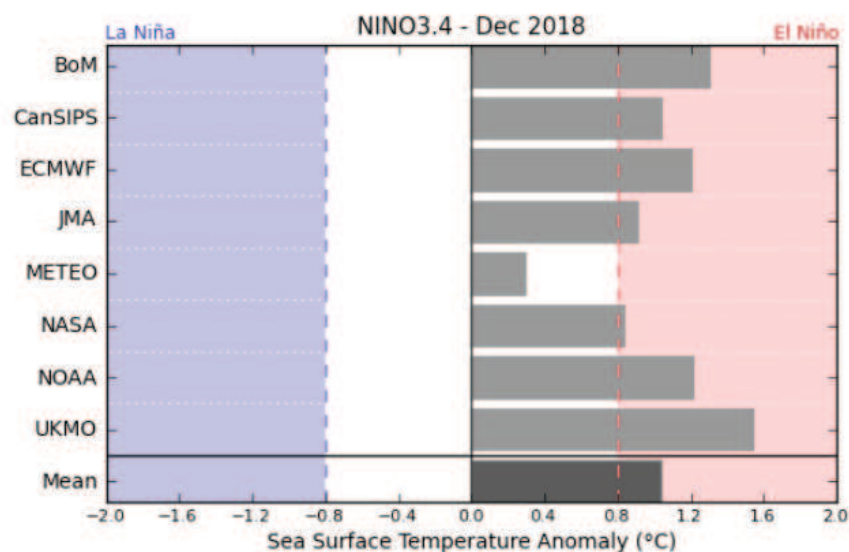
DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018

The below graph shows the chance of exceeding median rainfall across Australian for August to October.



Whilst the Southern Oscillation (ENSO) remains neutral, more than half of international climate models are predicting a warming of the Pacific Ocean and a likely El Niño development in Spring. El Niño condition generally result in below average rainfall across much of eastern Australia.



<http://www.bom.gov.au/climate/model-summary/#tabs=Pacific-Ocean>

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2018

With low localised rainfall and poor subsoil moisture across the basin, farmers have brought forward irrigation use to July and August. Traditionally, significant irrigation would not start until September/ October. This is likely to diminish early allocation reserves and increase demand in the allocation market through Summer and Autumn as irrigators finish Summer crops and support their permanent plantings towards harvest. This demand may well see allocation pricing increase towards and through the peak water use period.

The Company is confident that with its targeted Entitlement Portfolio structure and weighting towards high security entitlements, it is well positioned to support its tenants and other irrigators through the remainder of the 18/19 Water Year and beyond.

Dividends

An interim dividend of 2.4 cents per share franked to 60% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 18 April 2018. Shareholders were able to participate in the Dividend Reinvestment Plan for the interim dividend.

Rounding of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of the Company with an Independence Declaration. This Lead Auditor's Independence Declaration is included on page 8.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.



Edouard Peter
Chairman



Peter Michell
Independent Non-Executive Director

Stirling, South Australia
23 August 2018



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

To the Directors of Duxton Water Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Duxton Water Limited for the half-year ended 30 June 2018 there have been:

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

KPMG

Darren Ball
Partner

Adelaide

23 August 2018

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Liability limited by a scheme approved under Professional Standards Legislation.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Note	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Revenue		7,989	1,785
Cost of sales		(4,350)	(132)
Gross profit		3,639	1,653
Management fees		(422)	(290)
Performance fees		(487)	-
Legal and professional fees		(25)	(41)
Other expenses		(474)	(284)
Impairment reversal of water entitlements	5a	-	211
Impairment of water allocation	5b	(398)	-
		(1,806)	(404)
Profit before net finance income		1,833	1,249
Finance income		3	74
Finance expense		(147)	(1)
Net finance (cost)/income		(144)	73
Profit before tax		1,689	1,322
Income tax expense		(516)	(348)
Profit for the half year attributable to shareholders of Duxton Water Limited		1,173	974
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the half year attributable to shareholders of Duxton Water Limited		1,173	974
Earnings per share attributable to shareholders of Duxton Water Limited			
Basic earnings per share		0.016	0.015
Diluted earnings per share		0.016	0.015

The condensed notes on page 13 to 23 are an integral part of these half year financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	30 Jun 2018 \$'000	31 Dec 2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,354	2,878
Trade and other receivables		602	573
Water allocations	5b	2,252	1,116
Other current assets		2	103
Total current assets		4,210	4,670
Non-current assets			
Water entitlements	5a	95,213	75,753
Deferred taxation		307	375
Total non-current assets		95,520	76,128
Total assets		99,730	80,798
LIABILITIES			
Current liabilities			
Trade and other payables		624	626
Unearned revenue		637	676
Tax liability		26	118
Total current liabilities		1,287	1,420
Non-current liabilities			
Interest-bearing liabilities	8	1,500	2,000
Total non-current liabilities		1,500	2,000
Total liabilities		2,787	3,420
Net assets		96,943	77,378
EQUITY			
Issued capital	6	97,159	77,015
Retained earnings/(accumulated loss)		(216)	363
Total equity		96,943	77,378

The condensed notes on page 13 to 23 are an integral part of these half year financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Note	Issued capital	Retained Earnings/ Accumulated Losses	Total equity
		\$'000	\$'000	\$'000
Balance at 1 January 2017		69,033	(232)	68,801
Shares issued		-	-	-
Share issue costs – net of taxes		(49)	-	(49)
Profit for the half year		-	974	974
Other comprehensive income for the half year, net of tax		-	-	-
Total comprehensive income for the half year		-	974	974
Balance at 30 June 2017		68,984	742	69,726
Balance at 1 January 2018		77,015	363	77,378
Shares issued		20,144	-	20,144
Share issue costs – net of taxes		-	-	-
Profit for the half year		-	1,173	1,173
Other comprehensive income for the half year, net of tax		-	-	-
Total comprehensive income for the half year		-	1,173	1,173
Distribution of dividends		-	(1,752)	(1,752)
Balance at 30 June 2018		97,159	(216)	96,943

The condensed notes on page 13 to 23 are an integral part of these half year financial statements

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2018

	Note	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Cash flows from operating activities			
Receipts from customers		8,078	1,801
Payments to suppliers		(1,511)	(650)
Purchase of water allocation		(5,817)	-
Interest received		3	74
Interest paid		(153)	(1)
Income tax paid		(540)	(42)
Net cash generated from operating activities		60	1,182
Cash flows from investing activities			
Purchase of water entitlements	5a	(19,461)	(17,861)
Deposits used (paid) for the purchase of water entitlements		(5)	513
Proceeds from (investment in) term deposits		-	3,334
Net cash used in investing activities		(19,465)	(14,014)
Cash flows from financing activities			
Proceeds from issue of shares	6	20,069	-
Transaction costs related to issues of shares		(11)	(17)
Repayment of borrowings		(500)	-
Payment of dividends	7a	(1,677)	-
Net cash generated from financing activities		17,881	(17)
Net increase in cash and cash equivalents		(1,524)	(12,849)
Cash and cash equivalents at beginning of the period		2,878	13,996
Cash and cash equivalents at end of period		1,354	1,147

The condensed notes on page 13 to 23 are an integral part of these half year financial statements

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

1. Corporate information

Duxton Water Limited is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under the symbol D20. Its registered office and principal place of business is located at 7 Pomona Road Stirling SA 5152.

The Company is a for-profit entity.

The half year financial statements were authorised for issue by the Directors on 23 August 2018.

2. Basis of preparation

Basis of accounting

The half year financial statements have been prepared under the historical cost convention. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 31 December 2017, except for the application of IFRS 15 and IFRS 9 which is outlined in Note 3. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

AASB 134 Interim Financial Reporting requires presentation of comparative information for the immediately preceding annual reporting period. The comparative information provided for the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and associated notes is for the half year from 1 January 2017 to 30 June 2017. The Statement of Financial Position contains a comparative for balances as at 31 December 2017.

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard AASB 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards Board (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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

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:

a) Permanent water entitlements

Permanent water entitlements are recorded as intangible assets on the Statement of Financial Position at cost (in accordance with AASB 138 Intangible Assets). It has been determined that there is no foreseeable future limit to the period over which the asset is expected to generate net cash inflows for the entity, therefore the entitlements are not subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements are tested annually for impairment, unless there are indications present that the asset is impaired or if there are indications present that a previously impaired asset is no longer impaired.

b) Temporary water allocations

Temporary water allocations purchased are treated as items of inventory available for resale in accordance with AASB 102 Inventories. Temporary water allocations are measured at the lower of its individual cost and net realisable value.

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2017. These changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2018.

The Company has initially adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 January 2018 which do not have a material effect on the Company's financial statements. A number of other new standards are effective from 1 January 2018 but they also do not have a material effect on the Company's financial statements.

a) AASB 15 Revenue from Contracts with Customers

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

The Company has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated, it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations.

The adoption of AASB 15 does not have any impact on the balance of retained earnings at 1 January 2018.

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

b) AASB 9 Financial Instruments

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

The adoption of AASB 9 did not have any impact on the financial statements of the Company.

Classification and measurement of financial assets and financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

- Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Company's financial assets as at 1 January 2018.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

Financial assets	Original classification under AASB 39	New classification under AASB 9	Original Carrying amount under AASB 39	New carrying amount under AASB 9
Trade and other receivables	Loans and receivables	Amortised cost	\$573	\$573
Cash and cash equivalents	Loans and receivables	Amortised cost	\$2,878	\$2,878
Total financial assets			\$3,451	\$3,451

Trade and other receivables that were classified as loans and receivables under AASB 39 are now classified at amortised cost. There has been no increase in the allowance for impairment over these receivables on transition to AASB 9.

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

Impact of the new impairment model

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of AASB 9's impairment requirements at 1 January 2018 has not resulted in any changes to the financial statements.

Trade receivables and contract assets

The following analysis provides further detail about the calculation of ECLs related to trade receivables on the adoption of AASB 9. The Company considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit losses experienced since incorporation of the Company.

The following table provides information about the ECLs for trade receivables as at 1 January 2018.

	Weighted-average loss rate	Gross carrying amount \$'000	Loss allowance	Credit impaired
Current	0%	70	-	No
1-30 days past due date	0%	-	-	No
31-60 days past due date	0%	-	-	No
61-90 days past due date	0%	-	-	No
90+ days past due date	0%	-	-	No
Total		\$70	-	

Transition

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of Directors.

The amounts provided to the board of Directors with respect to profit or loss, liabilities and assets other than water entitlement assets is measured in a manner consistent with that of the financial statements, while permanent water entitlement assets and temporary water allocations are allocated to a segment based on the geographical region of the water entitlement assets and measured on a "fair market value" basis.

"Fair market value" for purposes of valuing the Company's water entitlement and allocation portfolio that is reported to the board of Directors, is based on the independent monthly valuation that is undertaken by an independent expert. The use of an independent expert commenced in November 2017. The independent expert employs a market valuation approach which draws on publicly available water trade data from the relevant state water registers as well as analysis of trade data obtained from market intermediaries to calculate a dollar per ML volume weighted average price for each entitlement and allocation type. Prior to this the valuation was determined internally by calculating a dollar per ML volume weighted average price for each entitlement and allocation using the price per Mega Litre (ML) of the three most recent comparable trades reflected on the relevant water register to which each entitlement or allocation relate.

No inter-segment sales occurred during the current financial period. No revenue was derived from external customers in countries other than the country of domicile. Lease revenue of \$1.090 million was derived from one Australian customer during the period. This revenue was attributable to the Murray and Murrumbidgee segment.

For the half year ended 30 June 2018

	Murray \$'000	Murrumbidgee \$'000	Goulburn \$'000	Other ¹ \$'000	Unallocated \$'000	Total \$'000
Total segment revenue	5,984	1,639	81	285	-	7,989
Total segment profit before interest, income tax and impairment of permanent water entitlements	2,825	557	22	142	(1,713)	1,833
Reversal of impairment/(impairment) of permanent water entitlements	-	-	-	-	-	-
Net interest income	-	-	-	-	(144)	(144)
Income tax expense	-	-	-	-	(516)	(516)
Total comprehensive profit for the year as per the financial statements	2,825	557	22	142	(2,373)	1,173
Total segment liabilities	-	-	-	-	2,787	2,787
Total segment assets excluding permanent water entitlements	-	-	-	-	(5,013)	(5,013)
Permanent water entitlements at cost	70,849	8,904	7,296	8,196	-	95,245
- Less accumulated impairment	(1)	-	-	(31)	-	(32)
- Add fair market value increments ²	19,222	2,032	561	2,844	-	24,659

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

Permanent water entitlements at fair market value	90,069	10,937	7,857	11,009	-	119,872
Temporary water allocations at cost	2,577	10	63	-	-	2,650
- Less impairment on temporary	-	-	-	-	(398)	(398)
Temporary water allocations at fair market value ³	1,959	61	188	44	-	2,252
Total segment assets⁴	92,028	10,998	8,045	11,053	(5,013)	117,111
Adjustments in accordance with Australian Accounting Standards ^(2,3)	(19,223)	(2,032)	(561)	(2,843)	7,278	(17,381)
Total segment assets as disclosed in the financial statements	72,805	8,966	7,484	8,210	2,265	99,730

For the half year ended 30 June 2017

	Murray \$'000	Murrumbidgee \$'000	Goulburn \$'000	Other ¹ \$'000	Unallocated \$'000	Total \$'000
Total segment revenue	1,312	188	130	155	-	1,785
Total segment profit before interest, income tax and impairment of permanent water entitlements	1,270	188	129	154	(702)	1,039
Reversal of impairment/(impairment) of permanent water entitlements	371	(116)	(120)	76	-	211
Net interest income	-	-	-	-	74	74
Income tax expense	-	-	-	-	(349)	(349)
Total comprehensive profit for the year as per the financial statements	1,641	72	9	230	(977)	974
Total segment liabilities	(130)	-	-	-	(392)	(522)
Total segment assets excluding permanent water entitlements	128	-	-	-	1,484	1,612
Permanent water entitlements at cost	50,141	6,485	7,141	5,047	-	68,814
- Less accumulated impairment	(4)	(269)	(287)	-	-	(560)
- Add fair market value increments ²	(13)	-	11	1,044	-	1,042
Permanent water entitlements at fair market value	50,125	6,216	6,865	6,091	-	69,296
Temporary water allocations at cost	57	-	-	-	-	57
Temporary water allocations at fair market value ³	97	-	-	-	-	97
Total segment assets⁴	50,350	6,216	6,865	6,091	1,484	71,005
Adjustments in accordance with Australian Accounting Standards ^(2,3)	(27)	-	(10)	(1,045)	325	(757)
Total segment assets as disclosed in the financial statements	50,323	6,216	6,855	5,045	1,809	70,248

1. "Other" comprises of the Lachlan, Loddon, Mallee and Campaspe regions, which individually account for less than 10% of the Company's revenue, loss before taxation, total liabilities and total assets.

2. In accordance with the Australian Accounting Standards requirements on measuring permanent water entitlements subsequent to initial recognition, fair market value increments are not included in the amounts recognised in the financial statements.

3. In accordance with the requirements of the Australian Accounting Standards, temporary water allocations obtained through owned permanent water entitlements are not recognised as assets in the Statement of Financial Position. Only those allocations separately acquired are recognised.

4. "Total segment assets" is a measure used by the Company for internal reporting purposes. For purposes of determining this measure, all assets excluding water entitlements are measured consistent with the financial statements and water entitlements is measured at fair value. The measure of water entitlements does not comply with the recognition and measurement requirements of the Australian Accounting Standards.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

5. Water entitlements and allocations

a) Permanent water entitlements

Permanent water entitlements - at cost	\$'000
Balance at 1 January 2017	51,125
Additions	17,689
Balance at 30 June 2017	68,814
Balance at 1 January 2018	75,784
Additions	19,461
Disposals	-
Balance at 30 June 2018	95,245
Accumulated impairment	
Balance at 1 January 2017	771
Reversal of impairment loss recognised in profit or loss	(211)
Balance at 30 June 2017	560
Balance at 1 January 2018	32
Impairment losses recognised in profit or loss	-
Balance at 30 June 2018	32
Total carrying amount – 30 June 2018	95,213

b) Temporary water allocations

	30 Jun 2018	31 Dec 2017
	\$'000	\$'000
Temporary water allocations (cost)	2,650	1,116
Less impairment	(398)	-
Total carrying amount	2,252	1,116

The recoverable amount the cash generating unit to which each water entitlement belongs is determined at least annually using, using a market based approach. Each cash generating unit constitutes a discrete zone within a river system, or entitlement type. The key assumption applied to determining the recoverable amount of each cash generating unit is the estimated price per mega litre (ML).

The recoverable amount of each water entitlement is determined by an independent expert who employs a market valuation approach which draws on publicly available water trade data from the relevant state water registers as well as analysis of trade data obtained from market intermediaries to calculate a dollar per ML volume weighted average price for each entitlement and allocation type.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

Water entitlements are classified as Level 3 fair value hierarchy assets. The determination of fair value is subject to unobservable judgment applied by the independent expert in selecting transactions sourced from state water registers and intermediary transaction data as input in calculating a dollar per ML volume weighted average price.

Details of information to which reportable segment the impairment relates to, is disclosed in Note 4.

6. Issued capital and share options

Issued capital as at 30 June 2018 amounted to \$97.160 million (89,529,623 ordinary shares). Issued capital as at 31 December 2017 amounted to \$77.015 million (71,213,632 ordinary shares). During the half year to 30 June 2018, 18,244,780 options (\$20.069 million) were exercised and 71,211 ordinary shares (\$0.075 million) were issued under the Company's Dividend Reinvestment Plan.

At 30 June 2018 the Company does not have any share options on issue (30 June 2017: 63,965,406 share options were on issue at an excise price of \$1.10. The expiry date of these share options was 31 May 2018).

7. Dividends paid and proposed

a) Dividends paid

Total dividends paid for the half year ended 30 June 2018 were \$1.752 million. This consisted of cash distributions of \$1.677 million and shares issued under the DRP to the value of \$0.075 million.

b) Dividends proposed

On 23 August 2018, the Directors announced an interim dividend of 2.5 cents per share with the record date of 30 August 2018. Franked to 75% at 30% corporate income tax rate, the dividend will be paid to shareholders on the 14th of September 2018 (ex-div date of 29 August 2018). Shareholders who participate in the Company's DRP program are entitled to a 3% discount to the share price (based on a 5 day VWAP commencing at record date, as determined in accordance with the DRP Rules). The last day for elections under the DRP is Friday 31 August 2018.

8. Borrowings

	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
Bank loans – unsecured	1,500	-
	<u>1,500</u>	<u>-</u>

The interest payable on this facility is calculated as BBSY plus 0.82% p.a + Facility Fee of 0.75%. Repayment in full is due by 30 November 2019.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

9. Key management personnel

Remuneration arrangements of key management personnel and of the Investment Manager (Duxton Capital (Australia) Pty Ltd) are disclosed in the annual financial report.

Mr Edouard Peter, Chairman of the Company, controls the Investment Manager and is a shareholder and Director of the Investment Manager's parent Company Duxton Capital Pte Ltd and as such, may receive remuneration from the Investment Manager for services provided to the Investment Manager.

Company Director, Mr Stephen Duerden, is also a shareholder and Director of the Investment Manager's parent Company and as such, may receive remuneration from the Investment Manager for Services provided to the Investment Manager.

As shareholders of the Investment Manager, Mr Peter and Mr Duerden may receive a financial benefit from the Company as a result of payment of fees by the Company to the Investment Manager.

The Investment Management Agreement is on arms-length commercial terms and was approved by the Non-Executive Directors of the Company.

Neither Mr Edouard Peter nor Mr Stephen Duerden have received directors' fees from the Company.

Mr Edouard Peter has a direct interest of 266,392 shares in the Company and an indirect interest of 1,236,342 shares in the Company. Mr Edouard Peter also has an indirect interest of 8,118,849 shares in the Company via his 24.04% interest in the Duxton Vineyards Group, which holds 33,774,669 shares in Duxton Water Limited.

Mr Stephen Duerden has a direct interest of 20,426 shares in the Company. Via his interest in Duxton Vineyards, Mr Stephen Duerden also has an indirect interest of 45,736 shares in the Company.

The Duxton Group holds 255,688 shares in the Company, of which Mr Edouard Peter and Mr Stephen Duerden have an indirect interest in via their interest in the Duxton Group.

10. Related party transactions

The following transactions occurred with related parties during the half year ended 30 June 2018 (and the half year ended 30 June 2017):

	30 Jun 2018 \$'000	30 Jun 2017 \$'000
Management fee – Duxton Capital (Australia) Pty Ltd	422	290
Administration fee – Duxton Capital (Australia) Pty Ltd	71	50
Performance fee accrual – Duxton Capital (Australia) Pty Ltd	487	-
Revenue – Duxton Viticulture Pty Ltd	1,090	854
Revenue – Duxton Broadacre Farms Ltd	93	93
Revenue – Hathor Dairies Pty Ltd	46	46

Transactions between related parties are on commercial terms and conditions.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

The following balances are outstanding between the Company and its related parties:

	30 Jun 2018	30 Jun 2017
	\$'000	\$'000
Amount due to (from) Duxton Capital (Australia) Pty Ltd	107	55
Amount due to (from) Hathor Dairies Pty Ltd	(23)	-
Amount due to (from) Duxton Broadacre Farms Ltd	-	(3)

11. Subsequent events

Subsequent to the reporting date, the Directors of the Company have announced an interim dividend of 2.5 cents per fully paid ordinary share, franked to 75% at 30% corporate income tax rate. Refer to note 7(b).

Other than the above, there has been no matter or circumstance that has arisen since the end of the half year reporting period ended 30 June 2018, that has significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

DIRECTORS DECLARATION

FOR THE HALF YEAR ENDED 30 JUNE 2018

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that Duxton Water Limited will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including that:
 - i. the financial report complies with Australian Accounting Standards, AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. the financial statements and notes give a true and fair view of Duxton Water Limited's financial position and performance for the half-year ended 30 June 2018.
- c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.



Edouard Peter
Chairman



Peter Mitchell
Independent Non-Executive Director

Stirling, South Australia
23 August 2018



Independent Auditor's Review Report

To the shareholders of Duxton Water Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Duxton Water Limited (the Company).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Duxton Water Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- statement of financial position as at 30 June 2018;
- statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the Half-year ended on that date;
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Interim Period** is the 6 months ended on 30 June 2018.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year 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 Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Duxton Water Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

Darren Ball
Partner

Adelaide

23 August 2018