DUXTON WATER

DUXTON WATER LTD
ACN 611 976 517

2018 DECEMBER ANNUAL REPORT

CORPORATE **DIRECTORY**

Non-Executive Chairman
Edouard Peter

Non-Exectuive Director
Stephen Duerden

Independent Non-Executive Directors
Dirk Wiedmann
Peter Michell
Dennis Mutton

Company Secretary
Donald Stephens

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Stock Exchange Listing
Australian Securities Exchange
Share Code: D2O

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CHAIRMAN'S **LETTER**
TO **SHAREHOLDERS**

Wednesday 20 February 2019

Dear Shareholders,

We are pleased to present to you the annual report for Duxton Water Limited (ASX: D2O) for the year ended 31 December 2018, ending the Company's second full year of operation.

Since inception, Duxton Water Limited's ("Duxton Water" or "the Company") goal has been to provide our shareholders with an accessible exposure to an emerging asset class in Australian water entitlements. In doing so we aim to capitalise on the intensification of Australian agriculture, of which irrigation water is a key input.

Through our targeted investment strategy and portfolio composition, this year the Company has been able **to generate both direct cash yield returns and capital growth on its underlying water assets.**

Duxton Water continued to work closely with our agricultural irrigation partners to provide them access a broad range of water supply solutions including leases, forward contracts, and allocation. Our business is built to provide this valuable resource through to the farmers, enabling them to better risk manage this key input, and to ultimately facilitate their production.

DUXTON WATER

Duxton Water provides a range of water solutions

Water is a valuable resource for irrigators

• We provide water security •

PROFIT (EBT)

2018	2017	
10.4m	3.0m	↑ 247%

GROSS PROFIT

2018	2017	
15.5m	4.0m	↑ 288%

PORTFOLIO GROWTH (value)

2018	2017	
194.4m	86.4m	↑ 125%

ENTITLEMENT PORTFOLIO GROWTH (volume)

2018	2017	
61.1GL	36.8GL	↑ 66%

DIVIDEND GROWTH

2018	2017	
4.9 cents	2.3 cents	↑ 113%

EARNINGS PER SHARE (EPS)

2018	2017	
8.5 cents	3.2 cents	↑ 166%

Duxton Water as at 31 December 2018

We are pleased with the way we have continued to actively build and diversify our portfolio. Our portfolio is well positioned to provide water supply solutions to a wide range of agricultural producers across multiple regions. Through the generation of cash profits in 2018, the Company is pleased to have paid shareholders a 2.4 cent dividend in April 2018 (franked to 60%) and a 2.5 cent dividend in September 2018 (franked to 75%). In terms of capital growth, on a fair market value basis, the Net Asset Value ("NAV") per share has increased by ~21.64% (inclusive of 5.36% franked cash return), with the portfolio of water assets growing from $86.4 million (2017) to $194.4 million (2018) and its entitlement portfolio increasing from 36.8GL to 61.1GL. Our shareholders enjoyed a 40.46% return over this period, inclusive of a 5.36% dividend.

As we grow the Company, we are looking to balance short-term returns with long-term positioning. The portfolio size and mix has been achieved in a targeted way which has allowed the Company to achieve an EBT of $10.39 million (2017: $2.95 million). It continues to be our intention to pass through to shareholders, earnings of the Company through a prudent biannual dividend.

2018

ACQUISITION OF
26,420ML permanent water entitlements
of which we sold 2,070ML
to rebalance the portfolio
with only **3%** portfolio turnover

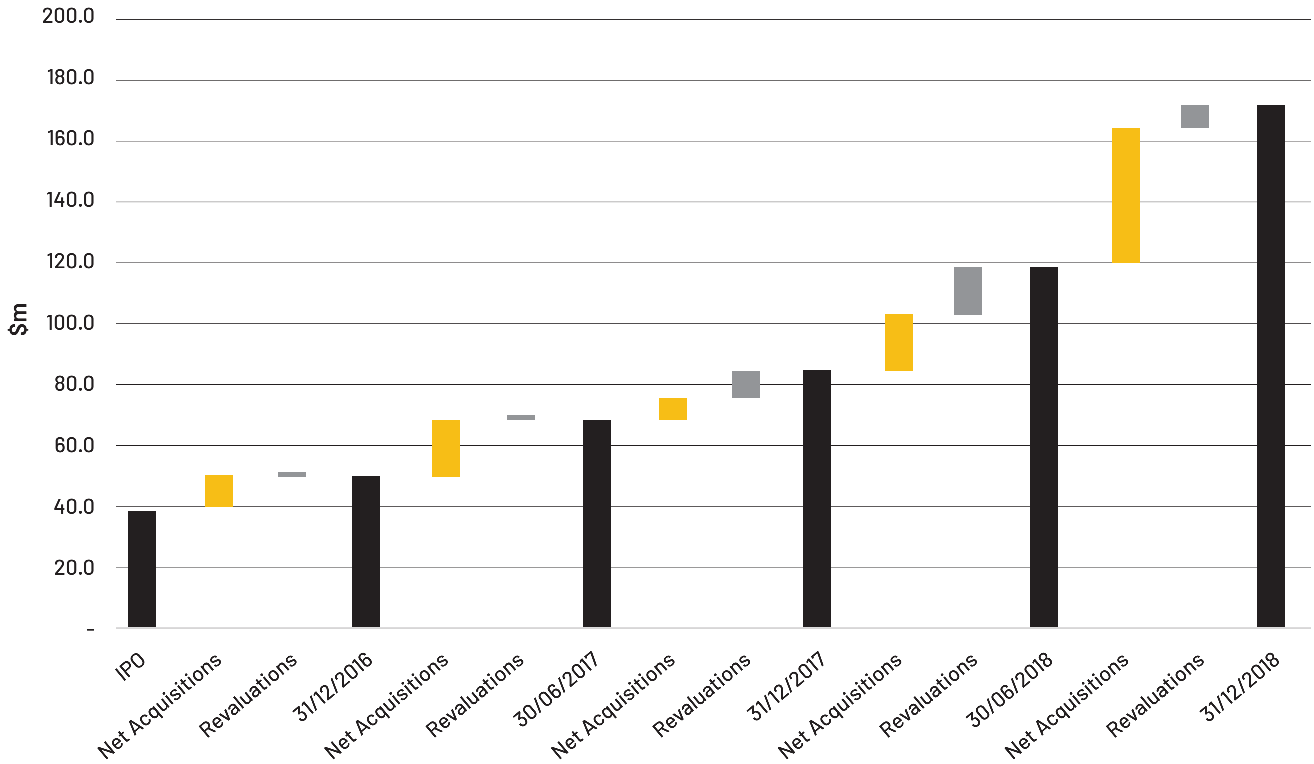
Portfolio of Australian Water Assets

This year, we have seen a significant increase in our water portfolio size, due to the acquisitions funded through the introduction of new capital and deployment of debt facility funds, in addition to the capital gain achieved on these entitlements.

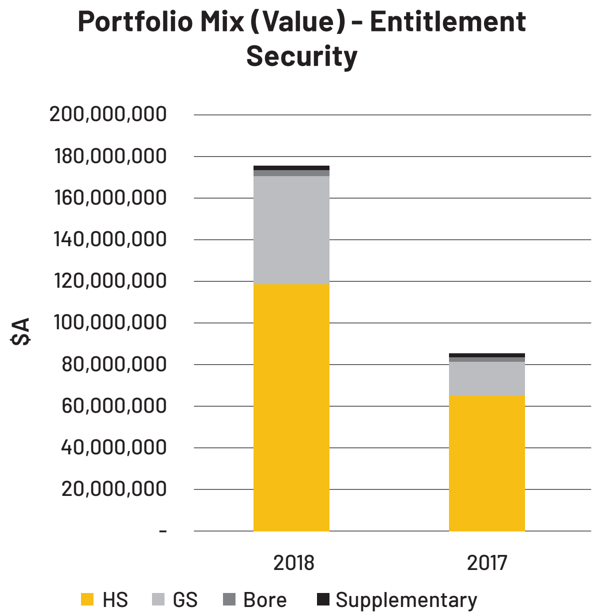
During 2018, we acquired 26,420 ML of permanent water entitlements and sold 2,070 ML which resulted in a profit on disposal of water entitlements of $1.9m and a portfolio turnover of 3%.

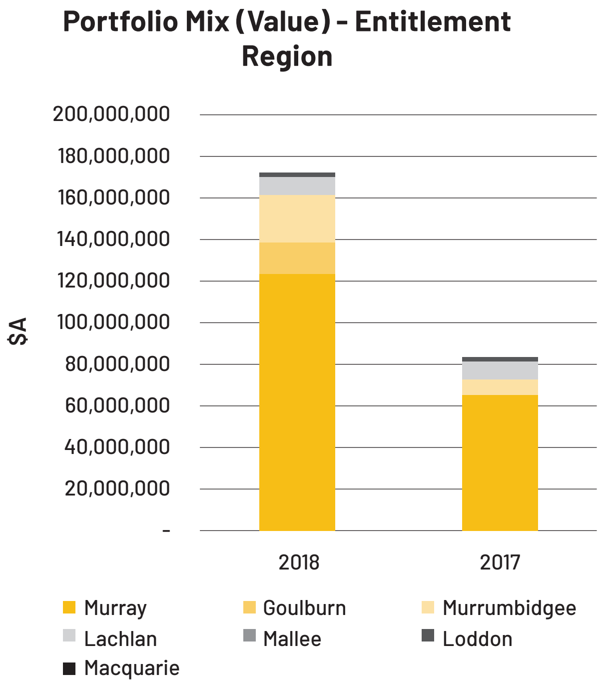
We are actively managing the composition of the Company's water portfolio and take a targeted approach to acquisitions and portfolio rebalancing. This ensures that the portfolio remains diversified and retains the ability to position itself ahead of any systematic trends or expected seasonal conditions.

Entitlement Portfolio Growth (value)



The graphs below provide an insight into the portfolio composition at the end of the year and the table shows the change in volume of water held by entitlement type.





Entitlement Type Held	ML Change	31/12/2018 (ML)	31/12/2017 (ML)
Vic 1A Greater Goulburn HRWS	3,727.30	3,934.80	207.50
Vic 1A Greater Goulburn LRWS	75.30	75.30	0.00
Vic 1B Greater Goulburn	128.50	128.50	0.00
Vic 3 Goulburn HRWS	0.00	120.00	120.00
Vic 5 Loddon HRWS	0.00	239.00	239.00
Vic 6 Murray (Dart to Barmah) HRWS	1,753.30	5,740.90	3,987.60
Vic 6B Murray (Dart to Barmah) HRWS	96.50	96.50	0.00
Vic 7 Murray (Barmah to SA) HRWS	774.20	4,380.30	3,606.10
Vic 7 Murray (Barmah to SA) LRWS	0.00	19.20	19.20
NSW Murray 10 GS	6,926.00	13,612.00	6,686.00
NSW Murray 11 HS	220.00	7,601.15	7,381.15
NSW Murray 11 GS	4,552.79	6,219.20	1,666.41
NSW Murray 11 Supp	0.00	83.00	83.00
NSW Murrumbidgee 13 HS	358.00	2,171.00	1,813.00
NSW Murrumbidgee 13 GS	5,241.33	5,241.33	0.00
NSW Lachlan GS - Jemalong Irrigation	0.00	2,660.00	2,660.00
NSW Lachlan GS	0.00	5,110.00	5,110.00
NSW Lower Lachlan Ground Water	150.00	788.00	638.00
NSW Macquarie Valley GS	-1,120.00	0.00	1,120.00
SA Murray HS	1,466.83	2,388.41	921.58
SA Mallee Prescribed Wells Area	0.00	500.00	500.00
Total	**24,350.05**	**61,108.59**	**36,758.54**

Debt and Capital Deployment

While the Board maintains its intention to not hold long-term debt, sensible debt funding has been used this year to get ahead of two capital injections, to minimise the impact of dilution, and to continue acquiring water assets as opportunities arose. The current debt position as at 31 December 2018 is $38.8 million (~19% leverage).

At 31 May 2018, the Options (issued at IPO) expired which saw $20.1 million raised at $1.10/share. In October 2018, we also saw the successful completion of an Entitlement Offer (Rights Issue at $1.30/new share), with $9.8 million raised through an accelerated Institutional Offer and $14.0 million raised through a Retail Offer. The aggregate effect was the issuance of 18,295,736 new shares by 23 November 2018.

At 31 December 2018, total shares on issue were 108,576,017. We were pleased to see the dilution effect of the issuance of equity outweighed by the valuation uplift of the portfolio that month. This result reaffirmed the active approach to portfolio management, and the value we place on preserving existing shareholder's interests when raising new capital.

AT
31 MAY 2018
$20.1 million raised
@$1.10/share
OPTIONS

↓

IN
OCTOBER 2018
$9.8 million raised via
Institutional Offer
& $14.0 million raised
via Retail Offer
@$1.30/share
ENTITLEMENT

↓

BY
NOVEMBER 2018
18,295,736 issued
NEW SHARES

↓

AT
DECEMBER 2018
108,576,017 issued
TOTAL SHARES

Shareholder Return

The Company's NAV increased from $1.1799 to $1.3720 (up 16.3%) during 2018, and the Company paid two dividends (total 4.9 cents plus franking).

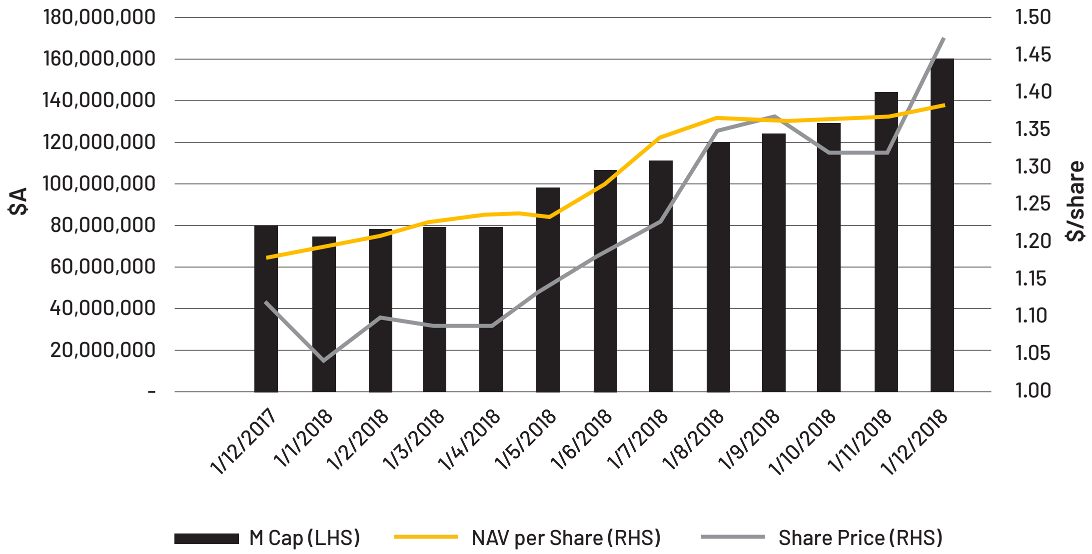
The main driver of capital growth has been the continued increase in entitlement values throughout the Murray-Darling Basin. This long-term trend is driven by broader market supply and demand factors. We have seen growing demand for water security and supply solutions, and following the government buy-back, a decrease in volume of entitlements on issue. As a result, we have observed Victorian high security entitlements increasing 25% to 30% in value and some general security entitlements showing growth of over 50% over the year.

12-month performance (2018)	NAV return	Share Return*
Capital Growth	16.28%	34.82%
Cash Return (franked)	5.36%	5.64%
Total	**21.64%**	**40.46%**

*$1.12 share price at 31 December 2017, $1.51 share price at 31 December 2018.

We have been pleased to see the share price track closer to, and at times a premium to, the NAV per share towards the end of this financial year. Upon expiration of the Options, we saw the share price surpass the NAV per share of the Company to a closing share price of $1.51 at 31 December 2018 (2017: $1.12 per share). This equated to a closing market capitalisation of $164 million at 31 December 2018 (2017: $80.0 million).

2018 NAV, Share Price and Market Cap



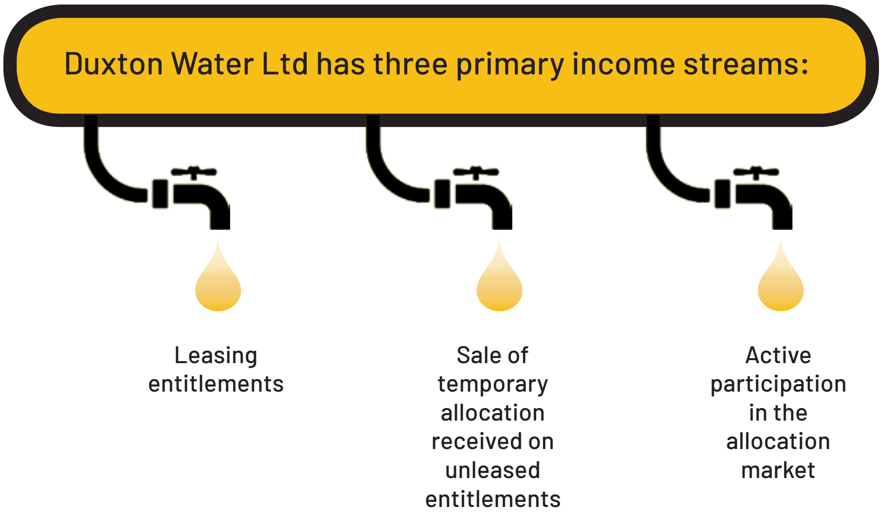
Duxton Water intends to pass profits through to our shareholders as much as is prudently possible.

During this year, we paid two dividends to shareholders; the first dividend paid in April 2018 was for 2.4 cents per share franked 60%, and the second was paid in September 2018 at 2.5 cents per share franked to 75%. This continues to evidence our pattern and intention to pay biannual dividends, franked to the greatest extent possible.

As we increase the size of the Company, we expect costs will remain relatively stable. With this scalable business model, the continued growth of the Company should have positive impact for shareholders in both the short and long term.

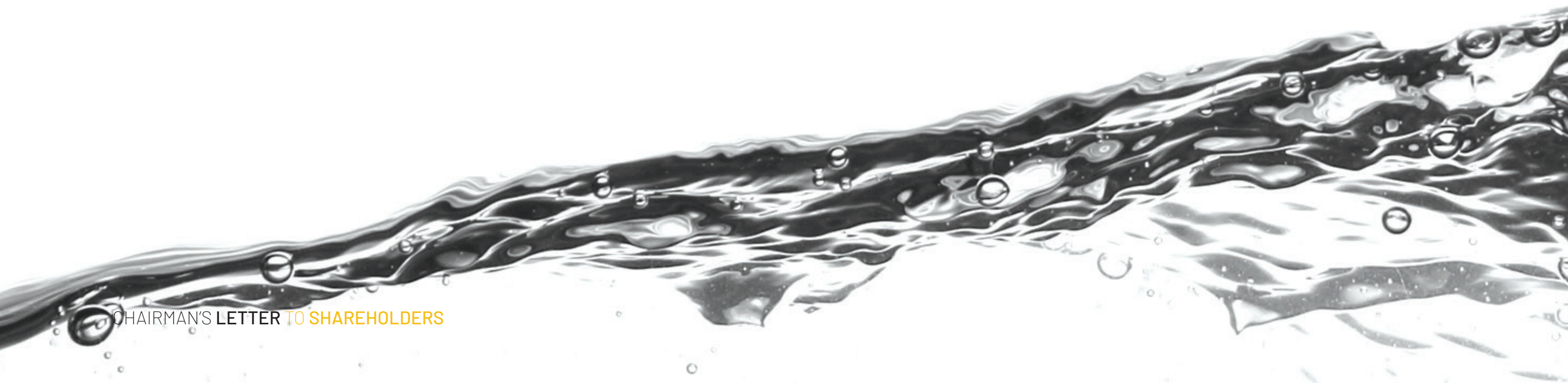
We see further opportunity for acquisition of entitlement in both the Southern Murray Darling Basin region, and in other regions in Australia. Growing the portfolio and furthering diversification will better equip us to provide valued water solutions to new and existing customers in a strategic manner.

Income



This year, as seen in Note 4, the Company has also disposed of a number of permanent water entitlement holdings. Although this is not a core income stream of the Company, from time to time, when rebalancing the portfolio, a capital gain may be realised due to the sale of permanent water entitlements.

Portfolio Mix (Value) - Income Source



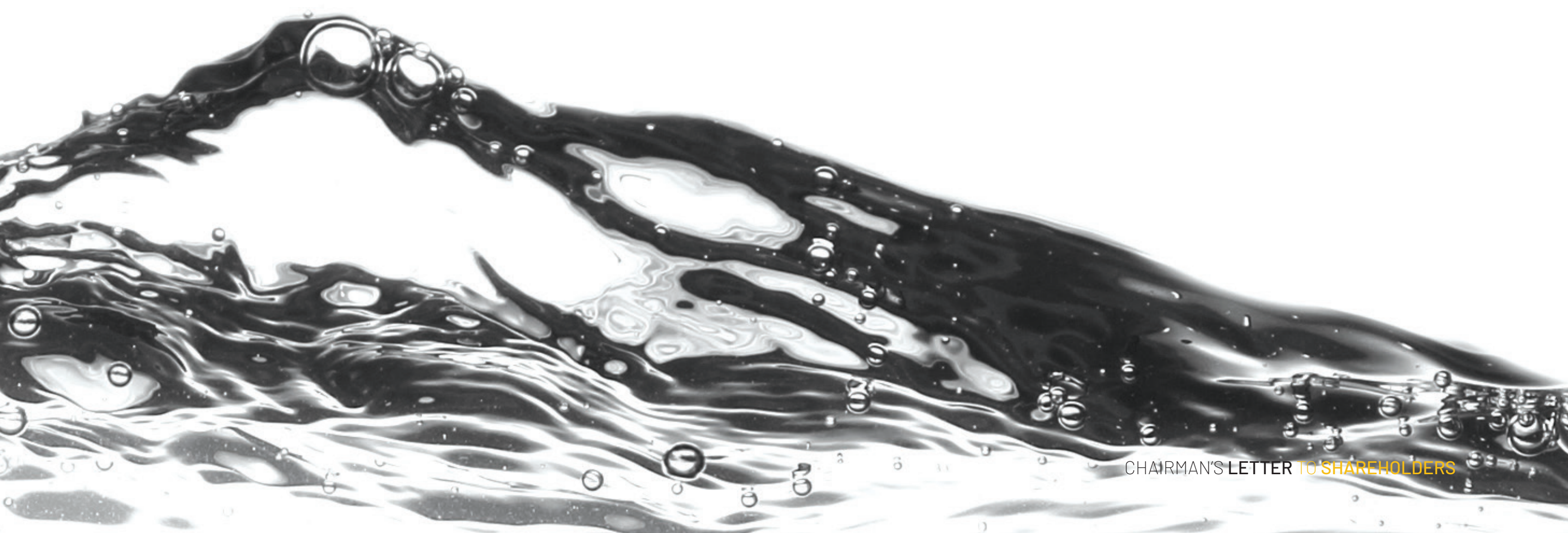
Income	2018	2017
Lease Income	$2.8 million	$2.4 million
Allocation Sales	$23.5 million	$1.6 million
Entitlement Sales	$1.9 million	$0.02 million
Other Income	$0	$0.04 million
Total	**$28.2 million**	**$4.1 million**

This year, the Company has focused on continued acquisition of entitlement, and as such, the leased percentage of the portfolio has declined to 39% as at 31 December 2018 (2017: 62% leased). The Weighted Average Lease Length of the portfolio at the end of the year was 4.54 years. The target remains to earn 6-7% return on long term these leases and to have 70-80% of the portfolio leased.

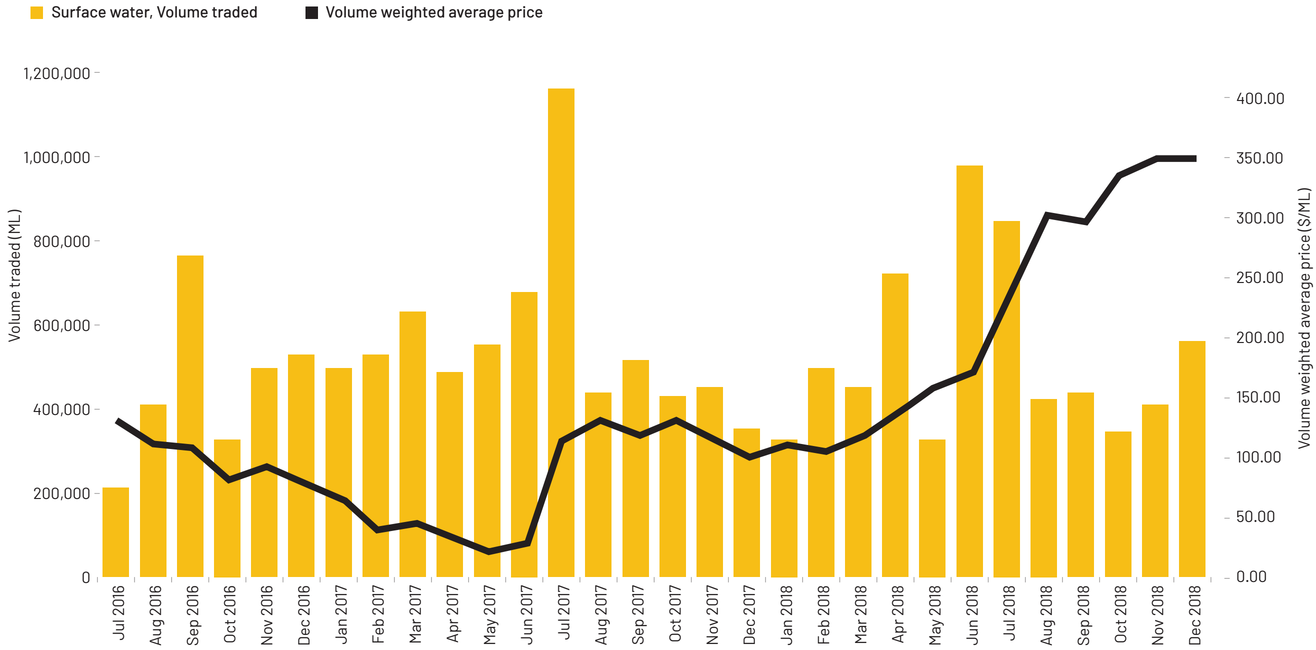
The leases provide Duxton Water with a reliable, visible income stream and are an increasingly attractive long-term solution for irrigators. Leases ultimately pass through all allocations and water security that ownership of the entitlement offers, albeit in a capital light approach as it frees up capital that would otherwise be tied up in the irrigators' balance sheets. We will continue to grow the leased portion of the portfolio over time as the demand for these products increase.

The portion of the portfolio that is not leased, receives its annual allocation of water, which can then be sold back into the spot market.

This year, with the injection of new capital then deployed, we have had greater volumes of allocation available for sale. As seen in note 4, we have generated income of $23.5 million through both the sale of allocation received on entitlements owned and allocation acquired in the spot market. This further highlights our active management of the portfolio, our strong positioning ahead of trends observed and our ability to utilise the portfolio mix to provide flexible water supply solutions to irrigators. For example, our general security rights allowed us to carry over allocation into the 18/19 water year (1 July 2018 – 30 June 2019) which could then be sold into a stronger allocation market. The market has seen allocation prices move from $120/ML to $450/ML in 2018, and up to $700/ML by mid-January 2019 (~$500 in the Murray and ~$700 in the Murrumbidgee).



Allocation trade history – Murray-Darling basin

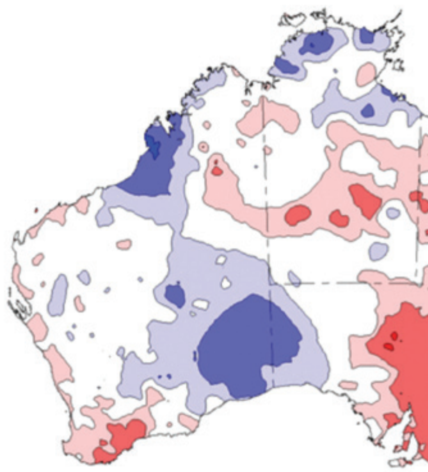


Source: http://www.bom.gov.au/water/dashboards/#/water-markets/mdb/at

Market Trends

The Murray Darling Basin recorded its seventh lowest annual rainfall. Rainfall for 2018 as a whole was exceptionally low across Australia, with much of the area experiencing rainfall totals in the lowest 10% of records. Severe rainfall deficiencies are continuing to affect large areas throughout southern and eastern Australia and throughout the Murray Darling Basin, as seen in the rainfall decile chart.

Temperatures throughout the year were higher than average and the mean monthly temperature for December 2018 was the warmest on record. Very warm temperatures across the Murray Darling Basin have persisted throughout 2017 and 2018, with prolonged periods of extreme heat and heatwaves persisting into the new year. Above average temperatures and clear windy days lead to higher than average evaporation losses, further stressing water concerns. The annual temperature decile chart can be seen below.

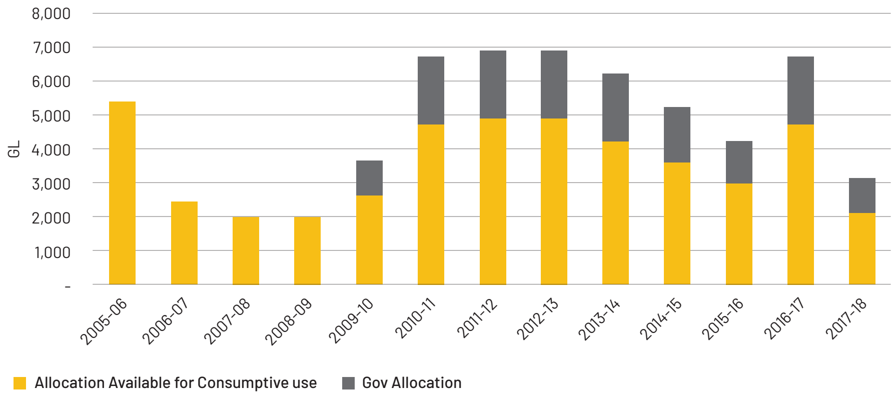


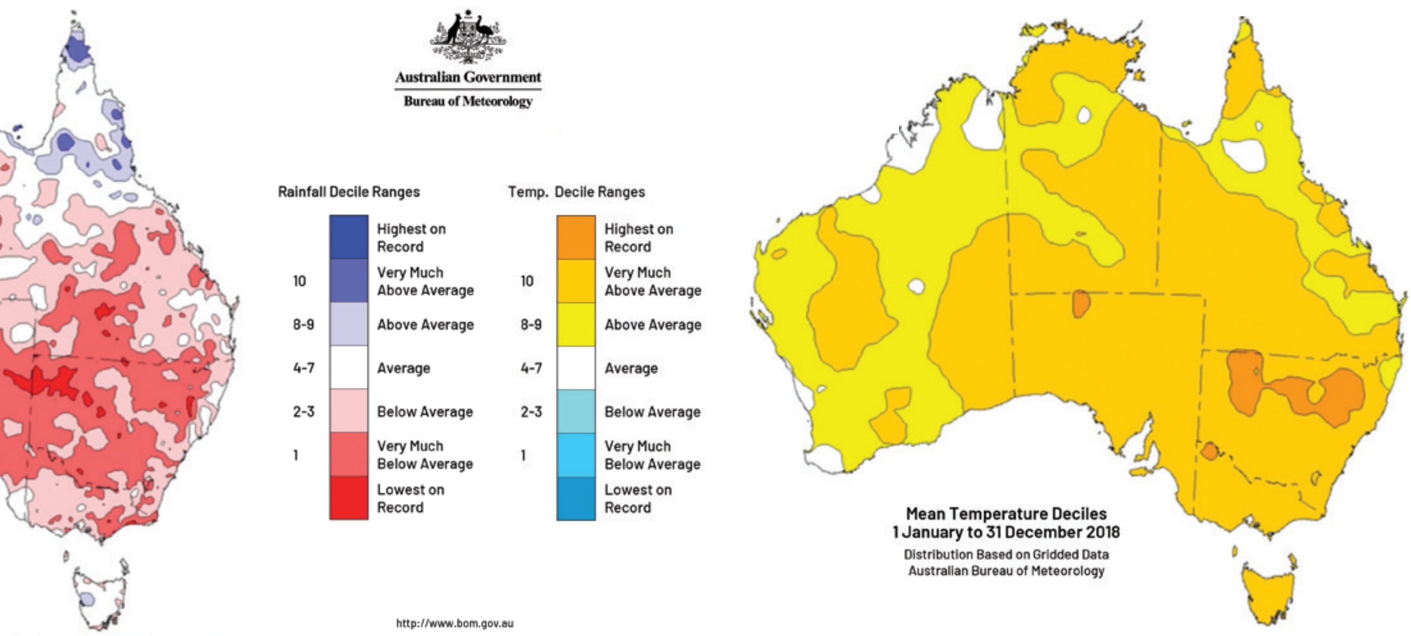
Australian Rainfall Deciles
1 January to 31 December 2018
Distribution Based on Gridded Data
Australian Bureau of Meteorology

Australia has a variable climate and as such there can be significant volatility in water allocations and prices over time. Outside of climate and allocation supply, the key drivers to the price of allocation are the reduction in overall supply due to the Government's buy-back program, increase in efficiency (irrigators can do more with less water), and the shift in commodity production to higher margin crops.

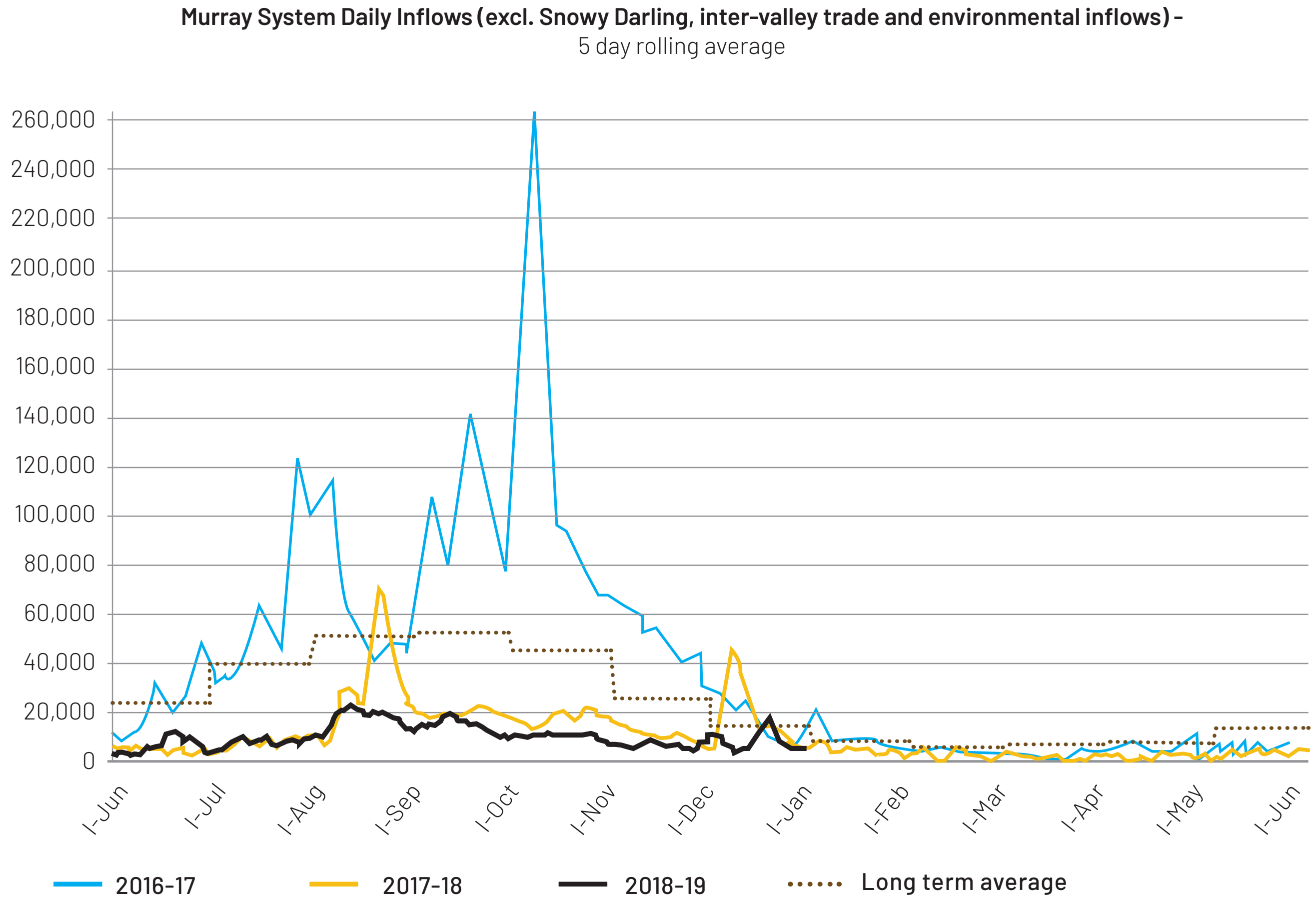
We are beginning to see the impact of these structural shifts and trend changes in the water market through this dry period, and we expect to continue to see them exert influence throughout inevitable wetter periods in our future.

Historial allocation volumes (SMDB region)





Daily inflows to the MDB



These hot and dry conditions are reflected in the ~2,900GL of total Murray-Darling system inflows for 2018, which is significantly lower than the 10-year average of ~7,400GL. These poor inflows compound the low level of inflows received in 2017 which has resulted in lower levels of active storage within the catchments and ultimately fewer allocations to be distributed amongst entitlement holders.

Market Outlook

The Bureau of Meteorology's ("BoM") 3-month outlook for February to April 2019, is suggestive of a drier than average quarter with less than a 50% chance of exceeding median rainfall and high probabilities (80%) for hotter than median days and nights.

Beyond the BoM's 3 month outlook, the El Nino-Southern Oscillation outlook has been lowered to an 'El Nino Watch', suggesting a 50% chance of an El Nino developing during autumn or winter of this year. Three of the eight surveyed climate models have an El Nino event forming by mid-2019. The positive Indian Ocean dipole event which was in effect since September 2018 has since concluded with all six of the surveyed climate models forecasting that the Indian Ocean will remain neutral through the autumn period. An El Niño typically results in below average rainfall and above average temperatures across eastern Australia. A positive Indian Ocean Dipole event typically reduces spring rainfall in southern Australia and can further exacerbate the effects of an El Niño.

We continue to see new planting of permanent crops (fruit and nut trees), and a shift toward higher -margin annual crops, like cotton. We do not believe the long-term, permanent demand yet to be realised from these permanent crops has been factored into the price of water entitlements, by the market. This suggests there is a demand slug that will come into the market over the next 5 to 8 years as these mature. We are preparing and growing our Company, and our portfolio of assets, so as to be able to meet this demand with a range of sought-after water supply solutions.

The Board and I thank you for your continued interest and investment in Duxton Water. We trust you have been pleased with the results this year. As we look forward, we will continue to grow and diversify this Company and our offering so as to provide value to both our irrigative community and our investors.

Kind Regards,
Ed Peter

20 February 2019

DIRECTORS' **REPORT**
FOR THE YEAR ENDED **31 DECEMBER 2018**

The Directors of Duxton Water Limited submit here with their Directors' Report, the financial report of Duxton Water Limited (the Company) for the year ended 31 December 2018, and the auditors' report. 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 financial year are:

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

The above named Directors held office during the whole of the financial year and since the end of the financial year.

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

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this Directors' Report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Principal activities

The principal activities of the Company during the financial year were the acquisition of water entitlements. Income was derived via long term lease arrangements with primary producers of these water entitlements as well as via the sale of annual water allocations.

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

Review of operations

During 2018, the Company completed two successful equity raises which resulted in a further ~$43.9 million of new capital being introduced into the Company. These funds along with an increased debt facility were used to grow the actively managed portfolio of water assets to a fair market value of $194.4 million at 31 December 2018 (2017: $86.4 million). The Company's portfolio now spans across 21 different water zones and classes. The Company was able to derive strong returns against the unleased portion of the portfolio, increasing its weighted EPS of 3.2 cents in 2017 to 8.5 cents in 2018. Reaffirming the Board's intentions, the Company 'passed through' two dividends during the year, firstly a dividend of 2.4 cents/share (75% franked) was paid in March 2018 and a dividend of 2.5 cents/share was paid in September 2018 (60% franked). The company expects to enter into further lease arrangements in the next 6-12 months which will increase the leased portion of the portfolio.

Financial overview

The Company's net profit after tax for the year amounted to $7.265 million (2017: $2.066 million). The net asset value (NAV) of the Company in accordance with Australian Accounting Standards as at 31 December 2018 is $125.027 million or $1.152 per share (2017: $77.378 million or $1.087 per share).

The net asset value of the Company on a fair market value basis at 31 December 2018 was $148.966 million or $1.372 per share (2017: $84.026 million or $1.180 per share).

Key metrics	2018	2017	2016
Profit (loss) attributable to owners of the company	$7.265m	$2.066m	($0.232m)
Basic earnings per share	$0.085	$0.032	($0.015)
Dividends paid	$3.990m	$1.471m	-
Dividends per share	$0.049	$0.023	-
Share price (at 31 December)	$1.51	$1.12	$1.00
Return on capital employed	$0.067	$0.038	($0.007)

Permanent water rights and entitlements are held at historical cost of $139.950 million (2017: $75.784 million) less accumulated impairment losses of $0.187 million (2017: $0.032 million). The net asset book value of the water rights as at 31 December 2018 is $139.763 million (2017: $75.753 million).

DURING
2018
~$43.9m
raised in
new capital

IN
31 DEC 2018
actively managed portfolio of water assets grew to a fair market value of
$194.4 million

COMPANY'S PORTFOLIO NOW SPANS ACROSS
~21
different
water zones

FROM
2017 - 2018
weighted EPS increased from
3.2 to 8.5 cents

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, and temporary water allocations related to those entitlements and separately acquired, 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.

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 its 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.

31 December 2018	Per company Statement of Financial Position $'000	Per Fair Market Value* $'000	Variance $'000
Assets			
Permanent water entitlments	139,763	172,952	33,189
Temporary water entitlements	20,466	21,474	1,009
Net current and deferred tax asset	(1,333)	(11,592)	(10,259)
Net other current assets	4,965	4,965	-
Net non-current liabilities	(38,833)	(38,833)	-
Total net assets	**125,027**	**148,966**	**23,939**
Net asset value per share	**$1.152**	**$1.372**	**$0.220**

31 December 2017	Per company Statement of Financial Position $'000	Per Fair Market Value* $'000	Variance $'000
Assets			
Permanent water entitlments	75,753	84,566	8,813
Temporary water entitlements	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.

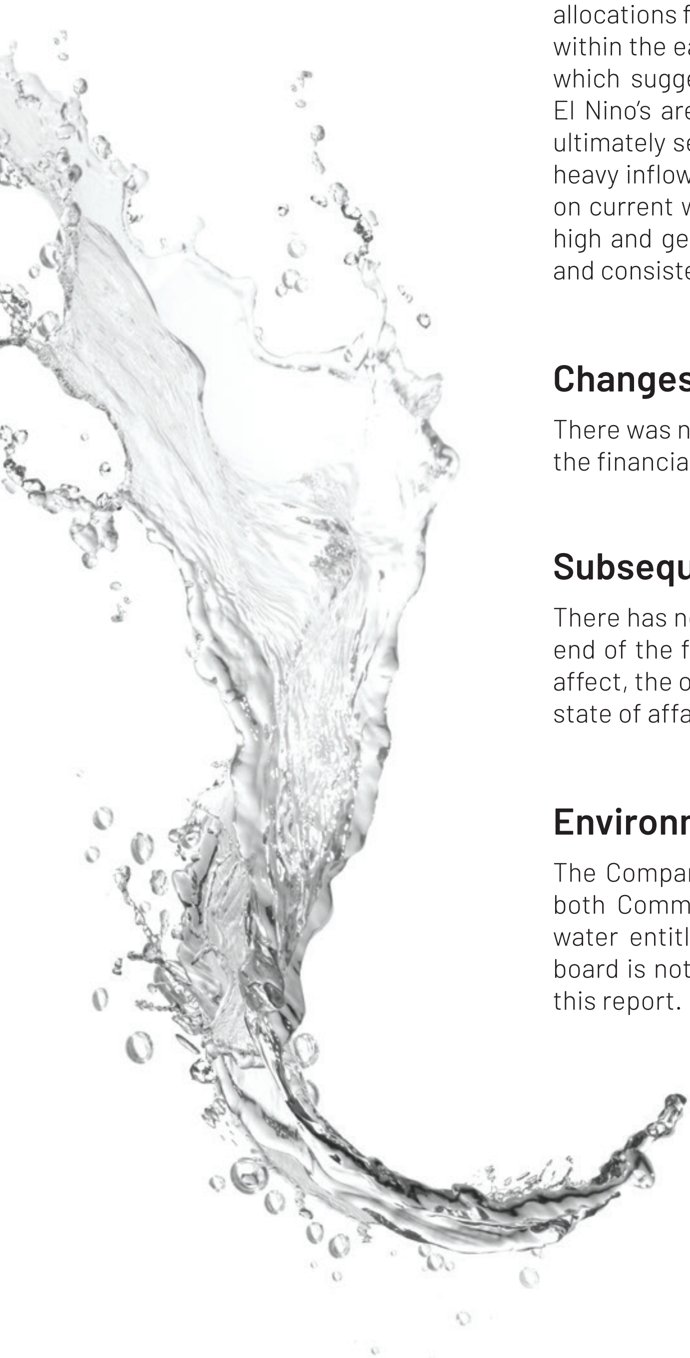
Further detail by reported segment is disclosed in Note 19 of the financial statements.

Market overview

Dry and hot conditions persisted throughout most of the year. December 2018 was the hottest on record, and spring was one of the driest seasons on record. Severe rainfall deficiencies remain across the greater Murray Darling Basin and significant rainfall events are required before we see inflows into major storages. These persistent dry conditions have had a significant impact on the allocation market which resulted in both lower allocations being issued and increased demand from both annual and permanent irrigators. Consequently, allocation pricing has steadily increased from ~$120/ML at the start of the year to ~$500/ML to end the year.

Entitlement values continued to increase, as evidenced in Aither's increasing Entitlement Index, which over the course of the year, increased by over 28%. This index tracks the change in the weighted capital value of a group of major water entitlement types across the southern Murray-Darling Basin.

During the year, the Company experienced significant uplift in the value of its permanent water entitlements with increases of between 20% to 30% for most high security entitlements with a small portion of the portfolio experiencing uplift of over 50%. Permanent entitlement pricing is generally not impacted by seasonal variability but driven by long term trends and industry development. The continued maturity and development of permanent plantings throughout the Basin has underpinned the demand for permanent entitlements as these producers seek to secure water required for future production.
Alongside demand drivers, the effects of the reduction in supply of entitlements on issue from the Government Buy-Back Program have begun to exert a greater influence on entitlement prices as the market moves to account for the 30% reduction in available water rights.



Future developments

The continued outlook from the Bureau of Meteorology is for hot and dry conditions to persist into Autumn. As such, taking into account current climatic conditions and the level of available water in storages, we expect opening allocations for the 2019/2020 water year to be lower than last. Warming waters within the eastern Pacific have resulted in the BoM issuing an "El Nino watch", which suggests a 50% chance of an El Nino developing over late Autumn. El Nino's are a major climate driver that can have an impact on rainfall and ultimately seasonal inflows. The move towards an El Nino would suggest that heavy inflows into the system through 2019 are unlikely, placing further strain on current water availability. It is expected that the strategic portfolio mix of high and general security entitlements is well positioned to provide smooth and consistent returns to shareholders throughout this period.

Changes in state of affairs

There was no significant change in the state of affairs of the Company during the financial year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Environmental regulation

The Company operates in a highly regulated environment and is subject to both Commonwealth and State legislation in relation to its acquisition of water entitlement activities. Based on the results of enquiries made, the board is not aware of any significant breaches during the period covered by this report.

Dividends

In respect of the financial year ended 31 December 2018, 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 and a final dividend of 2.5 cents per share franked to 75% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 14 September 2018.

Total dividends paid for the 2018 financial year were $3.990 million. This consisted of cash distributions of $2.924 million and shares issued under the DRP to the value of $1.066 million.

Indemnities and insurance of officers

The Company has agreed to indemnify all of the Directors of the Company against all liabilities to another person that may arise from their position as Directors of the Company except where the liability arises out of conduct involving lack of good faith.

The agreement stipulates that the Company will meet the future amount of any such liabilities, including costs and expenses.

The Company has paid premiums amounting to $0.080 million to insure against such liabilities. The insurance premiums relate to:
- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome;
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Investment Manager is responsible for effecting and maintaining professional indemnity insurance, fraud and other insurance as are reasonable having regard to the nature and extent of the Investment Manager's obligations under the Investment Management Agreement.

Provided that the Investment Manager has complied with the Investment Management Agreement, it will not be liable for any loss incurred by the Company in relation to the investment portfolio. The Investment Manager has agreed to indemnify the Company for all liabilities and losses incurred by the Company by reason of the Investment Manager's wilful default, bad faith, negligence, fraud in performance of its obligations under the Investment Management Agreement or a material breach of the Investment Management Agreement.

Provided that the Investment Manager has complied with the Investment Management Agreement in all material respects, it is entitled to be indemnified by the Company in carrying out its obligations and performing its services under the Investment Management Agreement.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 6 board meetings and 2 audit and risk committee meetings were held.

Director	Board Meetings		Audit & Risk Committee Meetings	
	Meetings attended	Meetings held	Meetings attended	Meetings held
Mr Edouard Peter	6	6	–	–
Mr Stephen Duerden	6	6	3	3
Mr Dirk Wiedmann	5	6	–	–
Mr Peter Michell	6	6	3	3
Mr Dennis Mutton	6	6	3	3

Research and development

The Company did not undertake any research or development during the year.

Corporate Governance

The Company's Corporate Governance Statement and ASX Appendix 4G (Key to Disclosures – Corporate Governance Council Principles and Recommendations) is available in the Corporate Governance section of the Duxton Water website at www.duxtonwater.com.au.

As at the date of the Corporate Governance Statement, the Company complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition – March 2014 (unless otherwise stated).

CHAIRMAN OF THE BOARD
EDOUARD PETER

Edouard Peter, is the co-founder and Chairman of Duxton Asset Management Pte Ltd ("Duxton"). Prior to forming Duxton in 2009, Ed was Head of Deutsche Asset Management Asia Pacific ("DeAM Asia"), Middle East & North Africa. He was also a member of the Deutsche Bank's Group Equity Operating Committee and Asset Management Operating Committee. Ed joined Deutsche Bank in 1999 as Head of Equities and Branch Manager of DB Switzerland. In March 2001, Ed moved to Hong Kong with Deutsche Bank and was appointed Head of Global Equities for Asia and Australia, becoming responsible for all of Global Emerging Markets Equities in the beginning of 2003. In November 2004, Ed became Head of Asian and Emerging Market Equities for the new Global Markets Division.

Mr Peter holds a Bachelor's Degree in English Literature from Carleton College in Northfield, Minnesota. Ed's first foray into agricultural investing was in 1999 and he remains passionately interested in agriculture today.

Ed is appointed to the Board of the Company as a representative of the Investment Manager.

QUALIFICATIONS
- Bachelor English Literature

OTHER DIRECTORSHIPS*
- Duxton Capital Pte Ltd
- Duxton Capital (Australia) Pty Ltd
- Duxton Vineyards Pty Ltd
- Duxton Vineyards Water Pty Ltd
- Duxton Viticulture Pty Ltd
- Hathor Dairies Pty Ltd
- Duxton Broadacre Farms Ltd
- Duxton Dried Fruits Pty Ltd

Interest in Securities
Fully paid ordinary shares 2,956,929

Interest in Securities via Duxton Vineyards
Fully paid ordinary shares 8,259,852

Committees
None

NON-EXECUTIVE DIRECTOR
STEPHEN DUERDEN

Stephen Duerden is currently the CEO of Duxton Capital (Australia) Pty Ltd. Stephen has over 25 years of experience in investment management and joined Duxton in May 2009, as the CEO of Duxton in Singapore. Before joining Duxton, Stephen was the COO and Director for both the Complex Assets Investments Team and the Singapore operation of Deutsche Bank Asset Management Asia. Prior to this Stephen worked with Deutsche in Australia where he was a member of the Australian Executive Committee responsible for the management of the Australian business, with assets under management of approximately AUD $20 billion, and a member of the Private Equity Investment Committee overseeing the management of over AUD $2.5 billion in Private Equity and Infrastructure assets. Stephen has had exposure to a broad range of financial products and services during his career. He has been involved in direct property development and management, the listing and administration of REITS, as well as the operation and investment of more traditional asset portfolios.

Stephen holds a Bachelor of Commerce in Accounting Finance and Systems with merit from the University of NSW Australia and a Graduate Diploma in Applied Finance and Investments from the Financial Services Institute of Australasia. Stephen is a Fellow of the Financial Services Institute of Australasia and a Certified Practicing Accountant.

Stephen is appointed to the Board of the Company as a representative of the Investment Manager.

QUALIFICATIONS
- B Com Accounting Finance and Systems
- GradDipAppFin at FINSIA
- CPA
- F FIN

OTHER DIRECTORSHIPS*
- Duxton Capital Pte Ltd
- Duxton Capital (Australia) Pty Ltd
- Duxton Broadacre Farms Ltd
- Duxton Dried Fruits Pty Ltd

Interest in Securities

Fully paid ordinary shares	66,598

Interest in Securities via Duxton Vineyards

Fully paid ordinary shares	46,530

Committees

Member – Audit and Risk Management Committee

INDEPENDENT NON-EXECUTIVE DIRECTOR
DIRK WIEDMANN

Dirk Wiedmann has 25 years of experience in the finance industry. Over his career, Dirk has held senior global positions with several Banks, including UBS AG, Bank Julius Baer & Co Ltd and Rothschild Bank AG. Throughout his time in the industry, Mr Wiedmann has gained a vast range of experience covering international equities and derivatives, business sector market development, executive education and strategic marketing. Dirk has been invested in Australian agriculture business, including wine and dairy operations, since 1999.

Until August 2015, Dirk was the Global Head of Investments & Chief Investment Officer at Rothschild Wealth Management and Trust, a Member of the Divisional Board and a member of the Executive Committee of Rothschild Bank AG. Within his role as Global Head of Investments and CIO, Dirk was also responsible for all trading and execution activities and strategic marketing in the Bank.

Mr Wiedmann is an Independent Non-Executive Director of the Company.

QUALIFICATIONS

- Diplom Kaufmann from Johann Wolfgang Goethe University/ Frankfurt, Germany
- Advanced Management Program at The Wharton School, University of Pennsylvania

OTHER DIRECTORSHIPS*

- Duxton Vineyards Pty Ltd,
- Duxton Vineyards Water Pty Ltd,
- Duxton Viticulture Pty Ltd

Interest in Securities

Fully paid ordinary shares	77,258

Interest in Securities via Duxton Vineyards

Fully paid ordinary shares	1,315,263

Committees

None

INDEPENDENT NON-EXECUTIVE DIRECTOR
PETER MICHELL

QUALIFICATIONS
• Bachelor of Management
• FAICD
• FGLF2000

OTHER DIRECTORSHIPS*
• Mutual Trust Ltd

Peter Michell is a Director at Michell Wool Pty Ltd and was its Managing Director for the decade following 2004. Peter also currently sits on the Board of Mutual Trust Pty Ltd.

In 2004 Peter and his brother consolidated shareholding in their 140-year-old family agribusiness from 40 shareholders to 2. He then oversaw the reengineering and growth of the business; a greenfield wool textile investment in China, R&D and incubation of a number of start-ups within the wool group, and purchased, developed and then sold two significant wool textile processing business in Malaysia (500fte).

His 30 years in the wool, wool textile and leather industry has seen Peter responsible for commodity trading, global B2B industrial sales and marketing, production management, trade finance, and water and waste water management.

Interest in Securities
Fully paid ordinary shares 465,000

Interest in Securities via Duxton Vineyards
Fully paid ordinary shares 967,836

Committees
Chairman – Audit and Risk Management Committee

INDEPENDENT NON-EXECUTIVE DIRECTOR
DENNIS MUTTON

Dennis Mutton is an independent consultant in the fields of natural resource management, primary industries, regional growth initiatives, leadership development and government-business relationships. He also holds a range of board Directorships in government, business and not for profit organisations at State and National levels. His full time work career included executive management roles in both the private and public sectors culminating in 15 years as CEO of a number of South Australian State Government agencies including the Department of Environment, Water and Natural Resources and the Department of Primary Industries and Regions. Dennis also held roles as Commissioner and Deputy President of the Murray Darling Basin Commission and Chair of the SA Natural Resources Management Council.

QUALIFICATIONS
- BSc (Hons 1)
- Grad Dip Mgt
- FAICD
- FAIM

OTHER DIRECTORSHIPS*
- WPG Resources Ltd (resigned 27/03/2017)

Interest in Securities

Fully paid ordinary shares	31,949

Committees

Member – Audit and Risk Management Committee

COMPANY SECRETARY
DONALD STEPHENS

Donald Stephens is a Chartered Accountant and corporate adviser with over 25 years of experience in the accounting industry, including 14 years as a partner of HLB Mann Judd, a firm of Chartered Accountants. Mr Stephens holds a number of positions as a public Company Director and Company secretary. Mr Stephens also provides corporate advisory services to a wide range of organisations.

QUALIFICATIONS
- B Acc
- FCA

* Other Directorships refers to ASX listed and related party entities only

Remuneration report (audited)

The Company has appointed Duxton Capital (Australia) Pty Ltd as its Investment Manager to manage its assets and implement its investment strategy. The Company does not have any employees and therefore does not see the need for a remuneration committee. The full board have appointed the Investment Manager in line with the terms of the Investment Management Agreement.

The Investment Management Agreement signed on 25 July 2016 is for an initial term of ten (10) years. After this initial term, the Investment Management Agreement will be renewed for further new terms of five (5) years, unless terminated by the Company or the Investment Manager.

Under the Investment Management Agreement, the Investment Manager will be responsible for the day-to-day management of the Company and management of the investment portfolio. Services provided by the Investment Manager include, but are not limited to, the selection, determination, structuring, investment, reinvestment, leasing and management of the Company's assets.

The Management Fee for the first calendar month from the Closing Date and for the final calendar month in which the Company is wound up or the Investment Management Agreement is terminated will be calculated using the following formula:

$$\text{Monthly Management Fee} = \frac{\text{(Days in Operation)} \times 0.85\%}{365} \times \text{Portfolio Net Asset Value on the relevent Valuation Day}$$

"Days in Operation" means the number of days in that calendar month in which the Company incurs liabilities or debts and/ or generates revenue or owns assets.

"Closing Date" means the Listing Date of the Company on the ASX.

"Portfolio Net Asset Value (PNAV)" means the total assets of the Company including water assets which for the purpose of determining the Management Fee, will be valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from at least one broker, excluding outliers). Outliers are defined as a trade with greater than 10% variance from the last transacted price and transactions that are less than 10ML. (unless there are no applicable transactions greater than 10ML) less; the total liabilities of the Company excluding provisions for tax payable and Performance Fee.

"Valuation Day" means the last day in each month, unless the Directors resolve otherwise, and such other days as the Directors may determine, each being a day on which the Portfolio Net Asset Value is calculated.

The Management Fee is to be paid to the Investment Manager regardless of the performance of the Company.
Management Fees would increase if the Portfolio value increases, and decrease if the Portfolio value decreases, over the period. The Management Fee payable to the Investment Manager is calculated on the basis of the total value of the Company's assets at the applicable valuation date, including any unrealised capital gains of the Company.

The management fee paid or payable to the Investment manager for the year ended 31 December 2018 amounted to $1.046 million (year ended 31 December 2017: $0.619 million).

In addition to the monthly Management Fee, the Investment Manager is entitled to be paid a Performance Fee at the end of each financial year from the Company. The Performance Fee is split over two hurdles and is calculated as:

- 5% of the outperformance of the Investment Return of the Company above a hurdle return of 8% per annum up to 12% per annum; plus
- If the Investment Return is above 12% for the year then the Performance Fee will include 10% of the remaining outperformance of the Investment Return over the hurdle of 12% per annum.

The Performance Fee will be subject to a High Water Mark and will be accrued monthly and paid annually. The terms of the Performance Fee are outlined below:

The Performance Fee will be calculated by reference to the audited accounts of the Company ("Audited Accounts") adjusted to reflect the value of water assets as determined by independent valuation, and the Company will pay the Performance Fee to the Investment Manager in arrears within 30 days from the completion of the Audited Accounts. The Performance Fee will be payable if the Company outperforms either of the First Benchmark Hurdle or the Second Benchmark Hurdle (as defined below) during any Calculation Period. The formula for calculating the Performance Fee payable to the Investment Manager for any Calculation Period is as follows:

(a) If the Investment Return of the Company between the Start Date and the Calculation Date is less than the First Benchmark Return Hurdle (8%) then no Performance Fee is payable.

(b) If the Investment Return of the Company between the Start Date and the Calculation Date is greater than the First Benchmark Hurdle (8%) but less than the Second Benchmark Hurdle (12%) then the Performance Fee will be:
5% x ((Adjusted Ending PNAV - Opening PNAV – Capital Raisings) – First Benchmark Return Hurdle)

(c) If the Investment Return of the Company between the Start Date and the Calculation Date is greater than the Second Benchmark Hurdle (12%) then the Performance Fee will consist of two components as follows:

Component A = 5% x (Second Benchmark Return Hurdle - First Benchmark Return Hurdle)

Plus

Component B = 10% x ((Adjusted Ending PNAV – Opening PNAV – Capital Raisings) – Second Benchmark Return Hurdle)

Where:

"Investment Return" means the percentage by which the Adjusted Ending Portfolio Net Asset Value exceeds the Opening Portfolio Net Asset Value at the Calculation Date; excluding any additions or reductions in the equity of the Company including distributions paid or provided for, dividend reinvestments, new issues, the exercise of share options, share buy-backs and the provision or payment of tax made since the previous Calculation Date.

"Adjusted Ending PNAV" means the PNAV at the Calculation Date, adjusted by adding back to the Ending PNAV:

- Any Distributions or reductions in capital paid or provided for during such Calculation Period; and
- Any relevant taxes paid or provided for during such Calculation Period.

"First Benchmark Return Hurdle" means an amount equal to: 8% per annum of the Opening PNAV;

- Plus 8% per annum on Capital Raisings during the Calculation Period, calculated on a time weighted basis;
- Minus 8% per annum on the amount of any Distributions paid during the Calculation Period, calculated on a time weights basis.

"Second Benchmark Return Hurdle" means an amount equal to: 12% per annum of the Opening PNAV;

- Plus 12% per annum on Capital Raisings during the Calculation Period, calculated on a time weighted basis;
- Minus 12% per annum on the amount of any Distributions paid during the Calculation Period, calculated on a time weights basis.

"Ending PNAV" means the Portfolio Net Asset Value of the Company at the end of the relevant Calculation Period.

"Opening PNAV" means the higher of Portfolio Net Asset Value of the Company at the relevant Start Date for the Calculation Period or the highest Ending PNAV since inception of the Company on which a performance fee has been paid.

"High Water Mark" means the highest Adjusted Portfolio Net Asset Value at which a Performance Fee has been paid to the Investment Manager.

"Commencement Date" means the first Business Day immediately following the Listing Date (including such extended period(s) where applicable).

"Calculation Period" commences from a "Start Date" and ends on a "Calculation Date".

"Start Date" means 1st of January of each year except for the first Calculation Period which will start on the first Business Day immediately following the Listing Date (i.e. Commencement Date).

"Calculation Date" means the 31st December of each year, except for the year in which the Company is wound up or the Investment Management Agreement is terminated, in which case the Calculation Date will be the last Business Day before the termination of the Company or the Investment Management Agreement (as applicable).

"Business Day" means a day on which banks are open in South Australia, excluding weekends and public holidays in South Australia.

The performance fee paid or payable to the Investment manager for the year ended 31 December 2018 amounted to $2.310 million (year ended 31 December 2017: $0.472 million).

A termination fee is payable by the Company to the Investment Manager if the Investment Management Agreement is terminated within the first ten years of the Agreement, unless the Company has terminated the Investment Management Agreement for default by the Investment Manager. The termination fee is equal to 5% of the PNAV of the Company, reduced by 1/60th for each calendar month elapsed after the first five years since commencement of the Investment Management Agreement up to the date of termination.

Remuneration of non-executive Directors

The Board policy is to remunerate Independent Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Fees for Non-Executive Directors are not linked to the performance of the Company.

In determining competitive remuneration rates, the Board review local and international trends among comparative companies and industry generally. Typically, the Company will compare Non-Executive Remuneration to companies with similar market capitalisations. These reviews are performed to confirm that non-executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

Further to ongoing reviews, the maximum aggregate amount of fees that can be paid to Non-Executive Directors is $0.250 million and is subject to approval by shareholders at the Annual General Meeting.

Details of the remuneration of the Non-Executive Directors of the Company, paid for the reported period, are set out in the following table.

Non-executive Directors	Fees $	Total remuneration $
Mr Edouard Peter (1)	-	-
Mr Stephen Duerden (1)	-	-
Mr Dirk Wiedmann	35,000	35,000
Mr Peter Michell	35,000	35,000
Mr Dennis Mutton	35,000	35,000
Total	**105,000**	**105,000**

(1) These Non-Executive Directors are employed by the Investment Manager (Duxton Capital (Australia) Pty Ltd) and receive no remuneration from Duxton Water Ltd, however Duxton Capital (Australia) Pty Ltd does receive management fees and performance fees.

Options

The Directors have not received any options as remuneration by the Company during the reported period.

– END OF REMUNERATION REPORT –

Shares under option

Nil

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings. The Company was not a party to any such proceedings during the year.

Non-audit services

No amounts were paid or payable to the auditor for non-audit services during the year.

Corporate governance statement

The Company's corporate governance statement can be viewed on the Company's website www.duxtonwater.com.au.

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 39.

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
20 February 2019

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 audit of Duxton Water Limited for the financial year ended 31 December 2018 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

Darren Ball
Partner

Adelaide

20 February 2019

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenue and other income	4	28,213	4,111
Cost of sales		(12,695)	(140)
Gross profit		**15,518**	**3,971**
Management fees		(1,046)	(619)
Performance fees		(2,310)	(472)
Legal and professional fees		(54)	(151)
Other expenses	5	(956)	(607)
Impairment reversal /(impairment) of water entitlements	6	(155)	739
		(4,521)	**(1,110)**
Profit before net finance (cost)/income		**10,997**	**2,861**
Finance income		3	90
Finance expense		(608)	-
Net finance (cost)/income		**(605)**	**90**
Profit before tax		**10,392**	**2,951**
Income tax expense	7	(3,127)	(885)
Profit for the year attributable to shareholders of Duxton Water Limited		**7,265**	**2,066**
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year attributable to shareholders of Duxton Water Limited		**7,265**	**2,066**
Earnings per share attributable to shareholders of Duxton Water Limited			
Basic earnings per share	17	0.085	0.032
Diluted earnings per share	17	0.085	0.032

The notes on page 44 to 69 are an integral part of these financial statements

STATEMENT OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	2,665	2,878
Trade and other receivables	9	5,419	573
Water allocations		20,466	1,116
Other current assets	11	113	103
Total current assets		**28,663**	**4,670**
Non-current assets			
Water entitlements	12	139,763	75,753
Deferred taxation	7	481	375
Total non-current assets		**140,244**	**76,128**
Total assets		**168,907**	**80,798**
LIABILITIES			
Current liabilities			
Trade and other payables	13	2,541	626
Unearned revenue		692	676
Tax liability	7	1,814	118
Total current liabilities		**5,047**	**1,420**
Non-current liabilities			
Interest-bearing liabilities	14	38,833	2,000
Total non-current liabilities		**38,833**	**2,000**
Total liabilities		**43,880**	**3,420**
Net assets		**125,027**	**77,378**
EQUITY			
Issued capital	15	121,389	77,015
Retained earnings		3,638	363
Total equity		**125,027**	**77,378**

The notes on page 44 to 69 are an integral part of these financial statements

STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Issued capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2017		**69,033**	**(232)**	**68,801**
Shares issued	15	7,979	-	7,979
Share issue costs – net of taxes	15	3	-	3
Profit for the year		-	2,066	2,066
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	2,066	2,066
Distribution of dividends	15	-	(1,471)	(1,471)
Balance at 31 December 2017		**77,015**	**363**	**77,378**
Balance at 1 January 2018		**77,015**	**363**	**77,378**
Shares issued	15	44,920	-	44,920
Share issue costs – net of taxes	15	(546)	-	(546)
Profit for the year		-	7,265	7,265
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	7,265	7,265
Distribution of dividends	15	-	(3,990)	(3,990)
Balance at 31 December 2018		**121,389**	**3,638**	**125,027**

The notes on page 44 to 69 are an integral part of these financial statements

STATEMENT OF **CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		22,234	4,649
Payments to suppliers		(2,831)	(1,451)
Purchase of water allocation		(31,760)	(1,215)
Interest received		3	90
Interest paid		(570)	-
Income tax paid		(1,304)	(473)
Net cash generated from operating activities	18	**(14,228)**	**1,600**
Cash flows from investing activities			
Purchase of water entitlements		(68,208)	(24,336)
Disposal of water entitlements		5,909	6,995
Deposits used (paid) for the purchase of water entitlements		(595)	107
Proceeds from (investment in) term deposits		-	3,333
Net cash used in investing activities		**(62,894)**	**(13,901)**
Cash flows from financing activities			
Proceeds from issue of shares	15	43,853	25
Transaction costs related to issues of shares	15	(853)	(17)
Proceeds from borrowings	14	36,833	2,000
Payment of dividends	15	(2,924)	(825)
Net cash generated from financing activities		**76,909**	**1,183**
Net increase in cash and cash equivalents		(213)	(11,118)
Cash and cash equivalents at beginning of the year		2,878	13,996
Cash and cash equivalents at end of year	8	**2,665**	**2,878**

The notes on page 44 to 69 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 D2O. 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 financial statements were authorised for issue by the Directors on 20 February 2019.

2 BASIS OF PREPARATION

Basis of accounting

The 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 financial statements have been prepared by applying the going concern basis of accounting. They are based on historical costs and do not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

Statement of compliance

The financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, and Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).

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.

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 treated 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 will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements will be 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.

Standards issued but not yet effective

At balance date, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods on or after	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	31 December 2019

Leases

AASB 16 Leases will replace existing accounting requirements for leases under AASB 117 Leases. AASB 16 removes the lease classification test and requires all lessees to record both finance and operating leases on the balance sheet.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption will be permitted for entities that also adopt AASB 15 Revenue from Contracts with Customers. The adoption of AASB 16 is not expected to have a material impact on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

Changes in significant accounting policies

The Company has initially adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 January 2018.
The details of the impact of these changes are set out below.

a) AASB 15 Revenue from Contracts with Customers

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

The Company's revenue under AASB 15 is derived from the sale of temporary water allocations.

The Company previously recognised revenue from the sale of temporary water when the risks and rewards or ownership have passed to the customer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the water allocations, and the amount of revenue can be measured reliably.

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Customers obtain control of temporary water allocations upon settlement of the sales contract. Settlement occurs when all contractual conditions precedent have been met.

The adoption of AASB 15 did not have an impact on the Company's financial statements.

b) AASB 9 Financial Instruments

AASB 9 sets out 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.

As a result of the adoption of AASB 9, the Company has adopted consequential amendments to AASB 101 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. The Company do not have any impairment of financial assets, and have therefor not been impacted by this change.

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. Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost.

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. There has been no change in the allowance for impairment over these receivables on transition to AASB 9.

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

Revenue and Other Income

Sale of temporary water allocations

The Company's revenue under AASB 15 is derived from the sale of temporary water allocations.

Revenue derived from the sale of temporary water allocations is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

Customers obtain control of temporary water allocations upon settlement of the sales contract. Settlement occurs when all contractual conditions precedent have been met.

Lease of water entitlements

Income from water entitlement lease agreements is recognised on a straight-line basis over the term of the lease.

Interest income

Interest income comprises of income earned on financial assets and interest charged on overdue customer accounts in accordance with customer contracts. Interest is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be reliably measured. Interest is recognised in the Statement of Profit or Loss, using the effective interest method.

Sale of permanent water entitlements

The profit or loss on the disposal of water entitlements (which are a non-current asset) is recognised in the Statement of Profit or Loss on the date in which control of the asset passes to the purchaser, usually when an unconditional contract of sale is achieved. This 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).

Impairment of Financial Assets

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.

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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reports which are provided to the chief operating decision maker. The chief operating decision maker, who is responsible for resource allocation and assessment of segment performance, has been identified as the board of Directors.

Goods and services tax (GST)

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 this case, GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a net basis.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax amounts.

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of profit or loss and Statement of Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years or because of items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in the Statement of Profit or Loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Financial instruments

a) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Companyp becomes a party to the contractual provisions of the instrument.

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

b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets . On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

c) Subsequent measurement and gains and losses

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.

d) Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

e) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

f) Offsetting

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

Share-based payments arrangements

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives (permanent water entitlements) that are acquired separately are carried at cost less accumulated impairment losses.

a) Permanent water entitlements

Permanent water entitlements are treated 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 will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements will be tested at least 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. At 31 December 2018 no items of inventory were carried at cost or net realisable value.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives (permanent water entitlements) and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Permanent water entitlements

Permanent water entitlements are tested for impairment at the cash generating unit (CGU) level by comparing the CGU's recoverable amount with its carrying amount annually. Whenever there is an indication that an impairment exists, any excess of the carrying amount over the recoverable amount is recognised as an impairment loss in the Statement of Profit or Loss.

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine if there is any indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated.

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.

The Company determines the fair value of its permanent water entitlements based upon independent valuations.

Impairment losses are recognised in the Statement of Profit or Loss and are only reversed to the extent of previously recognised impairment.

Cash and cash equivalents

For the purposes of the Statement of Cash Flow, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

Share capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with AASB 112 Income Taxes.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

b) Diluted earnings per share

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the dilutive effect, if any.

4 REVENUE AND OTHER INCOME

	2018 $'000	2017 $'000
Lease income from water entitlements	2,804	2,436
Sale of temporary water allocations	23,542	1,649
Profit on sale from disposal of water entitlements	1,867	26
	28,213	**4,111**

5 OTHER EXPENSES

	2018 $'000	2017 $'000
Administration and marketing expenses	341	125
ASX Listing fees	58	47
Auditors remuneration – KPMG – Audit of financial statements	39	52
Auditors remuneration – KPMG – Other assurance services	-	-
Brokerage, bank fees and other expenses	24	22
Company secretary	72	76
Directors' and officers' insurance	61	45
Government water charges	204	93
Non-executive Directors' fees	105	105
Share registry costs	52	42
	956	**607**

6 IMPAIRMENT OF WATER ENTITLEMENTS

	2018 $'000	2017 $'000
Impairment/(impairment reversal) of water entitlements	155	(739)
	155	**(739)**

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 constitute 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 Company employs an independent expert to determine the fair value of entitlements. 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.

Water entitlements are classified as Level 3 fair value hierarchy assets (2017: Level 3). 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.

During the year, the Company recorded a significant uplift in the value of its portfolio of water assets. Subsequently, this resulted in a reversal of impairment which was booked at 31 December 2017 and due to the timing of newly acquired water assets, the Company again recorded impairment on the portfolio as at 31 December 2018. Details of information to which reportable segment the impairment relates to, is disclosed in Note 19.

The impairment/(impairment reversal) relates to the following entitlement types held:

	2018 $'000	2017 $'000
Murrumbidgee Zone 13	8	(153)
Goulburn Zone 1A HR	-	(61)
Goulburn Zone 1A HS	-	(96)
Murray Zone 6 HR	-	(182)
Murray Zone 10 GS	-	(57)
Murray Zone 11 HR	25	(57)
Murray Zone 11 SW	-	
Macquarie Zone 2A GS	(21)	(44)
Lachlan Lower Groundwater Bore	152	-
Other	(9)	(89)
	155	**(739)**

7 TAXATION

	2018 $'000	2017 $'000

a) Recognised in the statement of profit or loss and other comprehensive income

	2018 $'000	2017 $'000
Current tax expense	3,150	654
Deferred tax expense (benefit)	(23)	231
Total income tax expense	**3,127**	**885**

b) Recognised in the statement of changes in equity

	2018 $'000	2017 $'000
Current tax expense (benefit) – share issue expenses	(152)	(105)
Deferred tax expense (benefit) – share issue expenses	(82)	105
Income tax recognised directly in equity	**(234)**	**-**

c) Numerical reconciliation between tax expense through Profit or Loss and pre-tax accounting profit:

	2018 $'000	2017 $'000
Profit before tax	10,392	2,951
Income tax expense at 30% (2017: 30%)	3,118	885
Increase/(decrease) in income tax expense due to: Movement in accrued expenses	9	-
Total income tax expense recognised in profit or loss	**3,127**	**885**

	2018 $'000	2017 $'000

d) Current Tax liability

Current tax expense recognised through profit or loss	3,150	654
Current tax benefit recognised in the statement of changes in equity	(152)	(105)
Income tax instalments paid	(1,184)	(431)
Current tax liability	**1,814**	**118**

e) Deferred Tax Asset

Deferred tax assets (liabilities) in relation to:		
Share issue and listing costs	425	357
Water entitlements	56	9
Accrued expenses	-	7
Other expenses	-	2
	481	**375**

f) Dividend Franking Account

Total franking account balance at 30%	134	118

The above amount represents the balance of the franking account as at 31 December, after taking into account adjustments for:

- Franking credits that will arise from the payment of income tax payable for the current year
- Franking credits that will arise from the receipt of dividends recognised as receivables at the year end
- Franking credits that may be prevented from being distributed in subsequent years

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

8 CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Cash at bank	2,665	2,878
Term deposits	-	-
	2,665	2,878
Less: term deposit having maturity over 3 months	-	-
	2,665	**2,878**

9 TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Trade debtors	4,256	128
Deposits paid	1,002	407
Other receivables	161	38
	5,419	**573**

Trade debtors is net of impairment of $nil.

10 LEASES AS LESSOR

Duxton Water leases out some of the water entitlements that it owns. At 31 December 2018 the future minimum lease payments under non-cancellable leases receivable was:

	2018 $'000	2017 $'000
Less than one year	2,804	2,804
Between one and five years	9,585	10,881
More than five years	238	1,747
	12,627	**15,432**

During 2018, lease income of $2.804 million was included in revenue (2017: $2.436m).

11 OTHER CURRENT ASSETS

	2018 $'000	2017 $'000
Prepaid expenses	113	103
	113	**103**

12 WATER ENTITLEMENTS

Permanent water entitlements - at cost	$'000
Balance at 1 January 2017	51,125
Additions	31,628
Disposals	(6,968)
Balance at 31 December 2017	75,784
Balance at 1 January 2018	75,784
Additions	68,208
Disposals	(4,042)
Balance at 31 December 2018	139,950

Accumulated impairment	$'000
Balance at 1 January 2017	771
Reversal of impairment losses recognised in profit or loss	(739)
Balance at 31 December 2017	32
Balance at 1 January 2018	32
Impairment loss recognised in profit or loss	155
Balance at 31 December 2018	187

13 TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Trade creditors	18	29
Accrued expenses	2,522	597
Other creditors	1	1
	2,541	**626**

14 INTEREST-BEARING LIABILITIES

	2018 $'000	2017 $'000
Bank loans - secured	38,833	2,000
	38,833	**2,000**

In August 2018, the Board approved a proposal to increase the debt facility from $16 million to $40 million and subsequently a further increase from $40 million to $60 million was approved in December 2018.

The debt is secured by a security interest and charge over all of the present and future rights, property and undertakings of Duxton Water Ltd. As per the debt agreement, the debt facility is secured by mortgages on approximately 46,853 ML of permanent water entitlements at 31 December 2018.

The interest payable on this facility is calculated as BBSY plus 0.82% p.a + Facility Fee of 0.75% and repayment is due in full by 31 May 2020.

Covenants of NAB credit facility:

- Maximum Net Debt (Drawn Primary Debt less Cash at Bank) to Water Portfolio Market Value (both entitlement and allocation market value) is to be no greater than 30%, and to be measured against monthly Independent Sworn Water Holding Valuation.
- Right of review trigger if minimum Interest Cover Ratio of 1.50x is not maintained and to be measured annually against audited accounts.

15 EQUITY

a) Ordinary shares

	No. Shares	$'000
Opening balance at 1 January 2017	63,965,406	69,033
Shares issued as compensation for water entitlements acquired	6,610,000	7,308
Shares issued during the year (dividend reinvestment plan)	615,226	646
Shares issued during the year (options exercised)	23,000	25
Share issue costs – net of taxes	-	3
Closing balance at 31 December 2017	**71,213,632**	**77,015**
Opening balance at 1 January 2018	71,213,632	77,015
Shares issued during the year (dividend reinvestment plan)	821,868	1,067
Shares issued during the year (options exercised)	18,244,780	20,069
Shares issued during the year (institutional entitlement offer)	7,501,693	9,752
Shares issued during the year (retail entitlement offer)	10,794,044	14,032
Share issue costs – net of taxes	-	(546)
Closing balance at 31 December 2018	**108,576,017**	**121,389**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

Information relating to options including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 16.

b) Dividends

Total dividends paid for the 2018 financial year were $3.990 million. This consisted of cash distributions of $2.924 million and shares issued under the DRP to the value of $1.067 million.

16 SHARE OPTIONS

Details of share options on issue are as follows:

Expiry date	Exercise price	Balance - start of the period	Granted during the period	Issued (exercised) during the period	Cancelled / lapsed during the period	Balance end of the period
31/05/18	$1.10	63,942,406	-	(18,244,780)	(45,697,626)	-

17 EARNINGS PER SHARE

	2018	2017
Earnings/(loss) $'000	7,265	2,066
Earnings/(loss) used in the calculation of basic EPS $,000	7,265	2,066
Weighted average number of ordinary shares (basic)	85,342,909	64,932,007
Weighted average number of ordinary shares (diluted)	85,342,909	64,932,007
Basic earnings per share from continuing operations (cents)	0.085	0.032
Diluted earnings per share from continuing operations (cents)	0.085	0.032

18 18. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2018 $'000	2017 $'000
Profit (loss) after tax	7,265	2,066
Adjustments for non-cash items included in profit/(loss):	-	-
Finance costs		
Impairment / (impairment reversal) of water entitlements	155	(739)
Capital gain on disposal of water entitlements	(1,867)	(27)
Changes in other items:		
Trade receivables	(4,127)	359
Net GST paid (received)	(123)	3
Prepaid expenses	(10)	(60)
Creditors	(11)	15
Unearned revenue	16	205
Accrued expenses	1,926	446
Income taxes	1,847	181
Deferred tax	(24)	231
Water allocations	(19,350)	(1,100)
Other	73	20
Net cash generated from operating activities	**(14,230)**	**1,600**

Non-cash transaction

During the year, the Company entered into the following non-cash activities which are not reflected in the statement of cash flows:

- 822,128 shares ($1.066 million) were issued under the Company's Dividend Reinvestment Plan during 2018.

19 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.

For the year ended 31 December 2018

	Permanent Water $'000	Temporary Water $'000	Unallocated $'000	Total $'000
Profit & Loss				
Reportable segment revenue	8,713	23,542	-	32,255
Cost of goods sold	(4,042)	(12,695)	-	(16,737)
Total segment gross profit	4,671	10,847	-	15,518
Finance income	-	-	3	3
Expenses	(359)	(33)	(4,129)	(4,521)
Finance costs	-	-	(608)	(608)
Tax expense	-	-	(3,127)	(3,127)
Net Profit/(loss) after tax	**4,312**	**10,814**	**(7,861)**	**7,265**

	Murray $'000	Murrumbidgee $'000	Goulburn $'000	Other[1] $'000	Unallocated $'000	Total $'000
Balance Sheet						
Permanent water entitlements at fair value	125,132	22,513	15,098	10,209	-	172,952
- Less fair market value adjustment[2]	(25,433)	(2,949)	(1,491)	(2,943)	-	(32,816)
- Less accumulated impairment	(26)	(8)	-	(153)	-	(187)
Permanent water entitlements at cost	99,674	19,556	13,606	7,114	-	139,950
Temporary water allocations at fair value	14,899	6,021	374	181	-	21,474
- Less fair market value adjustment[3]	(2,455)	(2,251)	3,848	(152)	-	(1,009)
- Less accumulated impairment	-	-	-	-	-	-
Temporary water allocations at cost	12,444	3,770	4,222	29	-	20,466
Total segment assets as disclosed in the financial statements[4]	112,093	23,317	17,829	6,990	8,678	168,907
Total segment liabilities as disclosed in the financial statements	-	-	-	-	(43,880)	(43,880)

For the year ended 31 December 2017

	Permanent Water $'000	Temporary Water $'000	Unallocated $'000	Total $'000
Profit & Loss				
Reportable segment revenue	9,431	1,649	-	11,080
Cost of goods sold	(6,968)	(140)	-	(7,108)
Total segment gross profit	2,463	1,509	-	3,971
Finance income	-	-	90	90
Expenses	647	-	(1,757)	(1,110)
Finance costs	-	-	0	0
Tax expense	-	-	(885)	(885)
Net Profit/(loss) after tax	**3,109**	**1,509**	**(2,551)**	**2,066**

	Murray $'000	Murrumbidgee $'000	Goulburn $'000	Other[1] $'000	Unallocated $'000	Total $'000
Balance Sheet						
Permanent water entitlements at fair value	67,479	7,071	950	9,067	-	84,566
- Less fair market value adjustment[2]	(7,392)	(436)	403	(1,325)	-	(8,750)
- Less accumulated impairment	(1)	-	-	(31)	-	(32)
Permanent water entitlements at cost	60,086	6,635	1,353	7,710	-	75,784
Temporary water allocations at fair value	612	1,029	61	98	-	1,799
- Less fair market value adjustment[3]	20	(914)	308	(98)	-	(684)
- Less accumulated impairment	-	-	-	-	-	-
Temporary water allocations at cost	632	114	370	-	-	1,116
Total segment assets as disclosed in the financial statements[4]	60,717	6,749	1,723	7,679	3,929	80,798
Total segment liabilities as disclosed in the financial statements	-	-	-	-	(3,420)	(3,420)

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. Goulburn was also included in "Other" at 31 December 2016.*
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.*

20 KEY MANAGEMENT PERSONNEL

The Company has appointed Duxton Capital (Australia) Pty Ltd as its Investment Manager to manage its assets and implement its investment strategy. Details of the basis of remuneration paid or payable to the Investment Manager is fully disclosed in the Remuneration Report of the Directors' Report. During the year the Company recognised management fees paid or payable to its Investment Manager amounting to $1.046 million (2017: $0.619 million) and performance fees paid or payable to its Investment Manager amounting to $2,310 million (2017: $0.472 million).

Key management personnel of the Company are:

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

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.

Mr Edouard Peter has a direct interest of 300,000 shares in the Company and an indirect interest in 2,656,929 shares in the Company. Mr Edouard Peter also has an indirect interest of 8,259,852 shares in the Company via his 24.00% interest in the Duxton Vineyards Group, which holds 34,413,856 shares in Duxton Water Limited.

Mr Stephen Duerden has a direct interest of 31,218 shares in the Company and an indirect interest in 35,380 shares in the Company. Mr Stephen Duerden also has an indirect interest of 46,530 shares in the company via his 0.14% interest in the Duxton Vineyards Group, which holds 34,413,856 shares in Duxton Water Limited.

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.

21 RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the year ended 31 December 2018 (and the year ended 31 December 2017):

	2018 $'000	2017 $'000
Management fee – Duxton Capital (Australia) Pty Ltd	1,046	619
Administration fee – Duxton Capital (Australia) Pty Ltd	160	107
Performance fee – Duxton Capital (Australia) Pty Ltd	2,310	472
Revenue – Duxton Viticulture Pty Ltd	2,199	1,962
Revenue – Duxton Broadacre Farms Ltd (Previously Merriment Rural Investments Pty Ltd)	187	187
Revenue – Hathor Dairies Pty Ltd	92	92
Purchase of water entitlements – Duxton Vineyards Pty Ltd	-	7,308

Transactions between related parties are on commercial terms and conditions.

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

	2018 $'000	2017 $'000
Amount due to (from) Duxton Capital (Australia) Pty Ltd	2,685	599
Amount due to (from) Duxton Viticulture Pty Ltd	-	(19)
Amount due to (from) Hathor Dairies Pty Ltd	(23)	-
Amount due to (from) Duxton Broadacre Farms Ltd (Previously Merriment Rural Investments Pty Ltd)	(49)	(5)

22 FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE AASB 13

The Company's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and interest bearing borrowings. The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets	Note	2018 $'000	2017 $'000
Cash and cash equivalents	8	2,665	2,878
Trade and other receivables	9	4,417	166
Total financial assets		**7,082**	**3,044**

Financial Liabilities			
Trade and other payables	13	2,541	626
Interest-bearing liabilities	14	38,833	2,000
Total financial liabilities		**41,374**	**2,626**

Financial 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.

Specific financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk. This note presents information about the Company's exposure to each of the above risks, the Company's objective, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and the regular monitoring of exposures and the financial stability of significant customers and counterparties.

Risk is also minimised through investing surplus funds with financial institutions that maintain a high credit rating or in entities that the board of Directors have otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position.

The fair values of financial assets and liabilities held by the Company at the reporting date are considered to be approximate to their carrying amounts.

Past due and impaired assets

No financial assets carried at amortised cost were past due or impaired at 31 December 2018.

Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities that are settled by delivering cash or another financial asset. The Company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities; and
- obtaining funding from a variety of sources.

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

Financial Liabilities	Note	Carrying Value $'000	Contractual Cash Flows $'000	6 Months or Less $'000	Over 6 Months $'000
Trade and other payables	13	2,541	2,541	2,541	-
Interest-bearing liabilities	14	38,833	38,833	-	38,833
		41,374	**41,374**	**2,541**	**38,833**

Market risk

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

The Company has exposure to interest rate risk through its new interest-bearing loan from NAB. Movements in interest rates is not expected to have a material impact on the Company's profit or equity.

23 CAPITAL COMMITMENT

At 31 December 2018 the Company had entered into contracts to acquire permanent water entitlements to the value of $9.149 million, and settled deposits relating to these contracts amounting to $1.002 million.

24 SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the reporting period ended 31 December 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.

DIRECTOR'S **DECLARATION**
FOR THE YEAR ENDED 31 DECEMBER 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, 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 year ended 31 December 2018.

c) the audited remuneration disclosures set out on pages 35 to 38 of the Directors' Report comply with section 300A of the Corporations Act 2001; and

d) 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.295A of the Corporations Act 2001.

Edouard Peter
Chairman

Peter Michell
Independent Non-Executive Director

Stirling, South Australia
20 February 2019

Independent Auditor's Report

To the shareholders of Duxton Water Limited

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of Duxton Water Limited (the Company).

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

- giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The Financial Report comprises:

- Statement of financial position as at 31 December 2018;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

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

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

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

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KPMG

Carrying value of Permanent Water Entitlements ($139.763m)	
Refer to Notes 6 and 12	
The key audit matter	**How the matter was addressed in our audit**
Permanent water entitlements are recognised by the Company as indefinite useful life intangible assets, measured at acquisition cost less any impairment in value since acquisition. The carrying value of permanent water entitlements is a key audit matter as: • They are the most significant value assets on the Company's balance sheet and form the basis of the Company's future long term revenue and cash-flow. • The Company engaged an external expert to assist with the fair value less costs of disposal impairment assessment of permanent water entitlements. The external expert applied a market approach fair value valuation technique. This valuation technique used prices observed in the market for identical or comparable transactions to determine an adjusted observable selling price. This valuation was used by the Company to assess permanent water entitlements for impairment. • The Company recorded an impairment of $0.155 million in the financial year ended 31 December 2018.	Our procedures included: • We assessed the Company's external expert's methodology of a market approach as a fair value valuation technique, and the adjustment of observable selling prices, against the criteria in the accounting standards. • We assessed the competence, experience and objectivity of the external expert engaged by the Company. • We involved our industry experts to assess the Company's market approach fair value valuation technique of using prices of recent identical and comparable transactions to calculate an adjusted observable selling price to determine the recoverable amount of the permanent water entitlements, against industry practice. • We involved our valuation experts to independently develop adjusted observable selling prices and compared these to the Company's recoverable amount, and investigated differences to challenge the external expert's assumptions used in calculating the recoverable amount. • We compared the results of our valuation expert's independently developed adjusted observable selling prices to the recoverable amount applied in the Company's assessment of impairment and determination of impairment charge by entitlement type. We considered this impairment against our knowledge and understanding of the economic factors impacting on the price of permanent water entitlements, such as expected rainfall, demand for water, expected usage and government regulation and allocation. • We considered the sensitivity of the recoverable amount, by permanent water entitlement and in aggregate, to a reasonably possible range of dollar price per mega litre, to identify those permanent water entitlements at higher risk of impairment. • We assessed the disclosures made in the financial statements using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Duxton Water Limited for the year ended 31 December 2018, complies with Section 300A of the Corporations Act 2001.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001.

Our responsibilities

We have audited the Remuneration Report included in pages 35 to 37 of the Directors' report for the year ended 31 December 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

KPMG

Darren Ball
Partner

Adelaide

20 February 2019

ASX ADDITIONAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 31 January 2019 (unless otherwise stated).

Twenty largest equity security holders

The names of the twenty largest holders of quoted equity securities as at 31 January 2019 are listed below:

	ORDINARY SHARES	
Name	**Number held**	**Percentage of issued shares**
DUXTON VINEYARDS WATER PTY LTD	34,413,856	**31.70**
CITICORP NOMINEES PTY LIMITED	6,829,200	**6.29**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,093,703	**4.69**
FRIDAY INVESTMENTS PTY LTD <GOLDBURG FAMILY A/C>	4,151,981	**3.82**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	2,282,992	**2.10**
NATIONAL NOMINEES LIMITED	1,402,330	**1.29**
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	1,300,000	**1.20**
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,074,947	**0.99**
MS WENDY KATHREN MICHELL <THE RONWYNNE NO 2 A/C>	867,802	**0.80**
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	853,118	**0.79**
OWEN INVESTMENT CO PTY LIMITED	774,777	**0.71**
BRYN INVESTMENT CO PTY LIMITED	774,776	**0.71**
HUW INVESTMENT CO PTY LIMITED	774,776	**0.71**
GLENBARRY PTY LTD <THOMAS A HUTCHINS FAMILY A/C>	770,000	**0.71**
WHAM INVESTMENTS PTY LTD <WARWICK HUTCHINS FAMILY A/C>	770,000	**0.71**
CHAR PTY LTD <HANDLEY RETIREMENT A/C>	632,150	**0.58**
RHETT INVESTMENT HOLDING CO PTY LIMITED	584,509	**0.54**
SCOTT INVESTMENT HOLDING CO PTY LIMITED	584,509	**0.54**
MUTUAL TRUST PTY LTD	503,462	**0.46**
MR MICHAEL HARTWEG	500,000	**0.46**
Total	**64,938,888**	**59.81**

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding as at 31 January 2019 are listed below:

Holding	Shares
1-1,000	131,046
1,001-5,000	831,445
5,001-10,000	1,904,319
10,001-100,000	30,923,261
100,001 and over	74,785,946
Total	**108,576,017**

Substantial holders

Substantial holders of ordinary shares in the Company as at 31 January 2019 are listed below:

	ORDINARY SHARES	
Holding	**Number held**	**Percentage**
Duxton Vineyards Water Pty Ltd <Duxton Water A/C>	34,413,856	31.70
Citicorp Nominees Pty Ltd	6,829,200	6.29

Holders of each class of equity securities

Number of holders in each class of equity securities as at 31 January 2019 are listed below:

Holding	Number
Ordinary shares	108,576,017

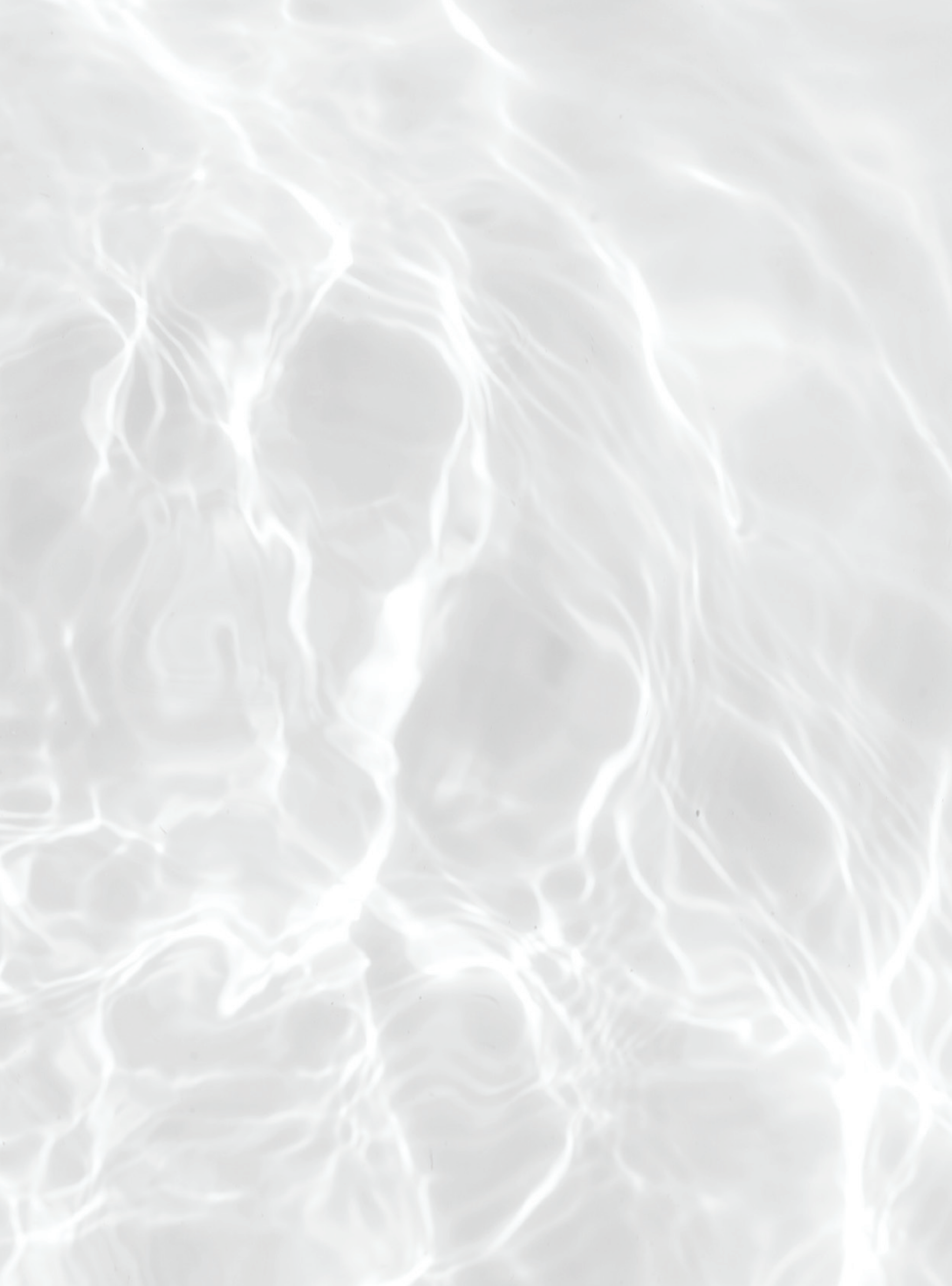
Voting rights

Ordinary shares: On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Voluntary escrow

The table below shows a breakdown of the vendor shares subject to voluntary escrow as at 31 January 2019:

Escrow period	Total
No escrow	108,576,017




DUXTON
WATER