



DUXTON
WATER

PROUDLY SUPPORTING AUSTRALIAN IRRIGATORS AND FARMERS

DUXTON 2019 JUNE
WATER LTD HALFYEAR **REPORT**
ACN 611 976 517



CORPORATE DIRECTORY

Non-Executive Chairman

Edouard Peter

Non-Executive Director

Stephen Duerden

Independent Non-Executive Directors

Dirk Wiedmann

Peter Michell

Dennis Mutton

Company Secretary

Katelyn Adams

Principal and Registered Office

7 Pomona Road

Stirling SA 5152

Telephone: (08) 8130 9500

Facsimile: (08) 8130 9599

Legal Advisors

Cowell Clarke

63 Pirie Street

Adelaide SA 5000

Share Registry

Computershare

Auditors

KPMG

151 Pirie Street

Adelaide SA 5000

Computershare Investor Services

Level 5, 115 Grenfell Street

Adelaide SA 5000

Stock Exchange Listing

Australian Securities Exchange

Share Code: D20



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DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2019

The Directors of Duxton Water Limited submit herewith their report, together with the financial report of Duxton Water Limited (the Company) for the half year ended 30 June 2019 and the independent auditors review report thereon. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

Directors

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

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

The office of Company Secretary is held by Mrs Katelyn Adams.

Principal activities

There has been no change in the principal activities of the Company. The Company has continued to acquire and manage a portfolio of Australian water entitlements primarily focused in the Southern Murray Darling Basin. Income was derived through the provision of water supply solutions to predominantly primary producers through a combination of long-term lease arrangements and sale of temporary water allocations, to support Australian agricultural production.

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

Review of operations

Over the past 6 months, Duxton Water Ltd has continued to build its water entitlement portfolio and through the provision of water supply solutions to its farming irrigation partners, mature its increasingly visible revenue to support shareholder returns. During this period, the Company acquired a further 12,557ML of permanent water entitlements, raised \$18.4 million through a share placement and share purchase plan, and saw the negotiation and completion of a further 31 new leasing partnerships with farming irrigators. These new leases take the portion of the leased portfolio to approximately 53% as of 1 July 2019.

At 31 December 2018, the Company held 61,109ML of water entitlements and had a total water asset portfolio value (entitlement and allocation) of \$194.4 million. The past 6 months has seen the Company's total permanent water entitlement holding grow to 73,666ML with an aggregated total water asset portfolio fair value of \$256.0 million. On top of operational returns over the past 6-months, the Company's targeted water asset portfolio achieved a \$26.04 million uplift based on an independent valuation. During the same 6-month period, there has been in excess of ~\$3.3 billion of appreciation in value of water entitlements in the Southern Murray Darling Basin region. Irrigators across the country have been the biggest beneficiary of increasing water entitlement values, owning the vast majority of the consumptive pool of permanent water entitlements on issue in the SMDB region.

AT
31 DEC 2018

the company held

61,109ML
of Water Entitlement
&

Total Portfolio Value of
\$194.4 million

OVER THE
PAST 6 MONTHS
12,557ML

permanent water entitlement
acquired

IN THE
PAST 6 MONTHS
total permanent
water entitlement grew to

73,666ML

aggregated total portfolio value
\$255.9 million

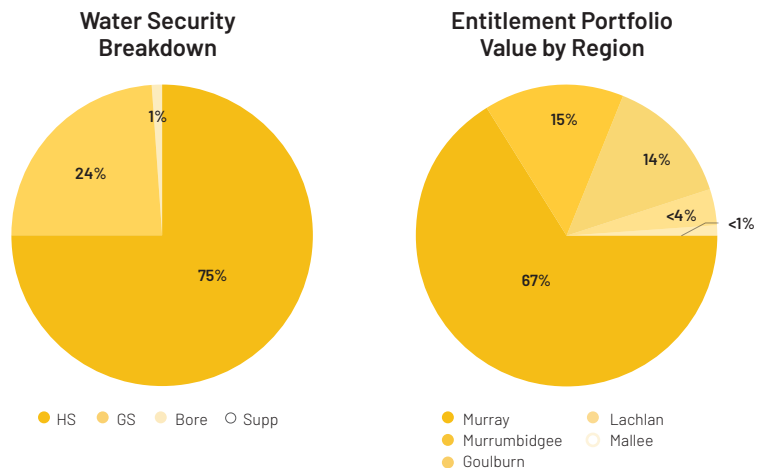
DURING THIS PERIOD
\$26.04 million
uplift due to rise in water prices

Water asset revaluation uplift is reflected as part of the fair market value comparison information within this report. However water assets are classified as intangible assets for statutory reporting purposes, the Company's water portfolio is measured at cost less any accumulated impairment. For the period ended 30 June 2019, a \$2.367 million impairment expense has been recognised. This has had a material impact on the Statement of Profit or Loss and Other Comprehensive Income.

The drivers behind this statutory impairment is reflective of the pull back in fair market value of NSW general security entitlements. Murray and Murrumbidgee general security licences experienced an 11% and 7% reduction in asset value across the period respectively, reflective of the continuing drought conditions being experienced across NSW. These assets form a critical balancing role within the Company's entitlement portfolio composition and will support yield through the wetter part of the climatic cycle. The Company has formed a strategic general security holding and expects to see general security asset prices recover as we move back into more normalised climatic conditions.

The Company reported a gross profit of \$9.133 million for the first half of 2019 up from \$3.639 million for the corresponding previous period. For the current period, Net profit after tax and impairment was \$2.536 million, up from \$1.173 million in 2018. Adjusting for the statutory impairment expense on permanent water entitlements, the Company would have recorded a \$4.903 million profit for the first half of 2019.

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



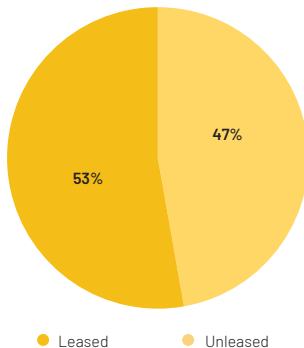
Below is a breakdown by zone of permanent water entitlements held by the Company as at 30 June 2019.

Entitlement Type	ML Change	Dec-18 Quantity (ML)	June 2019 Quantity (ML)
VIC Goulburn 1A HR	3,952.40	3,934.80	7,887.20
VIC Goulburn 1A LR	19.10	75.3	94.40
VIC Goulburn 1B HR	224.00	128.5	352.50
VIC Goulburn 3 HR	251.00	120	371.00
VIC Loddon 5 HR	-239.00	239	0.00
VIC Murray 6 HR	200.40	5,740.90	5,941.30
VIC Murray 6B HR	9.00	96.5	105.50
VIC Murray 7 HR	1,109.30	4,380.30	5,489.60
VIC Murray 7 LR	0.00	19.2	19.20
NSW Murray 10 GS	396.00	13,612.00	14,008.00
NSW Murray 10 HS	10.00	0.00	10.00
NSW Murray 11 HS	360.00	7,601.15	7,961.15
NSW Murray 11 GS	747.01	6,219.20	6,966.21
NSW Murray 11 Supp	0.00	83	83.00
NSW Murrumbidgee 13 HS	990.00	2,171.00	3,161.00
NSW Murrumbidgee 13 GS	2,581.00	5,241.33	7,822.33
NSW Lachlan Valley- Jemalong GS	0.00	2,660.00	2,660.00
NSW Lachlan Valley- GS	900.00	5,110.00	6,010.00
NSW Lower Lachlan Ground Water	0.00	788	788.00
SA Murray High Security	1,047.56	2,388.41	3,435.97
SA Mallee Parilla Red Bore	0.00	500	500.00
Total	12,557.77	61,108.59	73,666.36

The Company is pleased to report that a total of ~\$18.6 million, before costs, was raised from the Share Placement undertaken in April 2019 and the following Share Purchase Plan which was finalised in May 2019. New capital was raised at the 31 March 2019 NAV price of \$1.48 per share with a total of 12,587,376 new shares being issued. The Placement and subsequent Share Purchase Plan were well supported by both new and existing Shareholders. The Board of Directors would like to welcome new Shareholders and thank existing Shareholders for their continued support of the Company.

The Company advised in the June 2019 monthly update that it had negotiated and contracted a further 31 leases over its entitlement portfolio. This saw the leased portion of the portfolio increase from 38% at the end of May 2019 to 53% as at 1 July 2019. Typically, entitlement leases run for the water year (1 July to 30 June), so no new leases commenced in the first 6 months of 2019. Since the release of the June 2019 monthly, the Company has contractually agreed or is in final negotiation with a number of farming irrigator partners which would see a further 3-5% of the portfolio leased and backdated to the beginning this water year on 1 July 2019.

Water Portfolio Diversification



Through our leasing arrangements we provide our farming partners with an ability to risk and cost manage a key input into their businesses. We support farmers across the viticulture, nut, citrus, vegetable, dairy, and broadacre cropping industries. Our water is used in these industries to produce quality Australian food and fibre to be consumed in Australia and exported around the world.

Allocation received on the Company's unleased portion of the portfolio is actively managed and sold down to producers through spot and forward contract sales, to support further agricultural production outcomes. The Company operates within the rules and regulations that govern all irrigators and water entitlement holders within Australia.

The water assets that Duxton Water Ltd and other non-water users hold, play an increasingly important role in giving farmers the ability to better risk manage their water input and the capital flexibility to more effectively invest their equity in their land and production assets.

The Board is pleased with the progress towards its long-term goal of achieving between 70% - 80% of the portfolio being deployed into long term lease arrangements. With the provision of these flexible water supply solutions to irrigators, the company is able to provide shareholders with visibility to future earnings through its leased recurring revenue streams.

The Board has maintained its commitment to Shareholders to deliver a biannual dividend. On 27 March 2019 a final dividend of 2.6 cents per share (fully franked) was paid and on 9 August 2019 the company announced it would pay its interim dividend on the 18 September 2019 of 2.7 cents per share (fully franked). At the same time, the Company reaffirmed dividend guidance that it is targeting a fully franked 2.8 cent dividend to be paid in March 2020.

Financial overview

The Company's net profit after tax for the half year amounted to \$2.536 million (30 June 2018: \$1.173 million).

At 30 June 2019 the Company's total assets on a fair market value basis were \$261.316 million. Liabilities including non-current debt facility, current tax and provision for deferred capital gains tax (should the portfolio be disposed of), amounted to \$74.304 million. Therefore the net asset value of the Company on a fair market value basis at 30 June 2019 was \$187.012 million or \$1.542 per share (31 December 2018: \$148.966 million or \$1.372 per share).

At 30 June 2019, the Company's total assets from a statutory reporting perspective (requiring assets to be held at cost less accumulated impairment) are \$199.676 million (31 December 2018: \$165.194 million) which includes accumulated impairment losses of \$2.554 million (31 December 2018: \$0.187 million), resulting in a statutory net asset value at 30 June 2019 of \$143.176 million or \$1.181 per share (31 December 2018: \$125.027 million or \$1.152 per share).

Duxton Water releases a monthly NAV statement, expressed as a value per share. This is consistent with the manner in which the NAV of the Company is reported to the Board for internal reporting purposes. To determine the NAV on a fair market value approach, the Company's permanent water entitlements, temporary water allocations related to those entitlements and separately acquired temporary water allocations are valued by an independent expert.

The independent expert employs a market valuation approach to determine a Fair Market Value 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. The Fair Market Value is not in accordance with the recognition and measurement requirements of the Australian Accounting Standards in relation to the Company's water assets. Therefore, increases in the Fair Market Value of water assets are not reported in the statutory accounts.

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

Presented below is a summary of the Company's NAV on a Fair Market Value basis compared to the basis of preparation described in Note 2 of the financial statements.

30 June 2019	Company Statement of Financial Position \$'000	Fair Market Value* \$'000 (unreviewed)	Variance \$'000
Assets			
Permanent water entitlements	184,996	247,572	62,576
Temporary water entitlements	8,391	8,418	27
Net current and deferred tax asset	963	(17,804)	(18,767)
Net other current assets	5,326	5,326	-
Net non-current liabilities	(56,500)	(56,500)	-
Total net assets	143,176	187,012	43,836
Net asset value per share	\$1.181	\$1.542	\$0.361

31 December 2018	Company Statement of Financial Position \$'000	Fair Market Value* \$'000 (unaudited)	Variance \$'000
Assets			
Permanent water entitlements	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 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

* Fair Market Value is evaluated on a monthly basis by the Company's independent valuer "Aither Pty Ltd". It is a non IFRS measure that is not reviewed or audited by the Company's auditor.

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

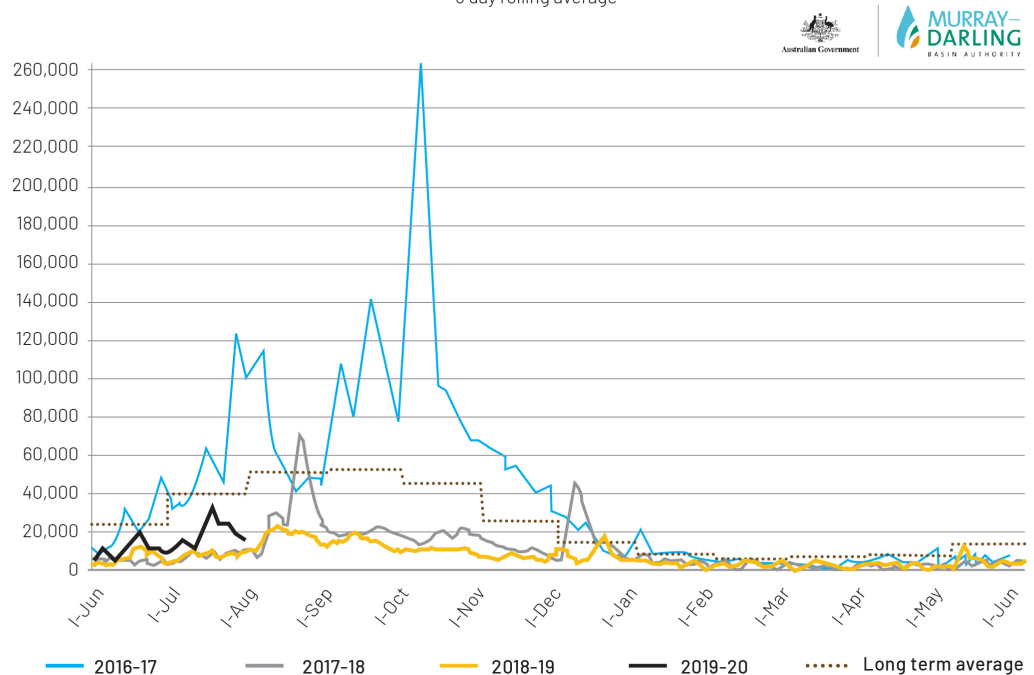
Market overview

While long term supply and demand drivers continue to reshape in the market, the ongoing dry conditions and challenging forward looking climatic outlook has seen irrigators' shift focus towards long-term water supply products and solutions over the last 12-18 months. These longer-term options provide water users with greater visibility and pricing control over the input into their businesses. This is in contrast to operating on an as need basis by acquiring allocation from the spot market.

To this end, over the last 6 months we have seen stronger pricing for high security entitlement across the Southern Murray Darling Basin particularly in those entitlement zones able to deliver consistently to the below choke Murray NSW, VIC and SA regions. At the same time, we have seen increased demand and competition for leases which has seen upward movement on lease yields even with higher entitlement prices.

With one of the driest January to June periods on record, and continued below average inflows across the Murray Darling Basin for the 2019 winter period, it is expected that consumptive water supply may reach levels not seen since the millennium drought. Storage levels at the end of July 2019 were at 38%, in comparison to 55% in July 2018 and 70% in July 2017. Inflows are a function of not just the current rainfall but also of what has happened previously, priming the catchments and providing optimal flow conditions later in the winter period. With sporadic rainfall events and higher than average daytime temperatures through the upper catchments, the result for the year to date has been a much lower inflow yield.

Murray System Daily Inflows (excl. Snowy Darling, inter-valley trade and environmental inflows) -
5 day rolling average

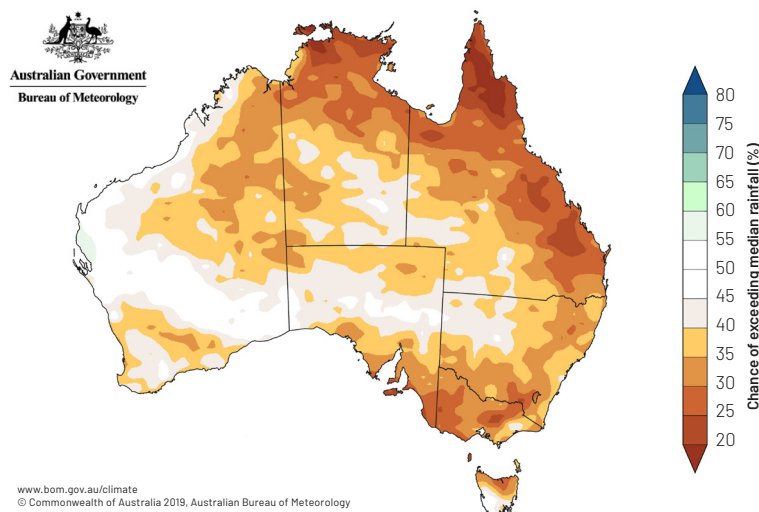


<https://www.mdba.gov.au/river-information/weekly-reports>

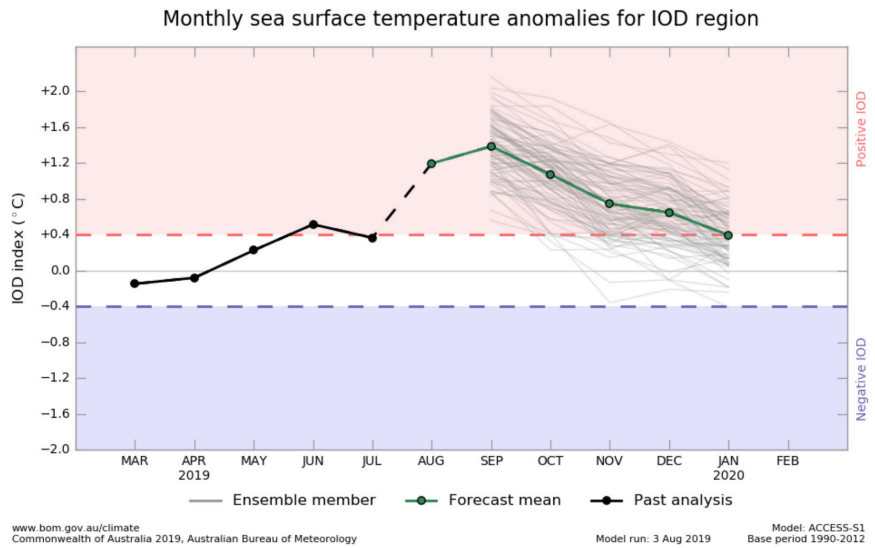
The storage and inflow conditions have resulted in high security entitlements in South Australia and Victoria opening at significantly lower levels for the start of the 2019/2020 water year, while the chance of any meaningful allocation on lower tier NSW general security entitlements remains low. At current resource conditions it is expected that we will see lower annual crop production through the 2019/2020 Summer. However, we are unlikely to see significant volumes of allocation released from these industries to the market due to little to no allocations in lower tier entitlements and significantly lower levels of carry over brought across from the 2018/2019 water year.

The current forecasts through to October, which encompasses most of the normal inflow period, are indicating a less than 30% chance of exceeding the median rainfall across large parts of the Southern Murray Darling Basin catchments.

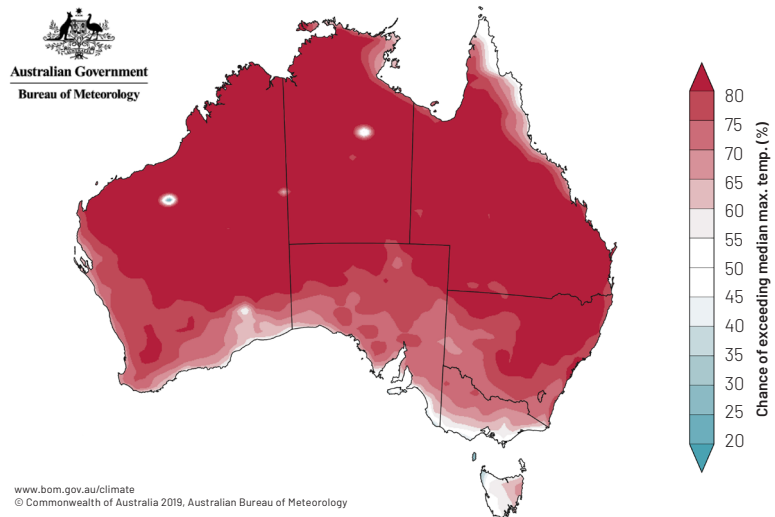
The below graph shows the chance of exceeding median rainfall across Australia for August to October.



The Southern Oscillation (ENSO) moved back to neutral through the first half of 2019 after flirting with El Nino over the last 12 months. Whilst the last 6 months has seen better in-valley rainfall conditions through Victoria and southern NSW than what has been experienced in the past 12 to 18 months, rainfall has still been well below average. Rainfall received has still not been translated into the type of catchment rainfall needed to reset the system from a water storage deficit perspective. This may be partly due to the positive Indian Ocean Dipole (IOD) currently being experienced off the Western Australian coast. A positive IOD often results in below average winter-spring rainfall over southern and central Australia. It also typically means warmer than average winter-spring days for the southern two-thirds of Australia. It is likely that these conditions will persist across the traditional water inflow period.



As observed over the past couple of years, higher than average daytime temperatures have been experienced across the country. Whilst impacting inflows, higher temperatures also have the tendency to increase irrigator requirement due to higher levels of evaporation. Similarly to last year, we are seeing farmers begin to irrigate much earlier than they would under more normalised climatic conditions.



The combination of the current resource availability with a lower than average inflow outcome for the 2019 winter period is likely to be amplified by more conservative resource provisions by the MDBA and state based natural resource managers. This will likely occur due to the need to retain more of the available resource to deliver on critical human and baseline river system requirements in the 2020/2021 water year. Over the last 15 years, regional and metro water utilities across Victoria, NSW and SA have built up strategic reserve water entitlement portfolios across the Southern Murray Darling Basin. These

portfolios are drawn on in times when their local resource fails to deliver. When the allocation on these portfolios is not used, it is traded back into the consumptive allocation market. Further to a conservative approach by natural resource managers, there are also indications that these utilities may not deliver the same levels of allocation to the market through the 2019/2020 water year as seen over the last 5-10 years. This will also have an impact in reducing allocation availability across the water year.

In summary we are likely to see constrained supply conditions and increased competition for available allocation through the 2019/2020 water year. Natural resource managers are likely to be more conservative as they look towards meeting critical need requirements should the 2020 winter deliver a further below average outcome.

With the increased deployment of the portfolio towards long term leases, Duxton Water Ltd is supporting our farming partners to better risk manage the current conditions ahead of a hopeful normalisation of climatic conditions.

ACCC Inquiry

Duxton Water welcomes and is supportive of the further investigation by the ACCC into the Southern Murray Darling Basin water market. This is an extension to the existing role that they've performed in monitoring and reporting of the market development since 2012. The most recent monitoring report released in June 2019 by the commission commented that the "MDB water market continues to increase in sophistication, depth, volume, value and efficiency". Duxton Water expects this report to highlight the changes in both the supply and demand drivers experienced within the market over the last decade.

Dividends

A final dividend of 2.6 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 27 March 2019. Shareholders were able to participate in the Dividend Reinvestment Plan for the interim dividend.

Rounding of amounts

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

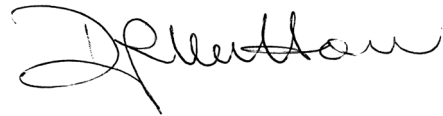
Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of the Company with an Independence Declaration. This Lead Auditor's Independence Declaration is included on page 17.

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



Edouard Peter
Chairman



Dennis Mutton
Independent Non-Executive Director

Stirling, South Australia
26 August 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 review of Duxton Water Limited for the half-year ended 30 June 2019 there have been:

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

A stylized signature of the KPMG firm, consisting of the letters 'KPMG' in a bold, black, sans-serif font, with a horizontal line through the middle of the letters.

KPMG

A handwritten signature in black ink, appearing to read 'Darren Ball', with a long horizontal flourish extending to the right.

Darren Ball
Partner

Adelaide

26 August 2019



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30 Jun 2019 \$'000	30 Jun 2018 \$'000
Revenue		64,676	7,989
Cost of sales		(55,543)	(4,350)
Gross profit		9,133	3,639
Impairment of water entitlements	5a	(2,367)	-
Impairment of water allocation	5b	-	(398)
Management fees		(795)	(422)
Performance fees		(475)	(487)
Legal and professional fees		(33)	(25)
Other expenses		(760)	(474)
		(4,430)	(1,806)
Profit before net finance income		4,703	1,833
Finance income		-	3
Finance expense		(932)	(147)
Net finance (cost)/income		(932)	(144)
Profit before tax		3,771	1,689
Income tax expense		(1,235)	(516)
Profit for the half year attributable to shareholders of Duxton Water Limited		2,536	1,173
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the half year attributable to shareholders of Duxton Water Limited		2,536	1,173
Earnings per share attributable to shareholders of Duxton Water Limited			
Basic earnings per share		0.023	0.016
Diluted earnings per share		0.023	0.016

The condensed notes on page 25 to 33 are an integral part of these half year financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30 Jun 2019 \$'000	31 Dec 2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,695	2,665
Trade and other receivables		5,115	5,419
Water allocations	5b	8,391	20,466
Other current assets		5	113
Total current assets		15,206	28,663
Non-current assets			
Water entitlements	5a	184,996	139,763
Deferred taxation		1,282	481
Total non-current assets		186,278	140,244
Total assets		201,484	168,907
LIABILITIES			
Current liabilities			
Trade and other payables		782	2,541
Unearned revenue		707	692
Tax liability		319	1,814
Total current liabilities		1,808	5,047
Non-current liabilities			
Interest-bearing liabilities	8	56,500	38,833
Total non-current liabilities		56,500	38,833
Total liabilities		58,308	43,880
Net assets		143,176	125,027
EQUITY			
Issued capital	6	139,825	121,389
Retained earnings		3,351	3,638
Total equity		143,176	125,027

The condensed notes on page 25 to 33 are an integral part of these half year financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	Issued capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2018		77,015	363	77,378
Shares issued		20,144	-	20,144
Share issue costs - net of taxes		-	-	-
Profit for the half year		-	1,173	1,173
Other comprehensive income for the half year, net of tax		-	-	-
Total comprehensive income for the half year		-	1,173	1,173
Distribution of dividends		-	(1,752)	(1,752)
Balance at 30 June 2018		97,159	(216)	96,943
Balance at 1 January 2019		121,389	3,638	125,027
Shares issued		18,783	-	18,783
Share issue costs - net of taxes		(347)	-	(347)
Profit for the half year		-	2,536	2,536
Other comprehensive income for the half year, net of tax		-	-	-
Total comprehensive income for the half year		-	2,536	2,536
Distribution of dividends		-	(2,823)	(2,823)
Balance at 30 June 2019		139,825	3,351	143,176

The condensed notes on page 25 to 33 are an integral part of these half year financial statements

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2019

	Note	30 Jun 2019 \$'000	30 Jun 2018 \$'000
Cash flows from operating activities			
Receipts from customers		63,406	8,078
Payments to suppliers		(4,875)	(1,511)
Purchase of water allocation		(42,335)	(5,817)
Interest received		-	3
Interest paid		(925)	(153)
Income tax paid		(3,234)	(540)
Net cash generated from operating activities		(12,307)	60
Cash flows from investing activities			
Purchase of water assets	5a	(47,833)	(19,461)
Deposits used (paid) for the purchase of water assets		-	(5)
Proceeds from (investment in) water assets		1,843	-
Net cash used in investing activities		(45,990)	(19,465)
Cash flows from financing activities			
Proceeds from issue of shares	6	18,630	20,069
Transaction costs related to issues of shares		(645)	(11)
Proceeds from borrowings		17,667	-
Repayment of borrowings		-	(500)
Payment of dividends	7a	(2,669)	(1,677)
Net cash generated from financing activities		32,983	17,881
Net increase in cash and cash equivalents		(970)	(1,524)
Cash and cash equivalents at beginning of the period		2,665	2,878
Cash and cash equivalents at end of period		1,695	1,354

The condensed notes on page 25 to 33 are an integral part of these half year financial statements



CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2019

1 CORPORATE INFORMATION

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

The Company is a for-profit entity.

The half year financial statements were authorised for issue by the Directors on 26 August 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.

This is the first set of the Company's financial statements where AASB 16 has been applied. See note 3a for further details.

Statement of compliance

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

Critical accounting estimates and judgements

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES

Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2018. These changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ending 31 December 2019.

The Company has initially adopted AASB 16 Leases from 1 January 2019 however it did not have a material effect on the Company's financial statements.

a) AASB 16 Leases

AASB 16 introduced a single, on balance sheet accounting model for lessees. As a result, the Company, as a lessee, recognises right of use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated. It is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

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

As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16 the Company recognises right of use assets and lease liabilities for arrangements containing a lease, unless such arrangements relate to intangible assets and the Company elects to account for these assets in accordance with AASB 138.

4 SEGMENT INFORMATION

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

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

"Fair market value" for purposes of valuing the Company's water entitlement and allocation portfolio that is reported to the Board of Directors, is based on the independent monthly valuation that is undertaken by an independent expert.

For the half year ended 30 June 2019

	Permanent Water \$'000	Temporary Water \$'000	Unallocated \$'000	Total \$'000
Profit & Loss				
Reportable segment revenue	2,219	62,458	-	64,676
Cost of goods sold	-	(55,543)	-	(55,543)
Total segment gross profit	2,219	6,914	-	9,133
Finance income	-	-	-	-
Expenses	(2,768)	(77)	(1,585)	(4,430)
Finance costs	-	-	(932)	(932)
Tax expense	-	-	(1,235)	(1,235)
Net Profit/(loss) after tax	(549)	6,837	(3,753)	2,536

	Murray \$'000	Murrumbidgee \$'000	Goulburn \$'000	Other ¹ \$'000	Unallocated \$'000	Total \$'000
Balance Sheet						
Permanent water entitlements at fair value	164,470	36,748	34,490	11,863	-	247,572
- Less fair market value adjustment ²	(46,239)	(4,152)	(3,091)	(3,985)	-	(57,467)
- Less accumulated impairment	(1,017)	(1,385)	-	(153)	-	(2,554)
Permanent water entitlements at cost	117,214	31,211	31,399	7,726	-	187,550
Temporary water allocations at fair value	5,865	2,311	1	241	-	8,418
- Less fair market value adjustment ³	1,271	(1,228)	171	(241)	-	(27)
- Less accumulated impairment	-	-	-	-	-	-
Temporary water allocations at cost	7,135	1,083	172	-	-	8,391
Total segment assets ⁴	123,332	30,909	31,571	7,573	-	193,386
Total segment liabilities as disclosed in the financial statements	-	-	-	-	193,386	193,386

For the half year ended 30 June 2018

	Permanent Water \$'000	Temporary Water \$'000	Unallocated \$'000	Total \$'000
Profit & Loss				
Reportable segment revenue	1,391	6,598	-	7,989
Cost of goods sold	-	(4,350)	-	(4,350)
Total segment gross profit	1,391	2,248	-	3,639
Finance income			3	3
Expenses	(93)	365	(2,078)	(1,806)
Finance costs			(147)	(147)
Tax expense	-	-	(516)	(516)
Net Profit/(loss) after tax	1,298	2,613	(2,738)	1,173

	Murray \$'000	Murrumbidgee \$'000	Goulburn \$'000	Other ¹ \$'000	Unallocated \$'000	Total \$'000
Balance Sheet						
Permanent water entitlements at fair value	90,069	10,937	7,857	11,009	-	119,872
- Less fair market value adjustment ²	(19,219)	(2,033)	(561)	(2,782)	-	(24,595)
- Less accumulated impairment	(1)			(31)	-	(32)
Permanent water entitlements at cost	70,849	8,904	7,296	8,196	-	95,245
Temporary water allocations at fair value	1,959	61	188	44	-	2,252
- Less fair market value adjustment ³	618	(51)	(125)	(44)	-	398
- Less accumulated impairment	-	-	-	-	-	-
Temporary water allocations at cost	2,577	10	63	-	-	2,650
Total segment assets ⁴	72,807	8,965	7,484	8,209	-	97,465
Total segment liabilities	-	-	-	-	97,465	97,465

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

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

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

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

5 WATER ENTITLEMENTS AND ALLOCATIONS

a) Permanent water entitlements

Permanent water entitlements - at cost	\$'000
Balance at 1 January 2018	75,784
Additions	19,461
Disposals	-
Balance at 30 June 2018	95,245
Balance at 1 January 2019	139,950
Additions	48,615
Disposals	(1,015)
Balance at 30 June 2019	187,550
Accumulated impairment	\$'000
Balance at 1 January 2018	32
Impairment losses recognised in profit or loss	-
Balance at 30 June 2018	32
Balance at 1 January 2019	187
Impairment loss recognised in profit or loss	2,367
Balance at 30 June 2019	2,554
Total carrying amount - 30 June 2019	184,996

b) Temporary water allocations

	30 Jun 2019 \$'000	31 Dec 2018 \$'000
Temporary water allocations (cost)	8,391	20,466
Less impairment	-	-
Total carrying amount	8,391	20,466

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

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

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

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

6 ISSUED CAPITAL AND SHARE OPTIONS

Issued capital as at 30 June 2019 amounted to \$139.825 million (121,265,761 ordinary shares). Issued capital as at 31 December 2018 amounted to \$121.389 million (108,576,017 ordinary shares). During the half year to 30 June 2019 102,240 ordinary shares (\$0.154 million) were issued under the Company's Dividend Reinvestment Plan, and the further 12,587,376 ordinary shares issued through the Company's share Placement.

At 30 June 2019 the Company does not have any share options on issue. (30 June 2018: nil)

7 DIVIDENDS PAID AND PROPOSED

a) Dividends paid

Total dividends paid for the half year ended 30 June 2019 were \$2.823 million. This consisted of cash distributions of \$2.669 million and shares issued under the DRP to the value of \$0.154 million.

b) Dividends proposed

On 9 August 2019, the Directors announced an interim dividend of 2.7 cents per share with the record date of 3 September 2019. Franked to 100% at 30% corporate income tax rate, the dividend will be paid to Shareholders on 18 September 2019 (ex-div date of 2 September 2019). Shareholders who participate in the Company's DRP program are entitled to a 3% discount to the share price (based on a 5 day VWAP commencing at record date, as determined in accordance with the DRP Rules). The last day for elections under the DRP is 4 September 2019.

8 BORROWINGS

	30 Jun 2019 \$'000	30 Jun 2018 \$'000
Bank loans - unsecured	56,500	1,500
	56,500	1,500

The interest payable on this facility is calculated as BBSY plus 0.82% p.a + Facility Fee of 0.82%.

The Company's debt facility is due for expiry on 29 January 2021.

9 KEY MANAGEMENT PERSONNEL

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

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

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

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

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

Mr Edouard Peter has a direct interest of 305,187 shares in the Company and an indirect interest of 10,929,190 shares in the Company. Mr Edouard Peter's indirect interest is inclusive of shares owned by the Duxton Group. The Duxton group owns 354,850 shares in the company at 30 June 2019.

Mr Stephen Duerden has a direct interest of 87,883 shares in the Company as well as an indirect interest in the Company via his interest in the Duxton Group. The Duxton group owns 354,850 shares in the company at 30 June 2019.

10 RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the half year ended 30 June 2019 (and the half year ended 30 June 2018):

	30 Jun 2019 \$'000	30 Jun 2018 \$'000
Management fee – Duxton Capital (Australia) Pty Ltd	769	422
Administration fee – Duxton Capital (Australia) Pty Ltd	127	71
Performance fee – Duxton Capital (Australia) Pty Ltd	2,309	487
Revenue – Duxton Viticulture Pty Ltd	1,188	1,090
Revenue – Duxton Broadacre Farms Ltd	140	93
Revenue – Duxton Dairies (Cobram) Pty Ltd*	46	46

Transactions between related parties are on commercial terms and conditions.

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

	30 Jun 2019 \$'000	30 Jun 2018 \$'000
Amount due to (from) Duxton Capital (Australia) Pty Ltd	25	107
Amount due to (from) Duxton Dairies (Cobram) Pty Ltd*	(23)	(23)
Amount due to (from) Duxton Broadacre Farms Ltd	(2)	-
Amount due to (from) Duxton Viticulture Pty Ltd	(44)	-

* Formerly Hathor Dairies Pty Ltd

11 SUBSEQUENT EVENTS

Subsequent to the reporting date, the Directors of the Company have announced an interim dividend of 2.7 cents per fully paid ordinary share, franked to 100% at 30% corporate income tax rate. Refer to note 7(b).

Other than the above, there has been no matter or circumstance that has arisen since the end of the half year reporting period ended 30 June 2019, 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 HALF YEAR ENDED 30 JUNE 2019

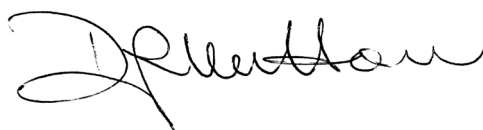
In the opinion of the Directors of Duxton Water Limited ("the Company"):

1. the condensed financial statements and notes set out on pages 25 to 33, are in accordance with the Corporations Act 2001 including:
 - a. giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance of the 6 months period ended on that date and
 - b. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Edouard Peter
Chairman



Dennis Mutton
Independent Non-Executive Director

Stirling, South Australia
26 August 2019



Independent Auditor's Review Report

To the shareholders of Duxton Water Limited

Conclusion

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

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

- giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- statement of financial position as at 30 June 2019;
- statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the Half-year ended on that date;
- condensed notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.



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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Duxton Water Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

A stylized signature of the KPMG firm, consisting of the letters 'KPMG' in a bold, black, sans-serif font.

KPMG

A handwritten signature in black ink, appearing to be 'Darren Ball'.

Darren Ball
Partner

Adelaide

26 August 2019





DUXTON
WATER



DUXTON WATER

APPENDIX 4D HALF-YEAR REPORT

1 REPORTING PERIOD

Reporting period "Current period" From 1 January 2019 to 30 June 2019
Previous corresponding period From 1 January 2018 to 30 June 2018

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

		\$,000
Revenue from ordinary activities	up 710%	to 64,676
Profit (loss) from ordinary activities after tax attributable to members	up 116%	to 2,536
Net profit (loss) for the period attributable to members	up 116%	to 2,536

	2019	2018
Net asset value per share	\$1.181	\$1.083
Net asset value per share at fair market value	\$1.542	\$1.277

On 27 March 2019 the Company paid a \$0.026 final dividend, franked to 100%.

	Record date	Date payable	Amount per security	Franked amount per security
Current period				
Interim dividend	13 March 2019	27 March 2019	\$0.026	\$0.026

Commentary on results for the period

The Company's net profit after tax for the half year amounted to \$2.536 million (30 June 2018: \$1.173 million).

At 30 June 2019 the Company's total assets on a fair market value basis were \$261.316 million. Liabilities including non-current debt facility, current tax and provision for deferred capital gains tax (should the portfolio be disposed of), amounted to \$74.304 million. Therefore the net asset value of the Company on a fair market value basis at 30 June 2019 was \$187.012 million or \$1.542 per share (31 December 2018: \$148.966 million or \$1.372 per share).

At 30 June 2019, the Company's total assets from a statutory reporting perspective (requiring assets to be held at cost less accumulated impairment) are \$199.676 million (31 December 2018: \$165.194 million) which includes accumulated impairment losses of \$2.554 million (31 December 2018: \$0.187 million), resulting in a statutory net asset value at 30 June 2019 of \$143.176 million or \$1.181 per share (31 December 2018: \$125.027 million or \$1.152 per share).

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

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

30 June 2019	Per Company Statement of Financial Position \$'000 (reviewed)	Per Fair Market Value \$'000 (unreviewed)	Variance \$'000
Assets			
Permanent water entitlements	184,996	247,572	62,576
Temporary water entitlements	8,391	8,418	27
Net current and deferred tax asset	963	(17,804)	(18,767)
Net other current assets	5,326	5326	-
Net non-current liabilities	(56,500)	(56,500)	-
Total net assets	143,176	187,012	43,836
Net asset value per share	\$1.181	\$1.542	\$0.361

3 NET TANGIBLE ASSETS PER SHARE

	30 June 2019	30 June 2018
Net tangible assets per ordinary share (\$)	(0.34)	0.02
Net assets per ordinary share (\$)	1.18	1.08

4 CONTROL GAINED OR LOST DURING THE PERIOD

Not applicable

5 DIVIDENDS

	Record date	Date payable	Amount per security	Franked amount per security
Current year	13/03/2019	27/03/2019	\$0.026	\$0.026
Previous year	14/03/2018	18/04/2018	\$0.024	\$0.014

6 DIVIDEND REINVESTMENT PLAN

The Company's DRP was in operation for the period relating to the 2018 final dividend. Participants in the DRP were entitled to a 3% discount to the share price based on a 5-day VWAP prior to the record date, as determined in accordance with the DRP rules. The last day for elections for the dividend was 14 March 2019.

The Board has determined that the Dividend Reinvestment Plan (DRP) will continue to operate for the interim dividend for the 2019 financial year (payable 18 September 2019).

7 ASSOCIATES AND JOINT VENTURES

There are no associates or joint venture entities.

8 FOREIGN ENTITIES

Not applicable

OTHER INFORMATION

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