Duxton Water Limited

ACN 611 976 517

APPENDIX 4D
HALF-YEAR REPORT

1. Reporting period

The financial information contained in the attached financial report is for the half-year ended 30 June 2017. The previous corresponding period was for the half-year period ended 20 October 2016.

2. Results for announcement to the market

				$,000
Revenue from ordinary activities	up	557%	to	$1,785
Profit (loss) from ordinary activities after tax attributable to members	up	176%	to	$974
Net profit (loss) for the period attributable to members	up	176%	to	$974
Dividends				Nil

Duxton Water Limited was incorporated on 20 April 2016 and listed on the ASX in September 2016, hence the revenue reported at 20 October 2016 is for the six-month period from incorporation. During this period Duxton Water was focused on listing on the ASX, commencing deployment of the capital raised and entering initial lease contracts. The 20 October 2016 period included costs associated with setting up the Company and listing on the ASX.

3. Net tangible assets per share

	30 Jun 2017	20 Oct 2016
Net tangible assets per ordinary share	0.01	0.41
Net assets per ordinary share	1.09	1.06

4. Control gained or lost during the period

Not applicable

5. Dividends

There were no payments of dividends or distributions during the period.

	Record date	Date payable	Amount per security	Franked amount per security
Current year	N/A	N/A	N/A	N/A
Previous year	N/A	N/A	N/A	N/A

6. Dividend reinvestment plan

There is no dividend/distribution reinvestment plan currently in operation.

7. Associates and joint ventures

There are no associates or joint venture entities.

8. Foreign entities

Not applicable

Other information

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

Duxton Water Limited

ACN 611 976 517

Half year report for the period ended 30 June 2017

Duxton Water Limited | Corporate Directory

Corporate Directory

Non-Executive Chairman
Edouard Peter

Non-Executive Director
Stephen Duerden

Independent Non-Executive Directors
Dirk Wiedmann
Peter Michell
Dennis Mutton

Company Secretary
Donald Stephens

Principal and Registered Office
7 Pomona Road
Stirling SA 5152
Telephone: (08) 8130 9500
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Legal Advisors
Cowell Clarke
63 Pirie Street
Adelaide SA 5000

Share Registry
Computershare

Auditors
KPMG
151 Pirie Street
ADELAIDE SA 5000

Computershare Investor Services
Level 5, 115 Grenfell Street
Adelaide SA 5000

Stock Exchange Listing
Australian Securities Exchange
Share Code: D20
Option Code: D200

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Directors' Report

The Directors of Duxton Water Limited submit herewith their report, together with the financial report of Duxton Water Limited (the Company) for the six-month period ended 30 June 2017. 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 interim period are:

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

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

Principal activities

The principal activities of the Company during the period 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

Since listing in September 2016, Duxton Water has met its most immediate objective of fully deploying our raised capital within six months into a targeted mix of water entitlements. Duxton Water holds water entitlements spanning 16 different water zones and classes. The diversity within the water portfolio ensures that Duxton Water has flexibility in deployment into leased arrangements and spot and forward allocation market opportunities.

Duxton Water has entered into three lease contracts since 31 December 2016 totalling 1,000ML and representing approximately 4% of the total portfolio. 54% of the Company's water portfolio is now leased. Duxton Water aims to have 60%-80% of its water portfolio held in long term leases over time. We expect to enter into further leases in the next 6 – 12 months.

Market Overview

The 2016/2017 water year was considered extremely wet with rainfall recorded at the Hume reservoir the highest on record. The significant amount of water in the system during the last quarter of the 2016 calendar year created downward pressure on temporary allocation prices, with allocation prices below the long term average.

While temporary water prices fell, permanent entitlements for most of the major water zones held, with zones such as the Lachlan Valley increasing significantly.

The fall in temporary water prices reduced yields on the unleased entitlements for the latter half of the 2016/2017 water year. With a drier period currently forecast in the new water year post 30 June 2017, we expect increased allocation pricing over that achieved in the 2016/2017 year. This view is already supported by higher allocation forward contract pricing observed through the last quarter of 2016/2017.

Future developments

With drier conditions forecast in the 2017/2018 water year unleased entitlement returns should improve. Having fully deployed into a targeted water entitlement portfolio, Duxton Water has positioned itself to support

agricultural production through what may be a drier period. We plan to continue to build strong relationships through the irrigated agricultural community creating further opportunities for the Company to deploy the portfolio through leases and other water supply mechanisms. We will actively manage the water entitlement portfolio to ensure we are appropriately diversified and deployed in order to maximise returns to shareholders.

Financial overview

The Company's net profit after tax for the period amounted to $0.974 million. The net asset value (NAV) of the Company in accordance with Australian Accounting Standards as at 30 June 2017 is $69.726 million or $1.090 per share.

Permanent water rights and entitlements are held at historical cost of $68.814 million less accumulated impairment losses of $0.560 million. The net asset book value of the water rights as at 30 June 2017 is $68.254 million.

Duxton Water releases a monthly NAV statement, expressed as a value per share. This is consistent with the manner in which the NAV of the Company is reported to the Board for internal reporting purposes. To determine the NAV on a fair market value approach, the Company's permanent water entitlements, and temporary water allocations related to those entitlements, are valued by taking the price per Mega Litre (ML) of the three most recent trades reflected on the relevant water register, 10 ML or greater in volume, not differing by more than 10% in value per ML from each other, and weighted based on the quantity of ML transacted. This measure of reporting is not in accordance with the recognition and measurement requirements of the Australian Accounting Standards in relation to the Company's permanent water entitlements and temporary water allocations related to those entitlements.

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 only recognised where they were 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.

	Per Company Statement of Financial Position $'000	Per Fair Market Value* $'000	Variance $'000
Assets			
Permanent water entitlements	68,254	69,296	1,042
Temporary water entitlements	57	97	40
Net current and deferred tax asset	310	(15)	(325)
Net other assets	1,105	1,105	-
Total net assets	69,726	70,483	(757)
Net asset value per share	$1.090	$1.102	$(0.012)

Further detail by reported segment is disclosed in Note 3 of the financial statements.

* 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.

Dividends

No dividends were declared or distributed by the Company during the period.

Shares under option

Unissued ordinary shares of Duxton Water Limited under option at the date of this report are as follows:

Date options granted	Expiry Date	Exercise Price	Number under Option
19/09/2016	31/05/2018	$1.10	63,965,406

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Rounding off 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 in relation to the review of the half-year financial report. This Lead Auditor's Independence Declaration is included on page 4 of the half-year report.

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
15 August 2017

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 2017 there have been:

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

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

KPMG

KPMG

Paul Cenko
Partner

Adelaide
15 August 2017

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Duxton Water Limited | Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2017

	Note	30 Jun 2017	6 months to 20 Oct 2016
		$'000	$'000
Revenue		1,785	320
Cost of sales		(132)	-
Gross profit		1,653	320
Management fees		(290)	(55)
Listing costs		-	(170)
Legal and professional fees		(41)	(72)
Other expenses		(284)	(148)
Impairment reversal of water entitlements	4	211	(1,949)
		(404)	(2,394)
Profit/(loss) before net finance income		1,249	(2,074)
Finance income		74	36
Finance expense		(1)	(5)
Net finance income		73	31
Profit/(loss) before tax		1,322	(2,043)
Income tax benefit/(expense)		(348)	758
Profit/(loss) for the period attributable to shareholders of Duxton Water Limited		974	(1,285)
Other comprehensive income, net of income tax		-	-
Total comprehensive income/(loss) for the period attributable to shareholders of Duxton Water Limited		974	(1,285)
Earnings per share attributable to shareholders of Duxton Water Limited			
Basic earnings/(loss) per share		0.015	(0.085)
Diluted earnings/(loss) per share		0.015	(0.085)

The comparative information provided in the Statement of Profit or Loss and Other Comprehensive has not been audited or reviewed.
The condensed notes on page 9 to 13 are an integral part of these half-year financial statements

Statement of Financial Position

As at 30 June 2017

	Note	30 Jun 2017 $'000	31 Dec 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents		1,147	13,996
Term deposits		-	3,333
Trade and other receivables		155	1,042
Water allocations		57	-
Other current assets		51	43
Total current assets		1,410	18,414
Non-current assets			
Water entitlements	4	68,254	50,354
Deferred taxation		584	711
Total non-current assets		68,838	51,065
Total assets		70,248	69,479
LIABILITIES			
Current liabilities			
Trade and other payables		118	165
Unearned revenue		130	471
Tax liability		274	42
Total current liabilities		522	678
Total liabilities		522	678
Net assets		69,726	68,801
EQUITY			
Issued capital	5	68,984	69,033
Retained earnings		742	(232)
Total equity		69,726	68,801

The condensed notes on pages 9 to 13 are an integral part of these half-year financial statements.

Statement of Changes in Equity

For the period ended 30 June 2017

	Note	Issued capital $'000	Retained earnings $'000	Total equity $'000
At incorporation		-	-	-
Shares issued	5	70,362	-	70,362
Share issue costs – net of taxes		(1,314)	-	(1,314)
Profit/(loss) for the period		-	(1,285)	(1,285)
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive loss for the period		-	(1,285)	(1,285)
Balance at 20 October 2016		69,048	(1,285)	67,763
Balance at 1 January 2017		69,033	(232)	68,801
Share issue costs – net of taxes	5	(49)	-	(49)
Profit/(loss) for the period		-	974	974
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive loss for the period		-	974	974
Balance at 30 June 2017		68,984	742	69,726

The comparative information provided in the Statement of Changes in Equity has not been audited or reviewed.
The condensed notes on pages 9 to 13 are an integral part of these half-year financial statements.

Statement of Cash Flows

For the period ended 30 June 2017

	Note	30 Jun 2017 $'000	6 months to 20 Oct 2016 $'000
Cash flows from operating activities			
Receipts from customers		1,801	586
Payments to suppliers		(650)	(325)
Interest received		74	36
Interest paid		(1)	(5)
Income tax paid		(42)	-
Net cash generated from operating activities		1,182	292
Cash flows from investing activities			
Purchase of water entitlements/allocations	4	(17,861)	(11,989)
Deposits used (paid) for the purchase of water entitlements		513	(541)
Proceeds from (investment in) term deposits		3,334	(6,667)
Net cash used in investing activities		(14,014)	(19,197)
Cash flows from financing activities			
Proceeds from issue of shares	5	-	41,700
Transaction costs related to issues of shares	5	(17)	(1,751)
Net cash generated from financing activities		(17)	39,949
Net increase in cash and cash equivalents		(12,849)	21,044
Cash and cash equivalents at beginning of the period		13,996	-
Cash and cash equivalents at end of period		1,147	21,044

The comparative information provided in the Statement of Cash Flows has not been audited or reviewed.
The condensed notes on page 9 to 13 are an integral part of these half-year financial statements.

Condensed notes to the financial statements

For the period ended 30 June 2017

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 half year financial statements for the six month period ended 30 June 2017 were authorised for issue by the Directors on 15 August 2017.

2. Significant accounting policies

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 IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The half-year financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. 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) Instrument2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 31 December 2016. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Comparatives

The Company was incorporated on 20 April 2016 and its first financial year was for the period from incorporation to 31 December 2016. These are the first half year financial statements prepared by the Company since its incorporation, as ASIC provided relief from preparation and lodgement of a half year report in the first financial year.

AASB 134 Interim Financial Reporting requires presentation of comparative information for the immediately preceding annual reporting period. The comparative information provided for the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and associated notes is for the six-month period from incorporation on 20 April 2016 to 20 October 2016. The Statement of Financial Position contains a comparative for balances as at 31 December 2016.

The comparative information for the six-month period has not been reviewed, however the comparative balances in the Statement of Financial Position have been previously audited.

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 purchased are treated as an intangible asset 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. 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 pricing information of recent comparable trades on or prior to the reporting date recorded on the relevant water register to which each water entitlement relate. The calculation when determining the fair market value of the water entitlement was based on the price per ML of the three most recent trades reflected on the relevant water register, exceeding 10 ML in volume, not differing by more than 10% in value per ML from each other, and weighted based on the quantity of ML transacted. This approach is used unless there has been an independent valuation taken at the reporting date. At 30 June 2017 an independent valuation, using a market based approach, has been used.

No inter-segment sales occurred during the current financial period. No revenue was derived from external customers in countries other than the country of domicile. Revenue of $0.854 million was derived from one Australian customer during the period. This revenue was attributable to the Murray and Murrumbidgee segment.

For the half-year ended 30 June 2017						
	Murray $'000	Murrumbidgee $'000	Goulburn $'000	Other[1] $'000	Unallocated $'000	Total $'000
Total segment revenue	1,312	188	130	155	-	1,785
Total segment profit before interest, income tax and impairment of permanent water entitlements	1,270	188	129	154	(702)	1,039
Reversal of impairment/(impairment) of permanent water entitlements	371	(116)	(120)	76	-	211
Net interest income	-	-	-	-	74	74
Income tax expense	-	-	-	-	(349)	(349)
Total comprehensive loss for the period as per the financial statements	1,641	72	9	230	(977)	974
Total segment liabilities	(130)	-	-	-	(392)	(522)

Total segment assets excluding permanent water entitlements	128	-	-	-	1,484	1,612
Permanent water entitlements at cost	50,141	6,485	7,141	5,047	-	68,814
- Less accumulated impairment	(4)	(269)	(287)	-	-	(560)
- Add fair market value increments[2]	(13)	-	11	1,044	-	1,042
Permanent water entitlements at fair market value	50,125	6,216	6,865	6,091	-	69,296
Temporary water allocations at cost	57	-	-	-	-	57
Temporary water allocations at fair market value[3]	97	-	-	-	-	97
Total segment assets[4]	50,350	6,216	6,865	6,091	1,484	71,005
Adjustments in accordance with Australian Accounting Standards[(2,3)]	(27)	-	(10)	(1,045)	325	(757)
Total segment assets as disclosed in the financial statements	50,323	6,216	6,855	5,045	1,809	70,248

Income and expenses for the six-month period ended 20 October 2016 Assets and liabilities as at 31 December 2016					
	Murray $'000	Murrumbidgee $'000	Other[1] $'000	Unallocated $'000	Total $'000
Total segment revenue	244	57	19	-	320
Total segment profit before interest, income tax and impairment of permanent water entitlements	244	57	19	(445)	(125)
Impairment of permanent water entitlements	(1,756)	(154)	(39)	-	(1,949)
Net interest income	-	-	-	31	31
Income tax expense	-	-	-	758	758
Total comprehensive loss for the period as per the financial statements	(1,512)	(97)	(20)	344	(1285)
Total segment liabilities	(471)	-	-	(207)	(678)
Total segment assets excluding permanent water entitlements	431	-	-	18,694	19,125
Permanent water entitlements at cost	37,684	6,485	6,956	-	51,125
- Less accumulated impairment	(374)	(153)	(244)	-	(771)
- Add fair market value increments[2]	37	-	105	-	142
Permanent water entitlements at fair market value	37,347	6,332	6,815	-	50,496
Temporary water allocations at cost	-		-	-	
Temporary water allocations at fair market value[3]	346	1	91	-	438
Total segment assets[4]	38,124	6,333	6,908	18,694	70,059
Adjustments in accordance with Australian Accounting Standards[(2,3)]	(383)	(1)	(196)	-	(580)
Total segment assets as disclosed in the financial statements	37,741	6,332	6,712	18,694	69,479

1 . "Other" comprise 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.

4. Water entitlements

	30 June 2017 $'000	31 Dec 2016 $'000
Carrying amount of:		
Water entitlements	68,254	50,354

	$'000
Water entitlements at cost	
Balance at incorporation	-
Additions	51,125
Balance at 31 December 2016	51,125
Balance at 1 January 2017	51,125
Additions	17,689
Disposals	-
Balance at 30 June 2017	68,814
Accumulated impairment	
Balance at incorporation	-
Impairment loss recognised in profit or loss	(771)
Balance at 31 December 2016	(771)
Balance at 1 January 2017	(771)
Impairment loss recognised in profit or loss	-
Reversal of impairment losses recognised in profit or loss	211
Balance at 30 June 2017	(560)

The recoverable amount of each water entitlement (classified as Level 2 fair value hierarchy assets) is determined at each reporting date using a market approach, based on the pricing information of recent comparable trades on or prior to the reporting date recorded on the relevant water register to which each water entitlement relate. The calculation when determining the recoverable amount of the water entitlement was based on the price per ML of the three most recent trades reflected on the relevant water register, exceeding 10 ML in volume, not differing by more than 10% in value per ML from each other, and weighted based on the quantity of ML transacted. This approach is used unless there has been an independent valuation taken at the reporting date. At 30 June 2017 an independent valuation, using a market based approach, has been used.

Details of information to which reportable segment the impairment relates is disclosed in Note 3.

5. Issued capital and share options

Issued capital as at 30 June 2017 amounted to $69,984 thousand (63,965,406 ordinary shares). There were no movements in the issued capital of the Company in the current half-year. The movement in share issue costs relates to the shares issued via the Initial Public Offering in the previous reporting period.

At 30 June 2017 63,965,406 share options are on issue at an excise price of $1.10. The expiry date of these share options is 31 May 2018. There were no movements in share options issued during the period.

The table below shows a breakdown of the vendor shares subject to voluntary escrow as at 30 June 2017:

Escrow period	Duxton Vineyards	Duxton Vineyards Water	Total
12 months from the date of quotation on the ASX	1,682,780	11,345,559	13,028,339

6. 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 Pty Ltd and as such, may receive remuneration from the Investment Manager for services provided to the Investment Manager.

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

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

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

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

Mr Edouard Peter has an indirect interest in 297,000 shares in the Company and in 50,000 options ($1.10 options expiring 31/05/2018). Mr Edouard Peter also has an indirect interest of 4,492,529 shares in the Company via his 17.2% interest in the Duxton Vineyards Group, which holds 26,056,680 shares in Duxton Water. Via this interest in Duxton Vineyards, Mr Edouard Peter is also entitled to 4,492,529 options in the Company. Mr Stephen Duerden has an interest in 10,000 shares in the Company and an interest in 10,000 options.

7. Related party transactions

The following transactions occurred with related parties during the six month period ended 30 June 2017 (and the six month period ended 20 October 2017):

	30 June 2017 $'000	20 Oct 2016 $'000
Management fee – Duxton Capital (Australia) Pty Ltd	290	55
Administration fee – Duxton Capital (Australia) Pty Ltd	50	29
Revenue – Duxton Viticulture Pty Ltd	854	274
Revenue – Merriment Rural Investments Pty Ltd	93	20
Revenue – Hathor Dairies Pty Ltd	46	10

Transactions between related parties are on commercial terms and conditions.

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

	30 June 2017 $'000	20 Oct 2016 $'000
Amount due to (from) Duxton Capital (Australia) Pty Ltd	55	55
Amount due to (from) Duxton Viticulture Pty Ltd	-	(50)
Amount due to (from) Hathor Dairies Pty Ltd	-	(23)
Amount due to (from) Merriment Rural Investments Pty Ltd	(3)	-

8. Subsequent events

No matter or circumstance has arisen since the end of the half-year reporting period 30 June 2017, that has significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Directors' Declaration

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that Duxton Water Limited will be able to pay its debts as and when they become due and payable; and

b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including that:

   i. the financial report complies with Australian Accounting Standards, AASB 134 Interim Financial Reporting and the Corporations Regulation 2001
   ii. the financial statements and notes give a true and fair view of Duxton Water Limited's financial position and performance for the half-year ended 30 June 2017.

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



Edouard Peter
Chairman



Peter Michell
Independent Non-Executive Director

Stirling, South Australia
15 August 2017

Independent Auditor's Review Report

To the shareholders of Duxton Water Limited

Report on the Half-year Financial Report

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 2017 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 2017;
- statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the Half-year ended on that date
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Interim Period*** is the 6 months ended on 30 June 2017.

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*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

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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 2017 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*. We confirm that the independence declaration required by the *Corporations Act 2001,* provided to the Directors of Duxton Water Limited on 30 June 2017, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

KPMG

KPMG

Paul Cenko
Partner

Adelaide

15 August 2017