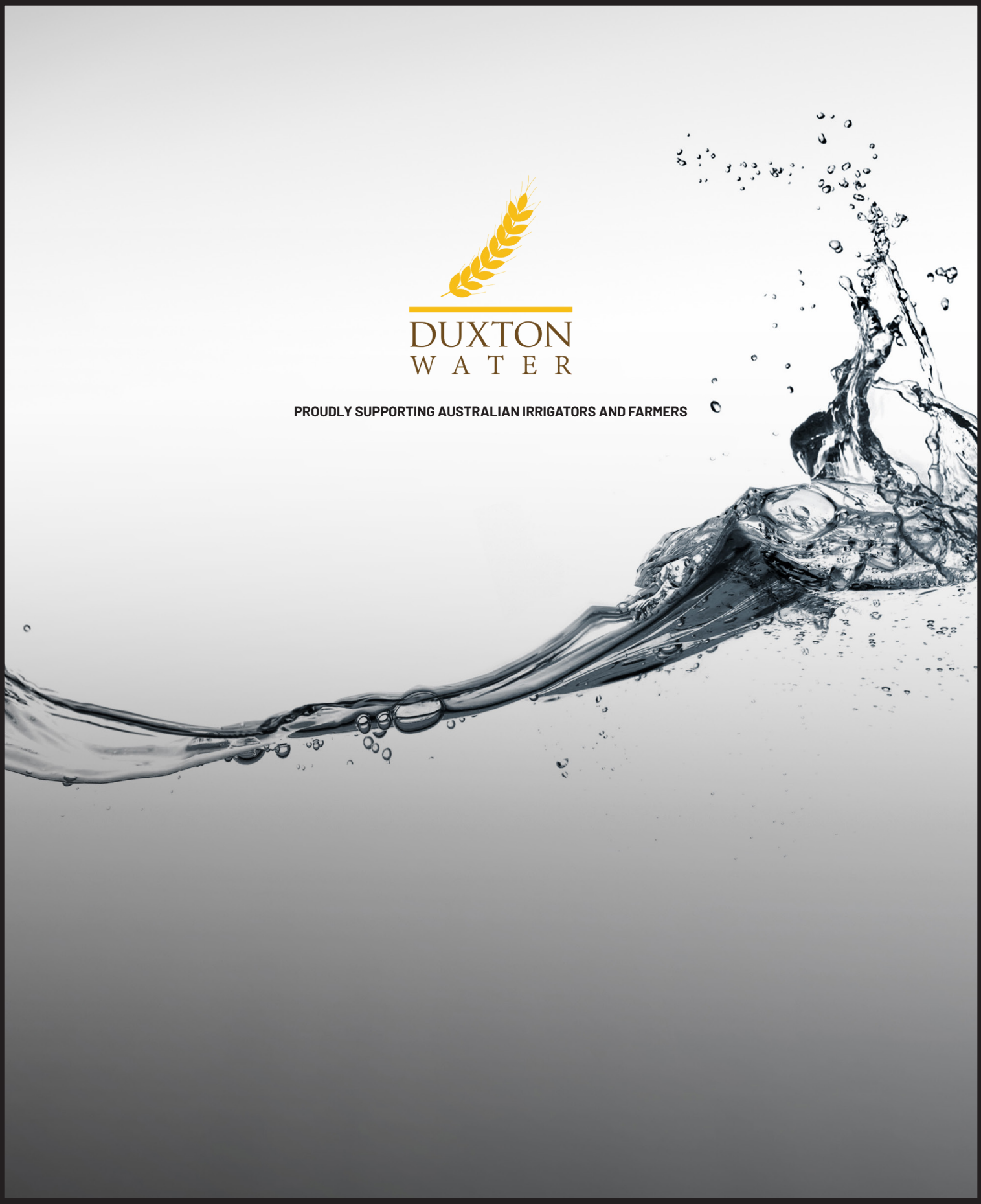


DUXTON WATER LTD

ACN 611 976 517

2021 JUNE HALF YEAR REPORT



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DUXTON WATER KEY HIGHLIGHTS
FIRST HALF 2021

Duxton Water's Investment Manager is part of the broader Duxton group of companies that operates Australian agricultural businesses in Viticulture, Dried Fruit, Nuts, Broadacre, Bees, Dairies and Apples. In any given year, the Duxton businesses produce 15-20 different commodities and provide jobs for over 500 people living in rural communities every year.

Duxton Water is in the business of partnering with farmers, both large and small to assist in managing their annual water requirements. We have continued to support our irrigator partners through 2021, providing over 70 long-term water leases to family farming and corporate businesses.

In the last six months, Duxton Water's permanent water portfolio has continued to generate positive returns in the form of both dividends and capital appreciation. The Board is confident of the Company's ability to continue to meet its dividend targets and is looking forward to the second-half of the financial year where the Company has historically outperformed the first-half.

1

OPERATIONAL PERFORMANCE

Duxton Water delivered a net profit after tax of $2.1 million for the half-year ended 30 June 2021. This positive result is underpinned by the Company's visible leasing revenue stream and the turn-over of permanent water assets in line with the Company's portfolio rebalancing strategy.

The Board remains confident of the Company's ability to continue to derive strong annual returns and is committed to providing visibility to future dividend targets. Historically, Duxton Water generates a stronger profit in the second-half of the financial year due to the overlap of the Company's financial year (Jan-Dec) and the water year (Jul-Jun). New season allocations, the commencement of new long-term water leases and the settlement of forward allocation sale contracts heading into the peak irrigation season are anticipated to contribute to delivering a strong second-half return.

Duxton Water continues to support its irrigator partners through the provision of long-term leases. Long-term water leases provide the shareholders of Duxton Water with a stable and visible leasing revenue stream that provides greater visibility to the Company's future revenue generating capabilities.

Long-term water leases allow farmers to access water at approximately 1/20th* of the cost of owning permanent water outright, provide visibility to water supply, and free up capital that famers can use to pay down debt, expand production assets or invest in water efficiency improvements.

Wetter than average conditions have persisted throughout the basin over the last 1-2 months. The Duxton Water portfolio comprises of both high and general security water assets which enables the Company to generate a return when wetter conditions present. This enables the Company to continue to provide its water supply products to irrigators in both wet and dry conditions. At 30 June 2021, Duxton Water was carrying $1.8 million of accumulated impairment against its water portfolio. Post half-year, $1.7 million of this impairment expense has reversed as of 31 July 2021.

* Based on the average new lease yield over the 12 month period ended 30 June 2021.

NET ASSET VALUE (NAV) PERFORMANCE

Since the beginning of 2021, the Company's non-statutory monthly NAV has increased from $1.62 per share to $1.63 as at 30 June 2021. Post half-year, the NAV has increased to $1.67 per share as at 31 July 2021. Stabilisation of pricing in the permanent portfolio shows how robust water is as an asset class, even in challenging COVID-19 times.

The Company's statutory NAV is prepared in accordance with Australian Accounting Standards which stipulate that water assets are to be carried at the lower of cost or fair value.

Therefore, any asset revaluation uplift is not able to be booked in the statutory accounts and is subsequently excluded from the statutory NAV of $1.19 per share.

At 30 June 2021, there is $74.5 million of unrealised capital gain excluded from these financial statements.

From a statutory perspective, should Duxton Water be able to recognise this $74.5 million of revaluation uplift, the NAV for Duxton Water at 30 June 2021 (net of tax provisions) would be in line with the Company's monthly NAV statement of $1.63 per share.

the Company's statutory

net asset value PER SHARE **A$1.19**

Add back:
unrealised capital gains
$0.44

the Company's non-statutory

net asset value PER SHARE **A$1.63**

Add back:
tax provision for capital gain
$0.18

Reported (pre-tax provision)

net asset value PER SHARE **A$1.82**

DIVIDENDS

Duxton Water is committed to providing Shareholders with a bi-annual dividend.

During the half-year ended 30 June 2021, in line with previously provided targets, Duxton Water paid a 3.0 cent (fully franked) dividend on 30 April 2021.

The Company is pleased to provide the next five anticipated bi-annual dividend targets, providing Shareholders with long term visibility to cash returns.

Interim 2021	Final 2021	Interim 2022	Final 2022	Interim 2023
$0.031	**$0.032**	**$0.033**	**$0.034**	**$0.035**
ALL FULLY FRANKED*				

**Dividend targets to be paid in the following reporting period.*

ACCC INQUIRY

On 26 March 2021, the ACCC released their Final Report into the Southern Murray Darling Basin Water Market.

Duxton Water actively participated in the ACCC inquiry and supports any efforts to provide further transparency and benefits to participants of the Australian water market.

We note the ACCC report stated:

"Investors provide benefits to water markets. They provide new sources of capital to irrigated agriculture, increase water market liquidity and provide a range of water products which help irrigators to manage water supply risks".

The ACCC also stated it does not support a return to the system where water ownership was tied to land.

Refer to page 18 for more information.

Final Report: https://www.accc.gov.au/focus-areas/inquiries-finalised/murray-darlingbasin-water-markets-inquiry/final-report



DIRECTORS' **REPORT**
FOR THE HALF YEAR ENDED **30 JUNE 2021**

The Directors of Duxton Water Limited submit herewith their report, together with the financial report of Duxton Water Limited ("the Company") or ("Duxton Water") for the half-year ended 30 June 2021 and the Independent Auditors Review Report thereon. In order to comply with provisions of the Corporations Acts 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 (Resigned 28 May 2021)
Mr Dennis Mutton
Dr Vivienne Brand

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

Principal activities

The primary investment objective of Duxton Water is to build a portfolio of permanent water entitlements and utilise the portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering irrigators a range of supply solutions including long term entitlement leases, forward allocation contracts and spot allocation supply. 100% of the Company's water assets are active in the delivery of water to irrigators.

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

Review of operations

OPERATIONAL PERFORMANCE

Duxton Water delivered a net profit after tax of $2.1 million for the half-year ended 30 June 2021. This positive result is underpinned by the Company's visible leasing revenue stream and the turn-over of permanent water assets in line with the Company's portfolio rebalancing strategy.

The Board remains confident of the Company's ability to continue to derive strong annual returns and is committed to providing visibility to future dividend targets. Historically, Duxton Water generates a stronger profit in the second-half of the financial year due to the overlap of the Company's financial year (Jan-Dec) and the water year (Jul-Jun). New season allocations, the commencement of new long-term water leases and the settlement of forward allocation sale contracts heading into the peak irrigation season (summer) all contribute to delivering a strong second-half return.

Duxton Water continues to support its irrigator partners through the provision of long-term leases. Long-term water leases provide Duxton Water's Shareholders with a stable and visible leasing revenue stream that provides greater visibility to the Company's future revenue generating capabilities.

These long-term water leases allow farmers to access water at approximately 1/20th* of the cost of owning permanent water outright, provide visibility to water supply, and free up capital that famers can use to pay down debt, expand production assets or invest in water efficiency improvements.

As a long-term investor in the Australian water market, the products Duxton Water offers attract new sources of capital to irrigated agriculture, improve water market liquidity, and provide irrigators with ways to help manage water supply risks.

Duxton Water is negotiating several new long-term water lease arrangements which will see the Company getting closer to achieving its long-term goal of having between 70-80% of the portfolio under lease.

Due to the application of Australian Accounting Standards, the Company's water assets must be recorded in the statutory accounts at the lower of cost or fair value. For the period ended 30 June 2021, a net impairment expense of $1.7 million has been recognised in the Company's Statement of Profit or Loss.

When the carrying value of these water assets reverts back toward cost, the impairment is reversed, positively impacting the Statement of Profit or Loss and statutory retained earnings of the Company. From a financial reporting perspective, water assets are required to be carried at the lower of cost or fair value and consequently should the fair value of these assets be higher than cost, the increase is not recognised in the accounts. This does not reflect on the Company's ability to generate free cash flow.

It should be noted that $1.7 million of this impairment expense recorded against the Company's water assets at 30 June 2021, has reversed as of 31 July 2021.

AT
30 JUN 2021
the company held
79.5GL
of Water Entitlement
&
Total Portfolio Value of
$313.7 million

FROM
1 JULY 2021
67%
of permanent entitlement leased to
Australian farming partners

FROM
1 JUL 2021
Annualised Leasing Revenue
$9.0 million

* Based on the average new lease yield over the 12 month period ended 30 June 2021.

A FOCUS ON CONTINUING TO ENTER INTO LONG-TERM WATER LEASES

Duxton Water continues to look for new opportunities to expand and focus on strengthening the Company's lease book. Focusing on long-term water leases not only provides Duxton Water with a stable and visible revenue stream, but also reduces the Company's exposure to the spot allocation market. As the Company gets closer to having 70-80% of the portfolio under lease, revenue generated from temporary allocation sales continue to fall as a percentage of overall revenue, whilst lease revenue continue to increase. By focusing on the long term leasing portfolio, Duxton Water is able to reduce its exposure to the variable pricing of the temporary water market.

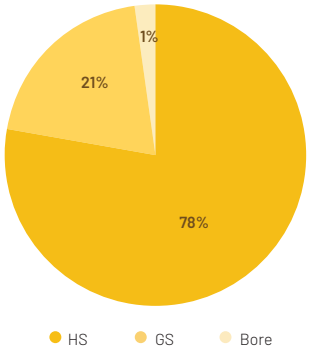
DEBT SUMMARY & INTEREST RATE SWAP IMPAIRMENTS

Over the last three years, Duxton Water has used sensible debt funding to take advantage of historically low interest rates. During this time, fixed interest rate swaps have been used to fix low interest rates for a period of 5 or 10 years. Fixing interest rates hedges the Company against future interest rate movements. Due to the continuous impacts of COVID-19, interest rates have remained near or at all time lows for the last 6-12 months. While this has resulted in an overall benefit to the Company, interest rate swaps have been utilised to hedge against future interest rate rises.

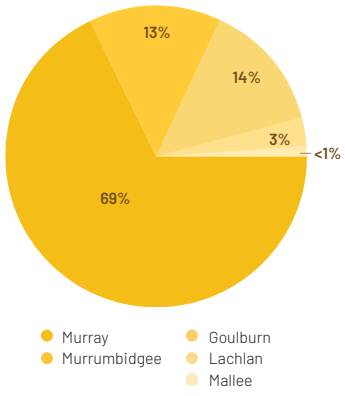
Due to the Australian Accounting Standards, interest rate swaps are required to be held at fair value on the Statement of Financial Position. As such, a non-cash $1.2 million interest benefit has been recorded in the Company's Statement of Profit or Loss for the half-year ended 30 June 2021. This interest benefit is a partial reversal of the $2.0 million non-cash interest fair value adjustment that was included in the 2020 full-year accounts. The total fair value adjustment on the Company's interest rate swaps held in the Company's financial statements at 30 June 2021 is $0.8 million.

At 30 June 2021, Duxton Water had total debt drawn of $106.0 million compared to $107.1 million at the same time last year. The effective cost of borrowings (including swaps) on an annualised basis at 30 June 2021 is 2.30%.

Water Security Breakdown



Entitlement Portfolio Value by Region



IMPAIRMENT OF WATER ASSETS

Due to Australian Accounting Standards, value uplift on water assets is not able to be recognised in the statutory accounts. However, where the market value of a particular water zone (CGU) falls below cost, the Company must book this difference as an impairment expense in the Statement of Profit or Loss.

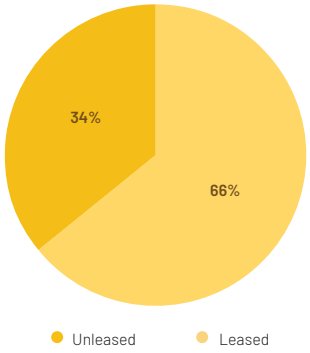
Prior to 30 June 2021, permanent water impairment expenses were largely due to impairment testing on NSW general security (GS) entitlements. After 3+ years of extended drier than average conditions across the southern Murray Darling Basin, a return to wetter conditions has seen general security entitlement prices retrace and are now trading at all-time highs in some regions.

This has resulted in total impairment of $0.1 million being held on these assets at 30 June 2021 (30 June 2020: $4.4 million).

Duxton Water views its investment in NSW general security entitlements as critical in balancing the Company's entitlement portfolio composition, and one that will support yield through a wetter part of the climatic cycle.

At 30 June 2021, $1.7 million of impairment expense on the Company's allocation holding has been recognised in the Statement of Profit or Loss. This impairment expense is largely due to the softening of allocation prices that was experienced towards the end of the 20/21 water year. A lack of heat over the 20/21 peak irrigation season and a return to wetter conditions resulted in surplus water being held in the system as the 20/21 water season came to an end. As of 31 July 2021, this impairment expense of $1.7 million has reversed due to new season allocations being awarded in early July 2021.

Water Portfolio Diversification



LEASES

Irrigators are increasingly looking to outsource their water supply requirements and find a balanced approach that enables both risk management and capital flexibility to reinvest in their land and production assets.

Through long-term leasing arrangements, Duxton Water is able to satisfy the water requirements of its irrigator partners, enabling them to better manage a key input into their business. Duxton Water supports farmers across the viticulture, nut, citrus, vegetable, olives, dried fruit, dairy, and broadacre cropping industries. 100% of the Company's water assets are active in the delivery of water to irrigators.

Typically, entitlement leases run for the water year (1 July to 30 June) and as such, no new leases commenced in the period ended 30 June 2021. New lease arrangements commencing 1 July 2021 takes the leased portion of the portfolio to 67% at the beginning of the 20/21 water year. The Board maintains it's long-term target of having between 70%-80% of the portfolio deployed into long term lease arrangements and expects that further leases will be entered into in the second-half of 2021.

Duxton Water is proud to announce it is currently in the process of negotiating its first 10-year lease. This long-term lease will provide the lessee with long-term visibility to water cost and water security. With the provision of these flexible water supply solutions to irrigators, the Company is able to provide Shareholders with visibility to future earnings through this recurring revenue stream.

Commencing 1 July 2021, the Company is expecting annualised leasing revenue of $9.0 million.



Below is a breakdown by zone of permanent water entitlements held by the Company at 30 June 2021.

Entitlement Type	31/12/2020 (ML)	ML Change	30/06/2021 (ML)
Vic 1A Greater Goulburn HRWS	10,189	-	10,189
Vic 1A Greater Goulburn LRWS	94	-	94
Vic 1B Greater Goulburn	376	-	376
Vic 3 Greater Goulburn	421	-	421
Vic 6 Murray HRWS	7,632	(985)	6,647
Vic 6B Murray HRWS	518	-	518
Vic 7 Murray HRWS	4,940	-	4,940
NSW Murray 10 HS	3,010	-	3,010
NSW Murray 10 GS	14,491	-	14,491
NSW Murray 11 HS	7,633	(337)	7,296
NSW Murray 11 GS	7,329	-	7,329
NSW Murray 11 Supp	83	-	83
NSW Murrumbidgee 13 HS	3,644	(490)	3,154
NSW Murrumbidgee 13 GS	7,822	-	7,822
NSW Lachlan GS	7,164	-	7,164
NSW Lower Lachlan Ground Water	788.0	(788)	-
SA Murray HS	3,686	931	4,617
SA Mallee - Parilla Red	500	-	500
SA Mallee - Parilla Green	832	14	846
Total	**81,152**	**(1,655)**	**79,497**



Financial overview

During the period ended 30 June 2021, the Company:

- Delivered an net profit after tax of $2.1 million
- Maintained visible leasing revenue at $9.0 million from 1 July 2021
- Paid a final 2020 fully franked dividend of 3.0 cents per share; and
- Provided Shareholders with targets for the next four dividend payments (and are pleased to provide the fifth dividend target within this report)

Pricing on the Company's permanent water portfolio has continued to stabilise in what has been a challenging time for the global economy, reaffirming that water as an asset class can continue to perform well even in times of uncertainty.

The NAV from a Fair Market Value perspective at 30 June 2021 was $1.63, post half-year the NAV has increased to $1.67 at 31 July 2021 on the back of increasing permanent water prices and an impairment reversal of $1.7 million on the temporary portfolio.

At 30 June 2021, the Company is carrying $74.5 million (or $0.44 per share) of unrealised capital gain on the water portfolio. This is excluded from the statutory financial statements due to the application of Australian Accounting Standards.

The NAV of the Company in accordance with Australian Accounting Standards (which excludes unrealised gains) at 30 June 2021 is $1.19 per share (31 December 2020: $1.21 per share).

The statutory NAV position of the Company includes accumulated impairment losses of $1.8 million across the Company's water asset portfolio. Post half-year at 31 July 2021, accumulated impairment losses on the temporary water portfolio of $1.7 million have completely reversed.

Fair value adjustments on the Company's interest rate swap arrangements of $0.8 million have also been included in the statutory NAV. Similar to the non-cash impairment expenses on the water portfolio, these fair value adjustment reversals on the interest rate swap arrangements will positively impact the Statement of Profit or Loss and statutory retained earnings of the Company.

VALUATION EXPERT

The portfolio continues to be valued on a dry equivalent basis by Aither Pty Ltd ('Aither'). Aither 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 accounting treatment of water assets (intangible 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. Temporary water allocations related to these entitlements are recognised in the Statement of Financial Position at zero cost initially. Purchased temporary water allocations are recognised at cost when acquired.

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 2021	Company Statement of Financial Position $'000	Fair Market Value* $'000 *(unreviewed)*	Variance $'000
Assets			
Permanent water entitlements	238,998	313,726	74,729
Temporary water entitlements	1,128	1,131	3
Net current and deferred tax asset	945	(21,714)	(22,659)
Net other current assets	8,640	8,640	-
Net non-current liabilities	(106,799)	(106,000)	799
Total net assets	**142,912**	**195,783**	**52,872**
Net asset value per share	**$1.19**	**$1.63**	**$0.44**

30 June 2020	Company Statement of Financial Position $'000	Fair Market Value* $'000 *(unreviewed)*	Variance $'000
Assets			
Permanent water entitlements	235,564	311,961	76,396
Temporary water entitlements	3,290	3,296	6
Net current and deferred tax asset	3,599	(19,921)	(23,520)
Net other current assets	(6,233)	(6,223)	-
Net non-current liabilities	(101,998)	(100,000)	1,998
Total net assets	**134,233**	**189,113**	**54,880**
Net asset value per share	**$1.12**	**$1.58**	**$0.46**

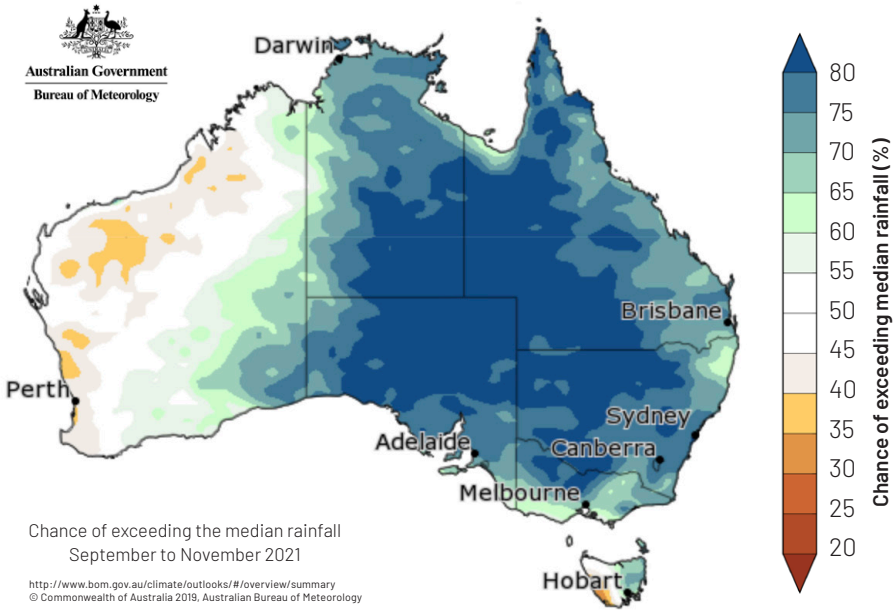
* Fair Market Value is prepared in accordance with the Company's monthly NAV statement. The water portfolio is evaluated on a monthly basis by the Company's independent valuer "Aither Pty Ltd". Fair Market Value is a non IFRS measure that is not reviewed or audited by the Company's auditor and excludes fair value gains or losses on interest rate swaps whereas these are included in the total non-current liabilities recognised in the Statement of Financial Position. The variance shown above of $0.799 million represents the fair value of the interest rate swaps at 30 June 2021.

Further detail by reported segment is disclosed in Note 5 of the financial statements.

Market overview

Australian agriculture has continued to perform well over the last six months even with COVID-19 continuing to cause global disruption to almost all facets of business. The first 4-5 months of 2021 were drier than average with inflows being below the long-term median. Since late May, wetter conditions have been persistent across most of the basin which has led to improved soil moistures, system inflows, dam storages and resource availability.

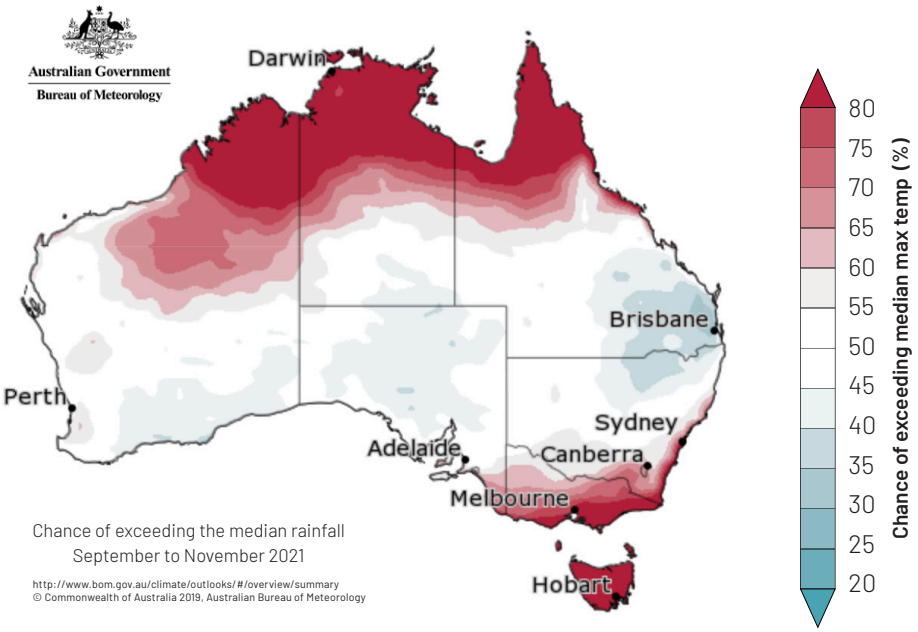
The Bureau of Meteorology ('BOM') has indicated there is the potential for La Nina like conditions to form from mid-spring 2021 which would typically result in above average spring rainfall in eastern parts of Australia. When combined with a Negative Indian Ocean Dipole ('IOD') indicator that was declared in late July 2021, it is likely that wetter than average conditions will be persistent for the next 3-4 months (August – November).



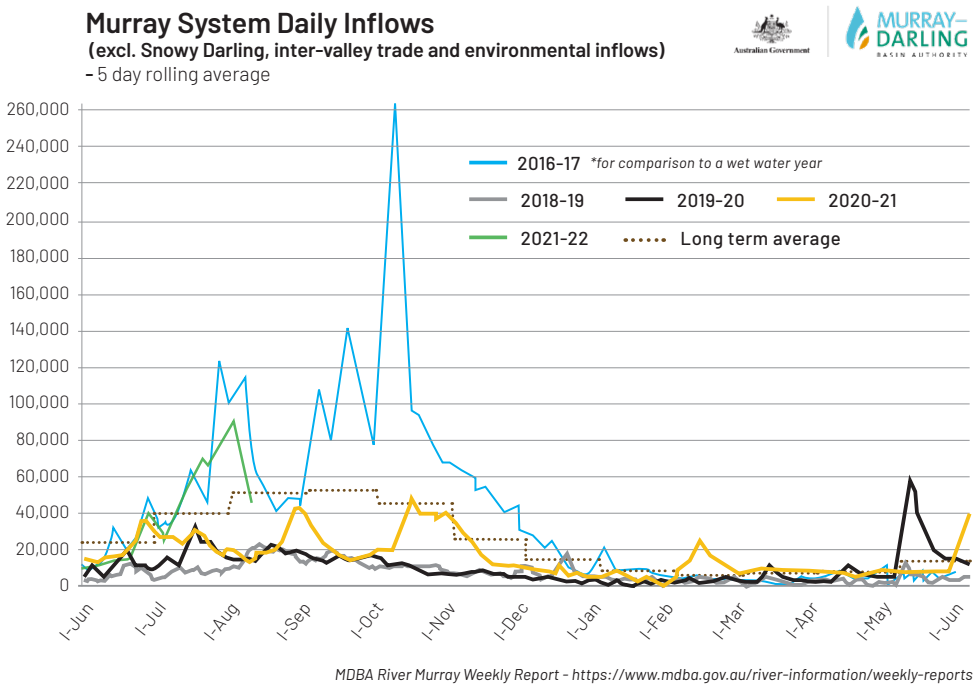
Chance of exceeding the median rainfall
September to November 2021

http://www.bom.gov.au/climate/outlooks/#/overview/summary
© Commonwealth of Australia 2019, Australian Bureau of Meteorology

The Negative IOD can result in above average temperatures for northern and south-eastern parts of Australia which is supported by the BOM's outlook below. Higher temperatures typically lead to an increase in plant transpiration which increases the demand for water leading into and during the peak irrigation months (November-January).



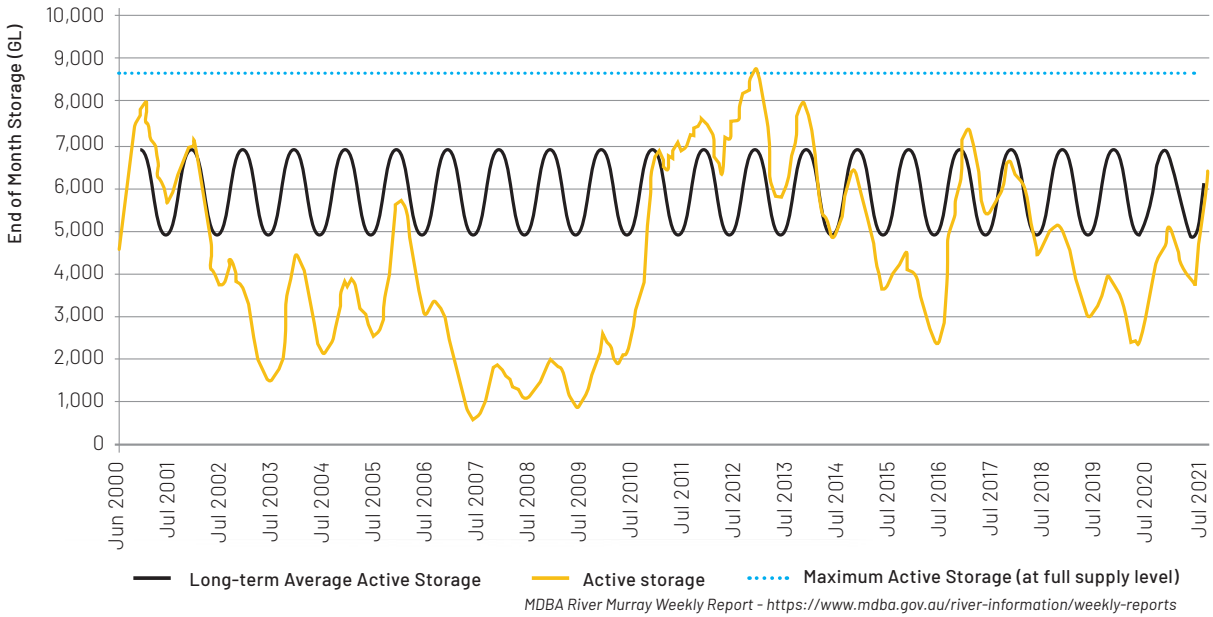
The Duxton Water portfolio is well equipped to handle prolonged periods of wet conditions as a significant portion of the portfolio is held in general security water entitlements. General security water entitlements are second tier entitlements that typically only receive an allocation in wetter years or when dam storages are sufficient enough to support allocations to general security entitlements.



MDBA River Murray Weekly Report - https://www.mdba.gov.au/river-information/weekly-reports

Significant inflows to major dam storages over the last 2-3 months has seen Murray storages Dartmouth and Hume increase to 74% and 65% respectively, up from 55% and 25% at the same time last year. Murrumbidgee dam storages Blowering and Burrinjuck are currently at 100% and 95%, up from 56% and 47% at the same time last year. Improved storages in the Murrumbidgee systems will further support the forecasted 30% increase to annual cotton production expected in the region. Goulburn storage Lake Eildon is at 69% compared to 52% at the same time last year.

MDBA Active Storage: June 2000 to present



MDBA River Murray Weekly Report - https://www.mdba.gov.au/river-information/weekly-reports



Dividends

The Board has maintained its commitment to Shareholders to deliver a bi-annual dividend. A fully franked final dividend of 3.0 cents per share was paid on 30 April 2021. Due to the Company's visible lease income, Duxton Water is pleased to reaffirm its intention to pay a consistent and growing dividend stream of:

- Interim 2021 dividend of 3.1 cents ($0.031);
- Final 2021 dividend of 3.2 cents ($0.032);
- Interim 2022 dividend of 3.3 cents ($0.033);
- Final 2022 dividend of 3.4 cents ($0.034); and
- Interim 2023 dividend of 3.5 cents ($0.035).

All Ordinaries Index

The Company was pleased to have been included in the All-Ordinaries Index, as announced by the S&P Dow Jones Indices, effective at the market open on 22 June 2020. On 12 March 2021, the Company was removed from the All-Ordinaries Index during the S&P Dow Jones Indices quarterly rebalancing. This resulted primarily from an above average market growth in the technology sector, rebalancing D2O out of the index. The underlying business operations of Duxton Water remain strong and robust.



ACCC Inquiry

On 26 March 2021, the ACCC released the final report into the southern Murray Darling Basin Water Market. The ACCC spent over 12 months reviewing the markets operation and engaging with key stakeholders. The Commission has had an ongoing role in monitoring the Australian Water Markets, having issued reports on its operation since 2012.

Duxton Water actively participated in the ACCC inquiry and supports any efforts to provide further transparency and benefits to participants of the Australian water market. Duxton Water believes the report is a thorough and well-balanced report.

The Final Report has identified opportunities to improve the governance, regulatory and operational frameworks that support the Australian water market. We believe that a consistent and committed focus in these areas will benefit all stakeholders.

We note the ACCC has stated that:

"Investors provide benefits to water markets. They provide new sources of capital to irrigated agriculture, increase water market liquidity and provide a range of water products which help irrigators to manage water supply risks".

Water investors, meanwhile, can help irrigators free up capital by buying and leasing out water; they can increase water market liquidity; and they can help irrigators manage water-supply risks, by providing water products such as leases and forward contracts.

The ACCC also stated it does not support a return to the system where water ownership was tied to land as this would be to the detriment of the Australian economy.

The Final Report can be found on the ACCC website via the URL below.

https://www.accc.gov.au/focus-areas/inquiries-finalised/murray-darlingbasin-water-markets-inquiry/final-report



COVID-19

The Investment Manager and Board of Duxton Water continue to monitor the on-going COVID-19 pandemic. The Investment Manager has put in place measures to ensure staff are able to continue to operate effectively whilst adhering to Government recommendations. This has enabled the day-to-day operations of the Company to continue with little impact and while the Board will continue to monitor and advise of any change, it does not currently foresee any significant operational impact to the business.

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 20.

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
27 August 2021

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 2021 there have been:

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

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

KPMG

Darren Ball
Partner

Adelaide

27 August 2021

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STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
Revenue[1]	4	10,052	18,285
Gain on entitlement sales[1]		6,659	190
Cost of sales and leasing[1]		(10,112)	(16,645)
Management fees	11	(907)	(960)
Legal and professional fees		(83)	(55)
Other expenses		(831)	(606)
Impairment reversal/(impairment) of permanent water entitlements	6a	94	(561)
Impairment of temporary water allocations	6b	(1,669)	(2,855)
Total expenses		**(13,508)**	**(21,682)**
Profit (loss) before net finance (cost)		**3,203**	**(3,207)**
Finance income		-	-
Finance expense[2]		(133)	(2,975)
Net finance (cost)		**(133)**	**(2,975)**
Profit (loss) before tax		**3,070**	**(6,182)**
Income tax (expense)/benefit		(980)	1,854
Profit (loss) for the half year attributable to shareholders of Duxton Water Limited		**2,090**	**(4,328)**
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the half year attributable to shareholders of Duxton Water Limited		**2,090**	**(4,328)**
Earnings per share attributable to shareholders of Duxton Water Limited			
Basic earnings per share (dollars)		0.017	(0.036)
Diluted earnings per share (dollars)		0.017	(0.036)

1 Refer to note 2
2 Finance expense comprises of $1.33 million of interest Expense and a $1.19 million write back of non-cash fair value adjustments on interest rate swap arrangements

The condensed notes on page 28 to 38 are an integral part of these half year financial statements

STATEMENT OF **FINANCIAL POSITION**
AS AT 30 JUNE 2021

	Note	30 Jun 2021 $'000	31 Dec 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents		3,694	2,760
Trade and other receivables		6,475	4,866
Temporary water allocations	6b	1,128	10,164
Other current assets		241	208
Total current assets		**11,538**	**17,998**
Non-current assets			
Permanent water entitlements	6a	238,998	239,819
Deferred taxation		945	875
Total non-current assets		**239,943**	**240,694**
Total assets		**251,481**	**258,692**
LIABILITIES			
Current liabilities			
Trade and other payables		1,300	422
Unearned revenue		194	1,726
Tax liability		276	1,159
Interest-bearing liabilities		-	6,000
Total current liabilities		**1,770**	**9,307**
Non-current liabilities			
Interest-bearing liabilities	9	106,000	103,300
Financial derivative liabilities		799	1,992
Total non-current liabilities		**106,799**	**105,292**
Total liabilities		**108,569**	**114,599**
Net assets		**142,912**	**144,093**
EQUITY			
Issued capital	7	137,550	137,230
Retained earnings		5,362	6,863
Total equity		**142,912**	**144,093**

The condensed notes on page 28 to 38 are an integral part of these half year financial statements

STATEMENT OF **CHANGES IN EQUITY**
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	Issued capital	Retained earnings/ (accumulated losses)	Total equity
		$'000	$'000	$'000
Balance at 1 January 2020		**137,716**	**4,965**	**142,682**
Loss for the half year		-	(4,328)	(4,328)
Other comprehensive income for the half year, net of tax		-	-	-
Total comprehensive income for the half year		-	(4,328)	(4,328)
Transactions with owners of the Company:				
Shares issued		291	-	291
Share buyback		(1,073)	-	(1,073)
Share issue costs – net of taxes		(3)	-	(3)
Payment of dividends		-	(3,336)	(3,336)
Balance at 30 June 2020		**136,932**	**(2,699)**	**134,233**
Balance at 1 January 2021		**137,230**	**6,863**	**144,093**
Profit for the half year		-	2,090	2,090
Other comprehensive income for the half year, net of tax		-	-	-
Total comprehensive income for the half year		-	2,090	2,090
Transactions with owners of the Company:				
Shares issued	7	320	-	320
Payment of dividends	8	-	(3,591)	(3,591)
Balance at 30 June 2021		**137,550**	**5,362**	**142,912**

The condensed notes on page 28 to 38 are an integral part of these half year financial statements

STATEMENT OF **CASH FLOWS**
FOR THE HALF YEAR ENDED 30 JUNE 2021

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
Cash flows from operating activities			
Receipts from customers		8,901	23,003
Payments to suppliers		(4,496)	(23,556)
Interest paid		(1,080)	(1,325)
Income tax paid		(1,073)	(1,604)
Net cash generated from/(used in) operating activities		**1,557**	**(3,482)**
Cash flows from investing activities			
Purchase of permanent water entitlements		(1,325)	(4,540)
Deposits paid for the purchase of permanent water entitlements		(4,449)	299
Proceeds from sale of of permanent water entitlements		11,718	208
Net cash generated from/(used in) investing activities		**5,944**	**(4,033)**
Cash flows from financing activities			
Payment of share buyback		-	(1,073)
Transaction costs related to issues of shares		-	(3)
Proceeds/(repayment) of borrowings	9	(3,300)	12,928
Payment of dividends	8	(3,267)	(3,045)
Net cash (used in)/generated from financing activities		**(6,567)**	**8,807**
Net increase in cash and cash equivalents		934	1,292
Cash and cash equivalents at beginning of the period		2,760	751
Cash and cash equivalents at end of period		**3,694**	**2,043**

The condensed notes on page 28 to 38 are an integral part of these half year financial statements



CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2021

1 CORPORATE INFORMATION

Duxton Water Limited (the 'Company') 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 half year financial statements were authorised for issue by the Directors on 27 August 2021.

2 BASIS OF PREPARATION

Basis of accounting

The financial statements have been prepared under the historical cost convention except for financial derivative liabilities which are at fair value. 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, except for financial derivatives which are measured at Fair Value.

During the period, the Company elected to change the manner in which the statement of profit and loss and other comprehensive income is presented. As per AASB 101 Presentation of Financial Statements, an entity shall present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. In recent comparative periods, presenting the expenses by their function through the cost of sales approach was determined to provide the users of the financial statements with the most relevant information regarding the purchase and sale of temporary water allocations. The Company has determined that presenting the expenses by their nature would provide the users with more relevant information in regards to their operation. As such, the Company has reclassified the comparative amounts to reflect this change. As a result, $18.5 million was reclassified from 'Revenue and other income' to $18.3 million of 'Revenue', $0.2 million to 'Gain on entitlement sales' and $16.6 million was reclassified from 'Cost of sales' to 'Cost of sales and leasing'.

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

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 2020.

4 REVENUE*

	30 Jun 2021 $'000	30 Jun 2020 $'000
Lease income from water entitlements	4,620	4,323
Sale of temporary water allocations	5,429	13,937
Other income	3	25
	10,052	**18,285**

* Refer to 'Review of Operations' on page 9 for further information on changes to Revenue.



5 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. As a result of the change in presentation of the statement of profit or loss and other comprehensive income, the segment report for the period and comparative period have been presented to reflect the changes disclosed in Note 2.

For the half year ended 30 June 2021

	Permanent Water $'000	Temporary Water $'000	Unallocated $'000	Total $'000
Profit & Loss				
Reportable segment revenue	4,620	5,429	3	10,052
Gain on entitlement sales	6,659	-	-	6,659
Total segment revenue and other income	**11,279**	**5,429**	**3**	**16,711**
Finance income	-	-	-	-
Expenses	(249)	(11,438)	(1,821)	(13,508)
Finance costs	-	-	(133)	(133)
Tax expense	-	-	(980)	(980)
Net Profit/(loss) after tax	**11,030**	**(6,009)**	**(2,931)**	**2,090**

	Murray $'000	Murrumbidgee $'000	Goulburn $'000	Other[1] $'000	Unallocated $'000	Total $'000
Balance Sheet						
Permanent water entitlements at fair value	216,596	39,918	44,541	12,672	-	313,727
- Less fair market value adjustment[2]	(60,075)	(6,618)	(1,890)	(5,910)	-	(74,493)
- Less accumulated impairment	(118)	-	-	-	-	(118)
Permanent water entitlements at cost	156,403	33,300	42,651	6,762	-	239,116
Temporary water allocations at fair value	1,108	20	2	1	-	1,131
- Less fair market value adjustment[3]	3,065	272	(2)	-	-	3,335
- Less accumulated impairment	(1,532)	(136)	-	-	-	(1,668)
Temporary water allocations at cost	2,641	156	0	1	-	2,798
Total segment assets as disclosed in the financial statements [4]	157,394	33,320	42,261	6,763	11,353	251,481
Total segment liabilities as disclosed in the financial statements		-	-	-	(108,569)	(108,569)

For the half year ended 30 June 2020

	Permanent Water $'000	Temporary Water $'000	Unallocated $'000	Total $'000
Profit & Loss				
Reportable segment revenue	4,323	13,937	25	18,585
Gain on entitlement sales	190	-	-	190
Total segment revenue and other income	4,513	13,937	25	1,775
Finance income	-	-	-	-
Expenses	(792)	(19,270)	(1,620)	(21,683)
Finance costs	-	-	(2,975)	(2,975)
Tax benefit	-	-	1,854	1,854
Net Profit/(loss) after tax	**3,721**	**(5,333)**	**(2,716)**	**(4,328)**

	Murray $'000	Murrumbidgee $'000	Goulburn $'000	Other[1] $'000	Unallocated $'000	Total $'000
Balance Sheet						
Permanent water entitlements at fair value	213,302	41,680	43,447	13,532	-	311,961
- Less fair market value adjustment[2]	(57,062)	(4,979)	(1,504)	(4,061)	-	(67,606)
- Less accumulated impairment	(2,610)	(1,785)	-	(1)	-	(4,395)
Permanent water entitlements at cost	153,631	34,916	41,943	9,470	-	239,959
Temporary water allocations at fair value	1,978	962	311	46	-	3,296
- Less fair market value adjustment[3]	3,711	1,427	571	(6)	-	5,703
- Less accumulated impairment	(1,855)	(714)	(286)	-	-	(2,855)
Temporary water allocations at cost	3,833	1,675	596	40	-	6,144
Total segment assets as disclosed in the financial statements [4]	152,998	34,092	42,253	9,509	6,919	245,007
Total segment liabilities as disclosed in the financial statements	-	-	-	-	(110,774)	(110,774)

1. "Other" comprises of the Lachlan and Parilla 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 are measured at fair value. The measure of water entitlements does not comply with the recognition and measurement requirements of the Australian Accounting Standards.

6 WATER ENTITLEMENTS AND ALLOCATIONS

a) Permanent water entitlements

Permanent water entitlements - at cost	$'000
Balance at 1 January 2020	235,529
Additions	11,016
Disposals	(6,514)
Balance at 31 December 2020	240,031
Balance at 1 January 2021	240,031
Additions	6,424
Disposals	(7,339)
Balance at 30 June 2021	239,116

Accumulated impairment	$'000
Balance at 1 January 2020	3,834
Impairment loss/(reversal) recognised in profit or loss	(3,622)
Balance at 31 December 2020	212
Balance at 1 January 2021	212
Impairment loss/(reversal) recognised in profit or loss	(94)
Balance at 30 June 2021	118
Total carrying amount – 31 December 2020	**239,819**
Total carrying amount – 30 June 2021	**238,998**

b) Temporary water allocations

	30 Jun 2021 $'000	31 Dec 2020 $'000
Temporary water allocations (cost)	2,797	10,164
Less impairment	(1,669)	-
Total carrying amount	**1,128**	**10,164**

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 megalitre (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 5.

7 ISSUED CAPITAL AND SHARE OPTIONS

Issued capital as at 30 June 2021 amounted to $137.6 million (119,840,047 ordinary shares). Issued capital as at 31 December 2020 amounted to $137.2 million (119,597,578 ordinary shares). During the half year to 30 June 2021:

- 242,469 ordinary shares ($0.3 million) were issued under the Company's Dividend Reinvestment Plan.

At 30 June 2021 the Company does not have any share options on issue (30 June 2020: nil).

8 DIVIDENDS PAID

Total dividends paid for the half year ended 30 June 2021 were $3.6 million (June 2020: $3.3 million). This consisted of cash distributions of $3.3 million (June 2020:$3.0) and shares issued under the DRP to the value of $0.3 million (June 2020: $0.3 million).

9 INTEREST-BEARING LIABILITIES

	30 Jun 2021 $'000	31 Dec 2020 $'000
Bank loans – secured	106,000	109,300
	106,000	**109,300**
Current	–	3,300
Non-Current	106,000	106,000
	106,000	**109,300**

SUMMARY OF BORROWING ARRANGEMENTS

(i) On 23 December 2020 the Company entered into a $106.0 million facility, repayable on 23 December 2022. The facility was drawn down to $106.0 million at 30 June 2021. The amount is reflected as non current.

(ii) Bank Covenants have remained unchanged since 31 December 2020;

(iii) Bank loans - secured: The variable interest payable on these debt facilities is calculated as BBSY plus 0.775% p.a + Facility Fee of 0.775%.

(iv) These facilities are secured by mortgages on the Company's permanent water rights.

(v) Interest is charged through a mixture of variable and fixed 5-10 year interest rate swap arrangements. Interest swap rates range from 2.3%-3.3%.

(vi) The Company's debt facility is due for expiry on 23 December 2022.

Fair Value of Financial instruments

FAIR VALUE HIERARCHY

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs)

FAIR VALUE ASSESSMENT OF FINANCIAL DERIVATIVES

The fair value of the Company's interest rate swaps are calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates.

Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps.

The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices. Interest rate swaps are classified as Level 2 fair value financial instruments. Fair values are not based on any significant unobservable inputs.

During the period, fair value changes of $1.2 million was recognised in the Statement of Profit or Loss and Other Comprehensive Income. There were no transfer between fair value levels during the year.

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

	Note	30 Jun 2021 $'000	31 Dec 2020 $'000
Financial Assets			
Cash and cash equivalents		3,694	2,760
Trade and other receivables		6,475	4,866
Total financial assets		**10,169**	**7,626**
Financial Liabilities			
Trade and other payables		1,300	422
Interest-bearing liabilities		106,000	109,300
Financial derivative liabilities		799	1,992
Total financial liabilities		**108,099**	**111,714**

10 KEY MANAGEMENT PERSONNEL

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

Mr Edouard Peter, Chairman of the Company, controls the Investment Manager and is a shareholder and Director of the Investment Managers' parent Company Duxton Capital Holdings Pty 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 Managers' 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 424,529 shares (June 2020: 378,100) in the Company and an indirect interest of 11,141,996 (June 2020: 11,066,685) shares in the Company. Mr Edouard Peter's indirect interest is inclusive of shares owned by the Duxton Group. The Duxton group owns 1,839,932 shares in the company at 30 June 2021 (June 2020: 334,441).

Mr Stephen Duerden has a direct interest of 41,353 shares (June 2020: 41,353) in the Company and an indirect interest of 186,365 shares (June 2020: 80,060) in the Company. Mr Stephen Duerden's indirect interest is inclusive of shares owned by the Duxton Group. The Duxton group owns 1,839,932 shares in the company at 30 June 2021 (June 2020: 334,441).

11 RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the half year ended 30 June 2021 (and the half year ended 30 June 2020):

	30 Jun 2021 $'000	30 Jun 2020 $'000
Management fee – Duxton Capital (Australia) Pty Ltd	907	960
Administration fee – Duxton Capital (Australia) Pty Ltd	146	93
Revenue – Duxton Viticulture Pty Ltd	1,295	1,214
Revenue – Duxton Broadacre Farms Ltd	106	139
Revenue – Duxton Dairies (Cobram) Pty Ltd	49	46
Revenue – Duxton Dried Fruits Pty Ltd	28	–

Transactions between related parties are on commercial terms and conditions.

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

	30 Jun 2021 $'000	30 Jun 2020 $'000
Amount due to (from) Duxton Capital (Australia) Pty Ltd	184	181
Amount due to (from) Duxton Dairies (Cobram) Pty Ltd	(3)	(23)
Amount due to (from) Duxton Broadacre Farms Ltd	(2)	-
Amount due to (from) Duxton Viticulture Pty Ltd	(74)	-

12 SUBSEQUENT EVENTS

As a result of the evolving nature of the COVID-19 pandemic and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the Company is not in a position to reasonably estimate the financial effects of the COVID-19 pandemic on the future financial performance and financial position of the Company.

Other than the above, there have been no events subsequent to reporting date which would have a material impact on the Company's 30 June 2021 financial statements.

DIRECTOR'S **DECLARATION**
FOR THE HALF YEAR ENDED 30 JUNE 2021

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

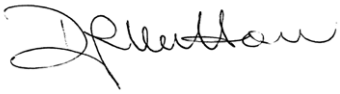
1. the condensed financial statements and notes set out on pages 28 to 38, are in accordance with the Corporations Act 2001 including:
   a. giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance of the 6 months period ended on that date; and
   b. complying 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
27 August 2021

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 2021 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 2021;
- 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 12 comprising a summary of significant accounting policies and other explanatory information; and
- Directors' Declaration.

The Interim Period is the 6 months ended on 30 June 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

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

Liability limited by a scheme approved under Professional Standards Legislation.

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

Our responsibility is to express a conclusion on the half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2021 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*.

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.

KPMG

Darren Ball
Partner

Adelaide

27 August 2021

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

Liability limited by a scheme approved under Professional Standards Legislation.

CORPORATE **DIRECTORY**

Non-Executive Chairman
Edouard Peter

Non-Executive Director
Stephen Duerden

Independent Non-Executive Directors
Dirk Wiedmann
Dennis Mutton
Vivienne Brand

Company Secretary
Katelyn Adams

Principal and Registered Office
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Telephone: (08) 8130 9500
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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: D2O




DUXTON
WATER

DUXTON
WATER

APPENDIX 4D
HALF-YEAR REPORT

1 REPORTING PERIOD

Reporting period "Current period" From 1 January 2021 to 30 June 2021
Previous corresponding period From 1 January 2020 to 30 June 2020

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenue from ordinary activities	down	10%	to	16,711
Profit (loss) from ordinary activities after tax attributable to members	up	307%	to	2,090
Net profit (loss) for the period attributable to members	up	307%	to	2,090

	30 Jun 2021	31 Dec 2020
Net asset value per share	$1.19	$1.20
Net asset value per share at fair market value	$1.63	$1.62

On 30 April 2021 the Company paid a $0.030 final dividend, franked to 100%.

	Record date	Date payable	Amount per security	Franked amount per security
Final dividend	16 April 2021	30 April 2021	$0.030	$0.030

Commentary on results for the period

During the period ended 30 June 2021, the Company:
- Delivered a net profit after tax of $2.1 million
- Maintained visible leasing revenue of $9.0 million from 1 July 2021
- Paid a final 2020 fully franked dividend of 3.0 cents per share; and
- Provided Shareholders with targets for the next four dividend payments.

Pricing on the Company's permanent water portfolio has continued to increase, reaffirming that water as an asset class is resilliant and robust in a variable global market.

The NAV from a Fair Market Value perspective at 30 June 2021 was $1.63 which has since increased to $1.67 at 31 July 2021 on the back of increasing permanent water prices and impairment reversal of $1.7 million on the temporary portfolio.

At 30 June 2021, the Company is carrying $74.5 million (or $0.44 per share) of unrealised capital gain on the water portfolio. This is excluded from the statutory financial statements due to the application of Australian Accounting Standards.

The NAV of the Company in accordance with Australian Accounting Standards (which excludes unrealised gains) at 30 June 2021 is $1.19 per share (31 December 2020: $1.20 per share).

30 June 2021	Per Company Statement of Financial Position $'000 *(reviewed)*	Per Fair Market Value $'000 *(unreviewed)*	Variance $'000
Assets			
Permanent water entitlements	238,998	313,727	74,729
Temporary water entitlements	1,128	1,131	3
Net current and deferred tax asset	945	(21,714)	(22,659)
Net other current assets	8,640	8,640	-
Net non-current liabilities	(106,799)	(106,000)	799
Total net assets	**142,912**	**195,783**	**52,872**
Net asset value per share	**$1.19**	**$1.63**	**$0.44**

3 NET TANGIBLE ASSETS PER SHARE

	30 June 2021	30 June 2020
Net tangible assets per ordinary share ($)	(0.76)	(0.85)
Net assets per ordinary share ($)	1.19	1.12

4 CONTROL GAINED OR LOST DURING THE PERIOD

Not applicable

5 DIVIDENDS

	Record date	Date payable	Amount per security	Franked amount per security
Current half-year	16/04/2021	30/04/2021	$0.030	$0.030
Previous half-year	16/03/2020	30/03/2020	$0.028	$0.028

6 DIVIDEND REINVESTMENT PLAN

The Company's DRP was in operation for the period relating to the 2020 final dividend (paid April 2021). 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 19 April 2021.

7 ASSOCIATES AND JOINT VENTURES

There are no associates or joint venture entities.

8 FOREIGN ENTITIES

Not applicable

9 OTHER INFORMATION

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