DUXTON WATER LTD

ACN 611 976 517

2020 DECEMBER ANNUAL REPORT

CORPORATE **DIRECTORY**

Non-Executive Chairman
Edouard Peter

Non-Exectuive Director
Stephen Duerden

Independent Non-Executive Directors
Dirk Wiedmann
Peter Michell
Dennis Mutton
Vivienne Brand

Company Secretary
Katelyn Adams

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Stock Exchange Listing
Australian Securities Exchange
Share Code: D20

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

25 March 2021

Dear Shareholders,

We are pleased to present to you the annual report for Duxton Water Limited ("the Company") (ASX: D2O) for the year ended 31 December 2020.

Duxton Water is in the business of partnering with farmers, both large and small to assist in managing their water supply needs. We support a number of agricultural industries including dairy, viticulture, citrus, broadacre, olives, nut production and dried fruit.

Through the establishment of Duxton Water Limited, shareholders have been able to obtain exposure to an alternative asset class in Australian water entitlements. The Company solely invests in the Australian water assets. Through 2020, the Company has continued to develop and mature its portfolio of water assets, primarily focused in the southern Murray Darling Basin. 100% of the Company's water assets are active in the delivery of water to irrigators. This is facilitated through entitlement leases as well as the provision of both spot allocation and forward contract allocation sales.

The ongoing maturity and development of the Australia water market has delivered irrigators a critical tool in the management of Climate Change and the increased variability it will deliver. Irrigators ability to maintain an adaptive approach, particularly in years of constraint, and respond quickly and effectively in years of increased water resource, is critical in sustaining and increasing Australian food and fibre production.

Duxton Water provides a range of water solutions

100% of the Company's water assets are active in the delivery of water to irrigators

• WE PROVIDE WATER SECURITY •

Our leases enable farmers to make alternative capital decisions

Duxton Water's commitment to deliver water supply solutions to farmers

Establishing a portfolio which is diversified within the Murray Darling Basin

To provide valuable water supply solutions through leases, forwards and allocations

Which allows farmers to risk manage their water input to produce optimal agricultural commodities

This enables D20 to provide investors with visible cash yields and long term growth

Duxton Water as at 31 December 2020

During 2020, the Company delivered on both of its dividend targets, paying a total dividend of 5.7 cents per share (fully franked) to shareholders. A 2.8 cent per share dividend was paid to shareholders in March 2020 and a 2.9 cent per share dividend was paid to shareholders in October 2020. The board has also announced that it will pay a final 2020 dividend of 3.0 cents per share (fully franked) to shareholders in April 2021.

Duxton Water generated net profits before interest and tax of $16.65 million (2019: $12.88 million) achieved through its various income streams. Whilst returns from allocation sales were lower, increased leasing revenue and realised capital gain from rebalancing the permanent entitlement portfolio, enabled the Company to continue to deliver a balanced return. Realising capital gain on the permanent portfolio also unlocks statutory profits which can be paid out as dividends to shareholders.

During 2020, the Company generated a strong annual EPS of 7.3 cents per share which is up from 6.4 cents per share in 2019.

PORTFOLIO RETURNS

PROFIT (EBT)		EARNINGS PER SHARE		DIVIDENDS PAID	
2020	2019	2020	2019	2020	2019
$12.4m	$10.6m	7.3 cents	6.4 cents	5.7 cents	5.3 cents

Leases

Water entitlement leases provide Duxton Water with a reliable, visible income stream and are an increasingly attractive long-term solution for irrigators. Leases provide our farming partners with allocation and water security that ownership of the entitlement offers. For the Company's tenants, leasing as opposed to owning entitlement, frees up their balance sheets, enabling them to focus capital into their land and production assets.

The Company's leasing revenue increased to $8.9 million in 2020 up from $5.8 million in 2019.

As a percentage of the Company's water entitlement portfolio, 64% is leased. This includes 78% of the Company's high security water entitlements.

At 31 December 2020, the Company had a WALE (weighted average lease expiry) of 2.2 years which increases to 4.5 years with the inclusion of the current renewal options. The remaining unleased portion of the portfolio is used to deliver other water supply products to irrigators such as spot allocation and forward contracted allocation supply.

Over the next 12 months, based on current negotiations, the Company expects to increase its leased exposure which will see it achieve its' goal of having between 70-80% of the portfolio committed to leases and also extend the current WALE.

Dividends

The Company was pleased to have delivered dividends totalling 5.7 cents per share (franked to 100%) through the 2020 calendar year. This comprised of a final 2019 dividend of 2.8 cents per share in March 2020, followed by an interim 2020 dividend in October 2020 of 2.9 cents per share (both franked to 100%).

The Directors are pleased to have announced a final 2020 dividend of 3.0 cents per share (franked to 100%) to be paid in April 2021.

The Board maintains its commitment to providing shareholders with a bi-annual dividend franked to the maximum extent possible.

With visibility to its leasing revenue and structured returns from the balance of its unleased entitlement, the Company is able to continue to provide its Shareholders with a degree of forward looking dividend targets:

Interim 2021	Final 2021	Interim 2022	Final 2022
$0.031	**$0.032**	**$0.033**	**$0.034**

DIVIDEND TARGETS ARE EXPECTED TO BE FULLY FRANKED

Portfolio of Australian Water Assets

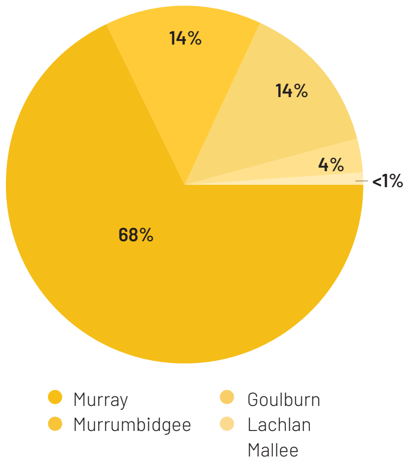
After observing record entitlement pricing across the southern Murray Darling Basin (SMDB) in January and February of 2020, water entitlement values retraced by ~6% in the first half of the year. This was observed mainly in high security entitlements, which by June had stabilised. By the end of 2020, overall SMDB water entitlements had recovered ~1%. With significantly more resource availability, NSW general security entitlements have seen between 10-15% increases in value in the second half to 2020.

On a fair market value basis, at the 31 December 2020, the Company's portfolio of water assets was valued at $319.3 million with total entitlements held of 81GL. This was down from $334.6 million and 83GL at the end of 2019.

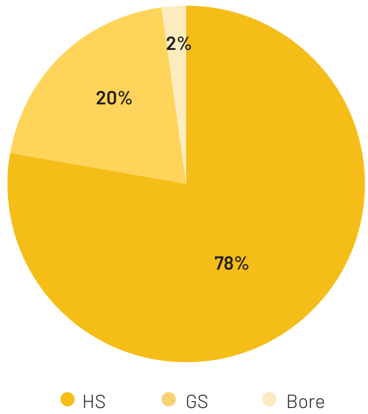
Due to Australia's highly variable climate, a critical factor in managing the Company's water portfolio is ensuring a balance of different types of water entitlements across many different regions. This ultimately allows the portfolio to deliver a balanced return across the variable conditions.

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

Entitlement Portfolio Value by Region



Water Security Breakdown



Entitlement Type Held	31/12/2019 (ML)	ML Change	31/12/2020 (ML)
Vic 1A Greater Goulburn HRWS	9,978.70	210.50	10,189.20
Vic 1A Greater Goulburn LRWS	94.40	-	94.40
Vic 1B Greater Goulburn	357.90	18.00	375.90
Vic 3 Greater Goulburn	371.00	50.00	421.00
Vic 5 Loddon HRWS	-	-	-
Vic 6 Murray (Dart to Barmah) HRWS	7,257.50	374.80	7,632.30
Vic 6B Murray (dart to Barmah) HRWS	267.50	250.00	517.50
Vic 7 Murray (Barmah to SA) HRWS	5,909.60	(970.00)	4,939.60
Vic 7 Murray Murray (Barmah to SA) LRWS	31.20	(31.20)	-
NSW Murray 10 HS	3,010.00	-	3,010.00
NSW Murray 10 GS	14,491.00	-	14,491.00
NSW Murray 11 HS	7,661.15	(28.00)	7,633.15
NSW Murray 11 GS	7,140.21	188.64	7,328.85
NSW Murray 11 Supp	83.00	-	83.00
NSW Murrumbidgee 13 HS	3,472.00	172.00	3,644.00
NSW Murrumbidgee 13 GS	7,822.33	-	7,822.33
NSW Lachlan GS - Jemalong Irriation	2,660.00	-	2,660.00
NSW Lachlan GS	6,510.00	(2,006.00)	4,504.00
NSW Lower Lachlan Ground Water	788.00	-	788.00
SA Murray HS	3,807.71	(122.09)	3,685.62
SA Mallee Prescribed Wells Area - Parilla Red Zone	500.00	-	500.00
SA Mallee Prescribed Wells Area - Parilla Green Zone	831.86	-	831.86
Total	**83,045.06**	**(1,893.35)**	**81,151.71**

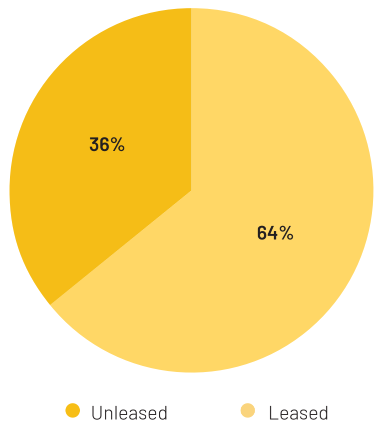
Despite the retracement of high security assets through 2020, since the Company's listing in September 2016, water entitlements across the SMDB have increased by ~84%. The value uplift observed is broadly reflective of long-term drivers rather than shorter term climate impacts. Demand and supply dynamics of the market are not static. Farmers will perpetually seek to improve their profitability and marginal return per megalitre. This enables them to compete more effectively for the available resource. This drive for efficiency of water use and effective conversion to economic output builds resilience within their businesses and enables them to better navigate an environment of changing climate and economic uncertainty.

Over the last 10 years, we have seen significant steps taken to return water to the environment with Government purchase (buyback) of between 20-22% of entitlements that were previously available to the consumptive pool.

The combined impact of stronger demand and a reduced available water supply has consequently driven the increase in water entitlement prices and competition of the available annual allocation.

This dynamic shift is expected to continue, a fact that was reinforced in a report commissioned and released in November 2020 by the Victorian Government. In the report it determined that with a continuation of drier conditions experienced in the SMDB over the last 15 year, that by modelling current and proposed further horticultural development with current and potential water recovery, median water market prices for allocation could potentially increase by 100-175% by 2035.

Water Portfolio Diversification



ACCC Inquiry

On 30 July 2020, the ACCC released the interim report into the southern Murray Darling Basin water market. The ACCC has spent almost 18 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. It is the Company's view that they have been well placed and well resourced to undertake this review.

Within the interim report, the ACCC stated that:

"Water trading has brought substantial benefits to water users across the Basin. Water markets allow Irrigators to increase their water supplies, to earn income by selling their water rights when they are more valuable to someone else, to expand production, or to release capital for investment in their businesses. The benefit of water markets is demonstrated by the fact that, despite tough and volatile climatic conditions, the value of production from irrigated agriculture in the Southern Basin has trended upwards in real terms since 2010-11."

"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 interim report identified a number of potential opportunities to improve governance, regulatory and operational frameworks that support Australian water markets.

The Company believes that a focus in these areas will benefit all stakeholders and have actively maintained an engagement with the

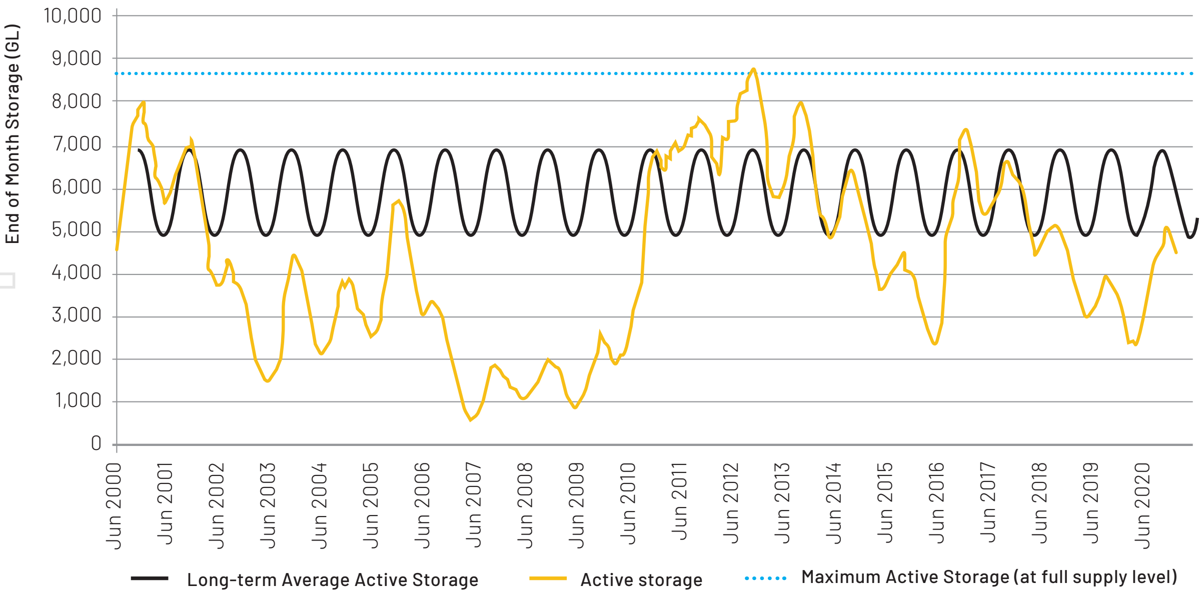
Outlook

Over the last 12 months we have seen global disruption and impacts on all facets of business due to the COVID-19 pandemic. Australian agriculture has weathered the conditions better than many and coupled with an easing of the previously dry conditions, has delivered significant economic improvements across most industries over the last 12 months.

Whilst we have not seen southern basin storages completely reset, storages are in a much better shape than 12 months ago. Rainfall has been somewhat widespread across the Murray Darling Basin (MDB) with the Murrumbidgee valley in particular seeing a strong boost in water availability. The Murray and Northern Basin catchments are yet to fill. This has been reflective in storage levels where the combined Murray Goulburn as of mid-February 2021 is holding 55% (up from 32% in 2020), Northern basin storage are at 28% (up from 7% in 2020) and Murrumbidgee at 73% (up from 36% in 2020).

Rainfall across the MDB has delivered extremely positive conditions for both winter and summer annual cropping programs and this has seen substantially more production through 2020 than 2019. The change in conditions has also seen an easing in the apprehension towards further agricultural development, with a number of projects that were paused due to the extended dry period, are now continuing ahead.

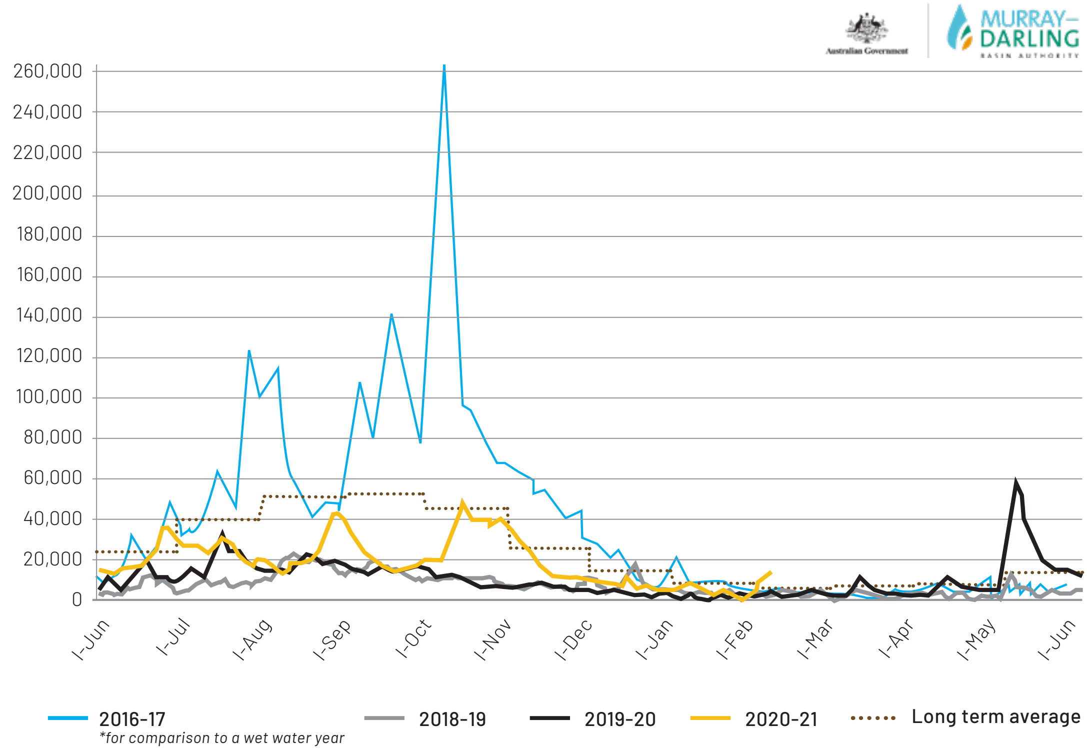
MDBA Active Storage: June 2000 to present



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

The improved water resource availability has delivered increased allocations across the basin which has eased supply constraints of the last 2-3 years and subsequently lowered allocation pricing, prompting a significant renewal to annual crop production over the last 12 months. The conditions and allocation pricing as they currently are, would suggest this will continue into the 2021/22 water year.

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



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

The Board and I thank you for your continued interest and investment in Duxton Water.

Kind Regards,
Ed Peter

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of Duxton Water Limited submit here with their Directors' Report, the financial report of Duxton Water Limited ("the Company") for the year ended 31 December 2020, and the Auditors' Report. In order to comply with the provisions of the Corporations Act 2001, the Directors Report as follows:

Directors

The names of the Directors of the Company that held office during and since the end of the financial year are:

Mr Edouard Peter
Mr Stephen Duerden
Mr Dirk Wiedmann
Mr Peter Michell
Mr Dennis Mutton
Dr Vivienne Brand

The above named Directors held office during the whole of the financial year and since the end of the financial year, with the exception of Dr Vivienne Brand who was appointed effective 25 November 2020.

The office of company secretary is held by Mrs Katelyn Adams.

Remuneration of key management personnel

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

Principal activities

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

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

Review of operations

OPERATIONAL PERFORMANCE

The underlying performance of the Duxton Water portfolio remains durable and robust. The Company has been able to consistently deliver operational gross profits and provide Shareholders with capital appreciation against a diversified portfolio of Australian water assets while paying bi-annual dividends in the short-term.

The portfolio delivered a profit before interest and taxes of $16.65 million (2019: $12.88 million) for the year ended 31 December 2020. This result is strongly underpinned by the Company's leasing revenue stream which continued to perform well in what has been a challenging 2020 for businesses right across Australia. **This consistent and visible revenue stream provides the Company with foresight to future financial performance and the Board can subsequently continue to provide Shareholders of Duxton Water with long term dividend targets.** Subsequent revenues from the unleased permanent portfolio and the active management and repositioning of these water assets has seen the Company to continue to generate statutory earnings from opportunities that present within the market.

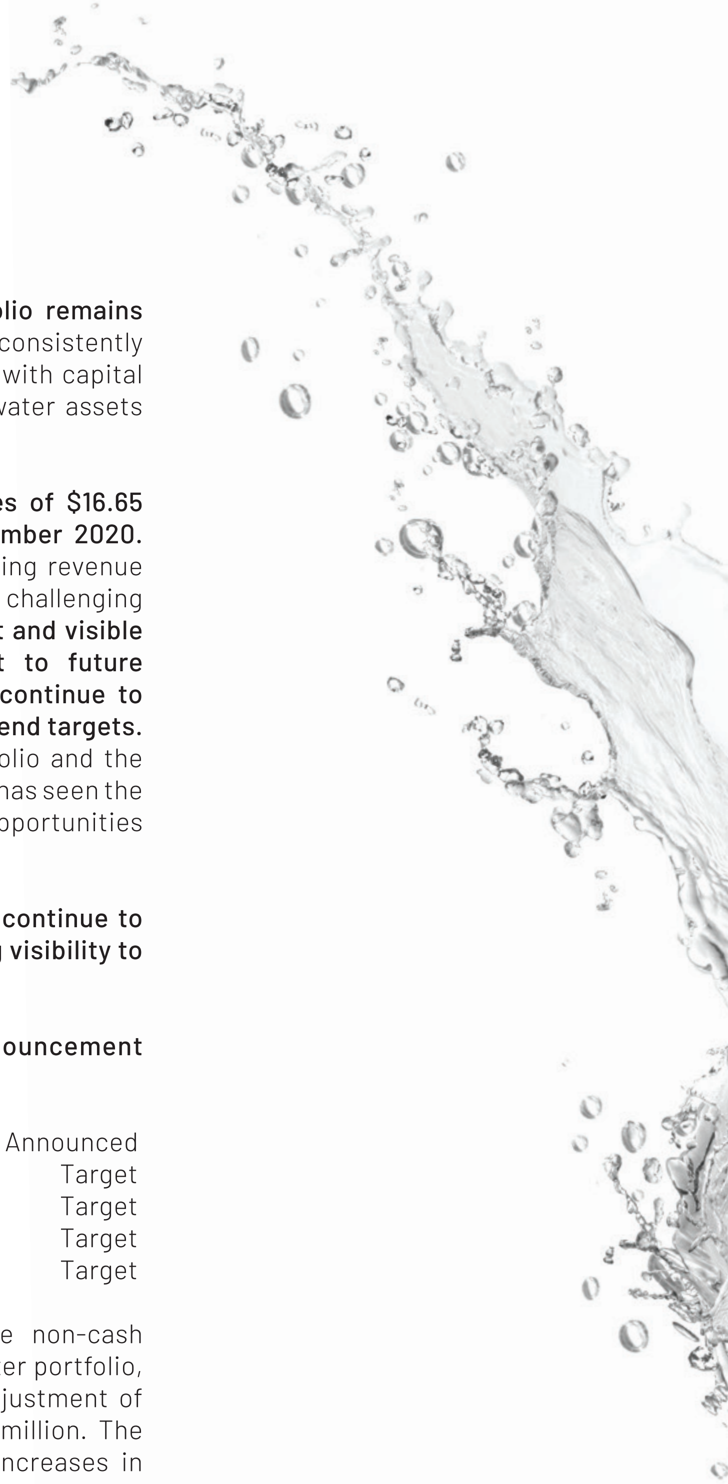
The Board remains confident of the Company's ability to continue to derive strong annual returns and is committed to providing visibility to future dividend targets.

The Company has provided the following dividend announcement and targets:

• Final 2020 dividend of 3.0 cents ($0.030);	Announced
• Interim 2021 dividend of 3.1 cents ($0.031);	Target
• Final 2021 dividend of 3.2 cents ($0.032);	Target
• Interim 2022 dividend of 3.3 cents ($0.033); and	Target
• Final 2022 dividend of 3.4 cents ($0.034).	Target

Embedded within the Statement of Profit or Loss are non-cash impairment reversals of $3.62 million on the Company's water portfolio, and non-cash finance expenses relating to a fair value adjustment of the Company's interest rate swap arrangements of $1.65 million. The impairment reversal is primarily due to fair value price increases in the Company's general security portfolio which has now seen the fair value for most of these entitlements rise above cost, providing the Company with the benefit of being able to reverse out previously booked impairments on the assets.

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 if interest rates begin to rise and as the swap arrangements get closer to expiry.



MATURING THE WATER PORTFOLIO

Over the past 12 months, Duxton Water has continued to develop and strategically position its permanent water portfolio. Although no new capital was raised from Shareholders in 2020, the Company actively managed and strategically matured the portfolio while unlocking statutory profit for Shareholders that is otherwise quarantined due to the accounting treatment of permanent water assets. In 2020, repositioning the permanent portfolio resulted in the Company unlocking $7.76 million (2019: $2.75 Million) of statutory profits through the sale of permanent water assets. **At 31 December 2020, the Company's long-term water leases represent 64% of the permanent portfolio by value.**

DEBT SUMMARY & INTEREST RATE SWAPS

The board will continue to use sensible debt funding to grow and develop the portfolio of water assets. With the Company approaching its long-term goal of having 70-80% of the portfolio deployed into long-term leases, it was thought prudent to hedge part of the Company's debt to improve long term revenue visibility. Dreivative financial instruments (interest rate swaps) have been used to mitigate the Company's exposure to future interest rate movements. **Due to the economic impacts of COVID-19, interest rates have continued to fall which has resulted in an overall cash benefit to the Company.**

The Company is required to carry financial instruments (interest rate swap arrangements) at fair value. For the period ended 31 December 2020, non-cash fair value adjustments on the Company's interest rate swaps of $1.65 million has been recognised as a finance expense in the Company's Statement of Profit or Loss. Total fair value adjustment recognised on the Company's interest rate swap arrangements at 31 December 2020 is $1.99 million. **The effective cost of borrowings (including swaps) on an annualised basis is 2.30%.**

For the year ended 31 December 2020:

Cash Finance Costs	=	$2.57 million
Non-Cash Finance Costs	=	$1.65 million
Total Finance Costs	**=**	**$4.22 million**
Average debt drawn during 2020	**=**	***$106.09 million***

Key metrics	2020	2019	2018	2017	2016
Profit (loss) attributable to owners of the company	$8.696m	$7.425m	$7.265m	$2.066m	($0.232m)
Basic earnings per share	$0.073	$0.064	$0.085	$0.032	($0.015)
Dividends paid	$6.798m	$6.098m	$3.990m	$1.471m	-
Dividends per share	$0.057	$0.053	$0.049	$0.023	-
Share price (at 31 December)	$1.41	$1.44	$1.51	$1.12	$1.00
Return on capital employed	$0.067	$0.054	$0.067	$0.038	($0.008)

Financial overview

During the period ended 31 December 2020, the Company:

- **Delivered a profit before interest and taxes of $16.65 million (2019: $12.88 million)**
- **Increased visible leasing revenue to $8.95 million (2019: $5.76 million)**
- **Paid two fully franked dividends totalling $0.057 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 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.

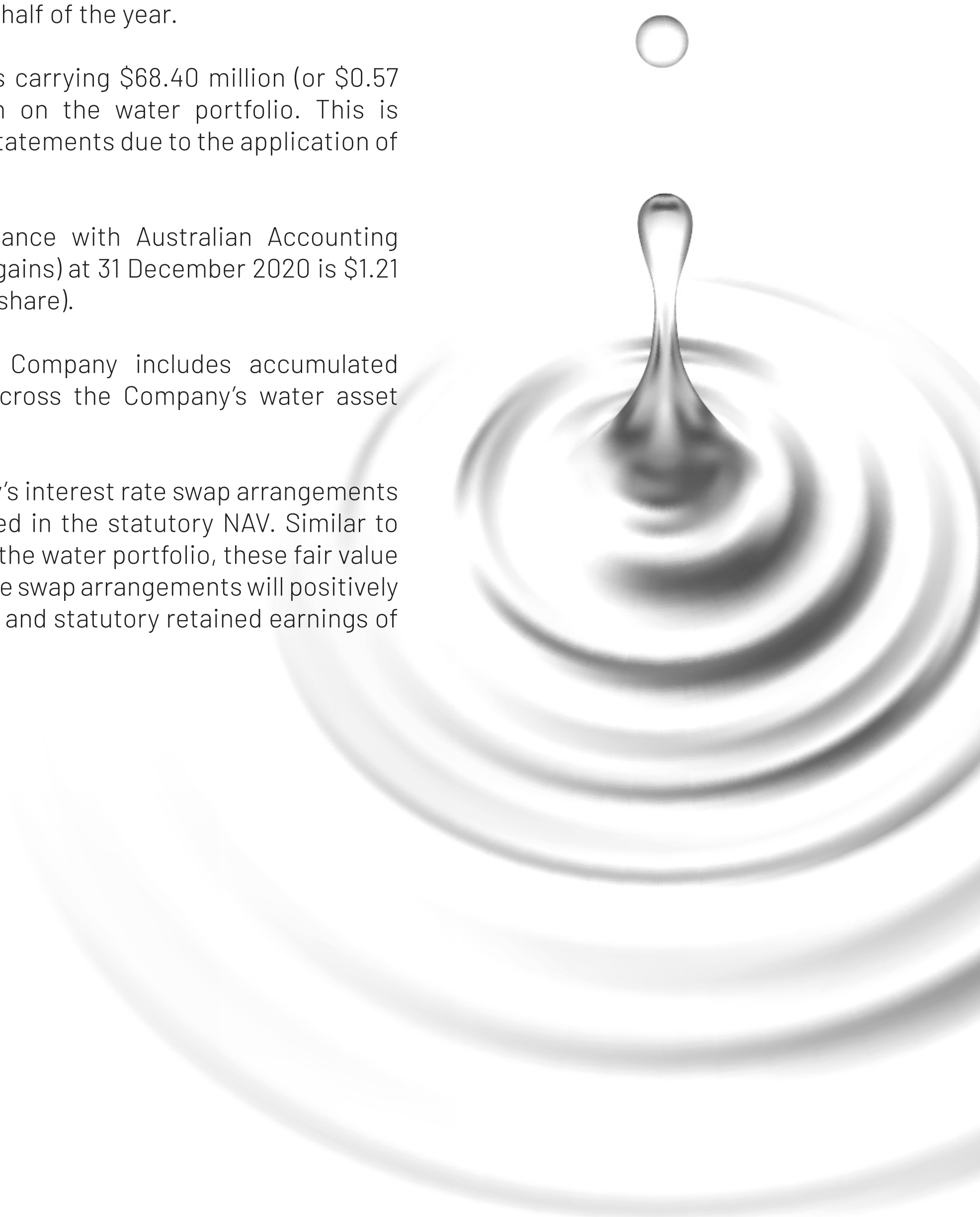
The NAV from a Fair Market Value perspective at 31 December 2020 was $1.62 which has decreased from $1.76 at 31 December 2019, when permanent water prices were at all time highs. After experiencing a pull pack in NAV in early 2020 due to a pricing correction for permanent water assets, prices have continued to stabilise with general security prices increasing in value through the second half of the year.

At 31 December 2020, the Company is carrying $68.40 million (or $0.57 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 31 December 2020 is $1.21 per share (31 December 2019: $1.19 per share).

The statutory NAV position of the Company includes accumulated impairment losses of $0.20 million across the Company's water asset portfolio.

Fair value adjustments on the Company's interest rate swap arrangements of $1.99 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 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.

31 December 2020	Per company Statement of Financial Position $'000	Per Fair Market Value* $'000	Variance $'000
Assets			
Permanent water entitlements	239,819	308,434	68,615
Temporary water entitlements	10,164	10,829	665
Net current and deferred tax asset	(284)	(21,667)	(21,383)
Net other current assets	(314)	(314)	-
Net non-current liabilities	(105,292)	(103,300)	1,992
Total net assets	**144,093**	**193,982**	**49,889**
Net asset value per share	**$1.205**	**$1.622**	**$0.417**

31 December 2019	Per company Statement of Financial Position $'000	Per Fair Market Value* $'000	Variance $'000
Assets			
Permanent water entitlments	231,695	326,831	95,136
Temporary water entitlements	5,745	7,729	1,984
Net current and deferred tax asset	(538)	(29,611)	(29,073)
Net other current assets	319	658	340
Net non-current liabilities	(94,539)	(94,539)	-
Total net assets	**142,682**	**211,068**	**68,387**
Net asset value per share	**$1.190**	**$1.761**	**$0.571**

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

Further detail by reported segment is disclosed in Note 18 of the financial statements.

Dividends Paid

In respect of the financial year ended 31 December 2020, a final dividend of 2.8 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 30 March 2020. An interim dividend of 2.9 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 30 October 2020.

Total dividends paid for the 2020 financial year were $6.798 million. This consisted of cash distributions of $6.209 million and shares issued under the DRP to the value of $0.589 million.

Future developments

With the likely breakdown of the La Nina event through the back of summer and into the autumn, the Bureau of Meteorology ("BOM") is projecting that conditions in Pacific will return to a more neutral influence. The current La Nina event is still likely to deliver wetter than average conditions however this is likely to remain mostly in Northern Australia with southern conditions likely to experience more average conditions over the next few months. Rainfall conditions through 2020 and early 2021 have been a significant improvement over those experienced over the last 3 and a half years. That being said, the La Nina failed to reset river systems and storage levels, particularly in the Murray and northern Murray Darling basin catchments.

The 2020/21 water year allocation forecasts were released mid-February 2021 for Victoria. Whilst improved water availability in 2020/21 has enabled the Victorian Resource Manager to build reserves for 2021/22, without average flows into major storages, opening allocations would likely be less than 25%. With the global climate drivers, specifically the IOD and ENSO returning to neutral, any change in forecast conditions may be driven by local factors as we move into autumn and winter.

Irrigators over the last 12 months have focused on taking advantage of the improved conditions with shorter term water supply arrangements mostly sought. The Company is however seeing strong interest in new leases and in renewal of current arrangements. Evidenced by a number of reports that have been released over the last 12 months, particularly those commissioned and released by the Victorian Government (see links below), demand across the southern basin continues to grow with continued uncertainty to the extent of further Government water recovery. The supply and demand dynamics will continue to change and morph as climate change, future agricultural development and sustained environmental considerations evolve.

With irrigators continuing to develop a mixed source of water supply options, the opportunity to continue to invest and mature a portfolio of water assets with which to support our growing number of irrigation partners remains strong. The Company believes that water assets in the southern Murray Darling basin ultimately provide our investors with a proxy exposure to irrigated agriculture across this region. This delivers a diversified exposure to agriculture without the concentrated industry or production risk exposure usually found in agricultural investment.

(https://waterregister.vic.gov.au/about/news/330-new-analysis-on-trends-and-drivers-of-marker-prices-for-allocation)

(https://waterregister.vic.gov.au/about/news/321-updated-estimate-of-water-supply-and-horticulture-demand-in-the-southern-basin)

Sustainability

Duxton Water Ltd is aware of the potential risks that climate change could present to the Company and its customers across Australian Agriculture. The development of the Australian water market, is seen by many as a key tool in assisting Australian agriculture to manage climate variability. With the continued impacts of climate change, it is expected that we will see an increase in weather extremes and resource variability into the future.

The Company has sought not only to manage its own risk through the establishment of a geographically diverse and balanced water entitlement portfolio, but to assist in the maturity and delivery of water supply products to enable our customers to better risk manage and mitigate the impacts of a changing climatic environment. The historic variable nature of Australia climate means that Australian farmers have experience dealing with climate variability and therefore are be better prepared than many to embrace new technology and evolve to meet the changes ahead.

Australia is a large and diverse landmass and climate change is, and will continue to have mixed impacts across the country. Across the continent, Australian farmers are rising to meet the challenge of sustainably managing landscape, water and commodity selection to maintain and increase agricultural output. Duxton Water sees itself as playing an important role in assisting Australian agriculture meet these future challenges.

The Company continues to monitor and review future impacts as new information and data becomes available. This informs the Company's approach as it develops it water asset portfolio. We expect the water market to continue to adjust as market participants consider these impacts and position for future change. The Board is conscious of its approach in seeking to build a sustainable business and monitors these evolving risks and challenges through its risk assessment framework.

Environmental regulation

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

COVID-19

The Investment Manager and Board of Duxton Water Ltd 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.

Indemnities and insurance of officers

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

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

The Company has paid premiums amounting to $0.128 million to insure against such liabilities. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome;
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

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

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

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

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 5 board meetings and 5 audit and risk committee meetings were held.

Director	Board Meetings		Audit & Risk Committee Meetings	
	Meetings attended	Meetings held	Meetings attended	Meetings held
Mr Edouard Peter	5	5	-	-
Mr Stephen Duerden	5	5	5	5
Mr Dirk Wiedmann	5	5	-	-
Mr Peter Michell	5	5	3	5
Mr Dennis Mutton	5	5	5	5
Dr Vivienne Brand (1)	1	5	2	5

(1) Dr Vivienne Brand was appointed to the Board of Duxton Water Ltd on 25 Nov 2020.

Research and development

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

Corporate Governance

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

As at the date of the Corporate Governance Statement, the Company complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition from 1 January 2020 (unless otherwise stated).

All Ordinaries Index

The Company is 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 22 March 2021, the Company was removed from the All Ordinaries Index during the S&P Dow Jones Indices quarterly rebalancing.

Changes in state of affairs

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

Subsequent events

There have been no events subsequent to reporting date which would have a material impact on the Company's 31 December 2020 financial statements.

QUALIFICATIONS
• Bachelor English Literature

OTHER DIRECTORSHIPS (ASX Listed)
• Duxton Broadacre Farms Ltd

CHAIRMAN OF THE BOARD
EDOUARD PETER

Edouard Peter, is the Chairman Both of the Duxton Water as well as the wider Duxton Group. Prior to forming Duxton in 2009, Ed was Head of Deutsche Asset Management Asia Pacific ("DeAM Asia"), Middle East & North Africa. He was also a member of the Deutsche Bank's Group Equity Operating Committee and Asset Management Operating Committee. Ed joined Deutsche Bank in 1999 as Head of Equities and Branch Manager of DB Switzerland. Prior to his time at Deutsche bank, Ed spent 10 years UBS as Head of Swiss Equites distribution, and prior to that, 4 years as deputy head of International Swiss equity distribution at Credit Suisse in Geneva Switzerland.

Mr Peter holds a Bachelor's Degree in English Literature from Carleton College in Northfield, Minnesota and currently sits on the University of Adelaide's Agribusiness advisory board as well as their Agrifood and Wine Advisory Board. Ed's first foray into agricultural investing was in 1999 and he remains passionately interested in agriculture today.

Ed is married to Julie, a proud South Australian, and has 4 children. Ed draws and paints, makes noise on his saxophone, and can often be found flying around Australia in his bush plane. His wife of 29 years still puts up with him and his children would prefer if he didn't grow quite so many veggies.

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

Interest in Securities

Fully paid ordinary shares	11,510,495

Committees
None

NON-EXECUTIVE DIRECTOR
STEPHEN DUERDEN

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

OTHER DIRECTORSHIPS (ASX Listed)
- Duxton Broadacre Farms Ltd

Stephen Duerden is currently the CEO of Duxton Capital (Australia) Pty Ltd. He has 29 years experience in investment management with 14 of those being involved directly in the agricultural industry in Australia. Stephen joined Duxton in May 2009. Prior to this, he was the COO and Director for both the Complex Assets Investment Team and the Singapore operation of Deutsche Bank Asset Management Asia. Prior to this, Stephen worked with Deutsche in Australia where he was a member of the Australian Executive Committee responsible for the management of the Australian business, with assets under management of approximately A$20 billion, and a member of the Private Equity Investment Committee overseeing the management of over $2.5 billion in Private Equity and Infrastructure assets.

Stephen has had exposure to a broad range of financial products and services during his career. He has been involved in property development and management, the listing and administration of REITS, the investment and operation of a number of agricultural businesses as well as the operation and investment of more traditional asset portfolios. Stephen is currently a Director of a number of investment funds managed by the Duxton Group and holds board positions on a number of direct agricultural businesses in Australia.

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

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

Interest in Securities

Fully paid ordinary shares	134,010

Committees

Member – Audit and Risk Management Committee

INDEPENDENT NON-EXECUTIVE DIRECTOR
DIRK WIEDMANN

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

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

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

QUALIFICATIONS

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

OTHER DIRECTORSHIPS (ASX Listed)

- Nil

Interest in Securities

Fully paid ordinary shares	1,402,656

Committees

None

INDEPENDENT NON-EXECUTIVE DIRECTOR
PETER MICHELL

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

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

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

Interest in Securities

Fully paid ordinary shares 1,482,204

Committees

Member – Audit and Risk Management Committee

QUALIFICATIONS

- Bachelor of Management
- FAICD
- FGLF2000

OTHER DIRECTORSHIPS (ASX Listed)

- Nil

INDEPENDENT NON-EXECUTIVE DIRECTOR
VIVIENNE BRAND

Dr Vivienne Brand is a qualified lawyer who specialises in corporate law research, governance and ethics. She started her career with a leading commercial law firm, working in banking, finance and insolvency for a number of years, before a period working in house in a treasury team. Vivienne has several decades of experience on a range of not for profit boards and management committees, including as a Chair of Governance. Vivienne holds a PhD in business ethics and has undertaken significant research in relation to corporate whistleblowing and social licence to operate concepts

Vivienne holds a Bachelor of Laws (Honours) from the University of Adelaide Australia, and a Master of Laws (Merit) from the University of London. She is also a Member of the Law Council of Australia's Business Law Division. Vivienne grew up in the Riverland on an irrigated fruit block and so has a personal understanding of, and interest in, the critical role access to water plays in supporting Australia's agriculture.

Vivienne is an Independent Non-Executive Director of the Company.

Interest in Securities

Fully paid ordinary shares 1,562

Committees

Member – Audit and Risk Management Committee

QUALIFICATIONS

- LLB(Hons)
- GDLP
- LLM
- MEdSt
- PhD

OTHER DIRECTORSHIPS (ASX Listed)

- Nil

INDEPENDENT NON-EXECUTIVE DIRECTOR
DENNIS MUTTON

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

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

OTHER DIRECTORSHIPS (ASX Listed)
- Nil

Interest in Securities

Fully paid ordinary shares	42,636

Committees

Chair– Audit and Risk Management Committee

COMPANY SECRETARY
KATELYN ADAMS

Katelyn Adams has over 10 years of accounting and company secretarial experience, serving predominantly ASX listing companies. Katelyn has extensive knowledge in company secretarial duties, ASX Listing Rule requirements, IPO and capital raising process, as well as a strong technical accounting knowledge. Mrs Adams also provides corporate advisory services to a wide range of organisations. Katelyn is also the company secretary of Duxton Broadacre Farms Limited.

QUALIFICATIONS
- B Acc
- FCA

Remuneration report (audited) – Investment Manager

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

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

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

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

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

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

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

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

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

The Management Fee is to be paid to the Investment Manager regardless of the performance of the Company.

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

The management fee paid or payable to the Investment manager for the year ended 31 December 2020 amounted to $1.877 million (year ended 31 December 2019: $1.780 million).

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

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

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

The Performance Fee will be calculated by reference to the audited accounts of the Company ("Audited Accounts") adjusted to reflect the value of water assets as determined by independent valuation, and the Company will pay the Performance Fee to the Investment Manager in arrears within 30 days from the completion of the Audited Accounts.

The Performance Fee will be payable if the Company outperforms either of the First Benchmark Hurdle or the Second Benchmark Hurdle (as defined below) during any Calculation Period. The formula for calculating the Performance Fee payable to the Investment Manager for any Calculation Period is as follows:

(a) If the Investment Return of the Company between the Start Date and the Calculation Date is less than the First Benchmark Return Hurdle (8%) then no Performance Fee is payable.
(b) If the Investment Return of the Company between the Start Date and the Calculation Date is greater than the First Benchmark Hurdle (8%) but less than the Second Benchmark Hurdle (12%) then the Performance Fee will be:
5% x ((Adjusted Ending PNAV - Opening PNAV – Capital Raisings) – First Benchmark Return Hurdle)
(c) If the Investment Return of the Company between the Start Date and the Calculation Date is greater than the Second Benchmark Hurdle (12%) then the Performance Fee will consist of two components as follows:

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

Plus

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

Where:

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

"Adjusted Ending PNAV" means the PNAV at the Calculation Date, adjusted by adding back to the Ending PNAV:
- Any Distributions or reductions in capital paid or provided for during such Calculation Period; and
- Any relevant taxes paid or provided for during such Calculation Period.

"First Benchmark Return Hurdle" means an amount equal to: 8% per annum of the Opening PNAV;
- Plus 8% per annum on Capital Raisings during the Calculation Period, calculated on a time weighted basis;
- Minus 8% per annum on the amount of any Distributions paid during the Calculation Period, calculated on a time weights basis.

"Second Benchmark Return Hurdle" means an amount equal to: 12% per annum of the Opening PNAV;
- Plus 12% per annum on Capital Raisings during the Calculation Period, calculated on a time weighted basis;
- Minus 12% per annum on the amount of any Distributions paid during the Calculation Period, calculated on a time weights basis.

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

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

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

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

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

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

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

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

The performance fee paid or payable to the Investment manager for the year ended 31 December 2020 amounted to $nil (year ended 31 December 2019: $5.060 million).

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

Remuneration of non-executive Directors

Details of movements in Directors Shareholdings for the period are set out in the following table:

Movements in Shares	1 Jan 2020	Exercise of Options	Other Changes*	31 Dec 2020
Mr Edouard Peter (1)	11,334,221	-	176,274	11,510,495
Mr Stephen Duerden (1)	124,172	-	9,838	134,010
Mr Dirk Wiedmann	1,402,656	-	-	1,402,656
Mr Peter Michell	1,482,204	-	-	1,482,204
Mr Dennis Mutton	42,636	-	-	42,636
Dr Vivienne Brand	-	-	1,562	1,562
Total	**14,385,889**	**-**	**187,674**	**14,573,563**

**Other Changes represent shares that were purchased or sold during the year at an arm's length basis on the ASX. Shares held by a Director prior to their appointment date are also included as "Other Changes". There were no equity instruments granted during the period as compensation.*

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

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

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

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

Non-executive Directors (Total Remuneration)	2020 $	2019 $
Mr Edouard Peter (1)	-	-
Mr Stephen Duerden (1)	-	-
Mr Dirk Wiedmann	35,000	35,000
Mr Peter Michell	40,000	35,000
Mr Dennis Mutton	45,000	38,678
Dr Vivienne Brand	3,333	-
Total	**123,333 (2)**	**108,678 (2)**

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

(2) Total Director Remuneration Fees received in cash

Options

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

END OF REMUNERATION REPORT

Rounding

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 Directors Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Shares under option

Nil

Proceedings on behalf of the Company

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

Non-audit services

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

Corporate governance statement

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

Auditor's independence declaration

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of the Company with an Independence Declaration. This Lead Auditor's Independence Declaration is included on page 37.

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

Edouard Peter	Dennis Mutton
Chairman	Independent Non-Executive Director

Stirling, South Australia
25 March 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 audit of Duxton Water Limited for the financial year ended 31 December 2020 there have been:

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

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

KPMG

Darren Ball
Partner

Adelaide

25 March 2021

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
Revenue and other income	4	39,608	96,450
Cost of sales		(23,348)	(71,703)
Gross profit		**16,260**	**24,747**
Management fees		(1,877)	(1,780)
Performance fees		-	(5,060)
Legal and professional fees		(209)	(106)
Other expenses	5	(1,150)	(1,271)
Impairment reversal/(impairment) of water entitlements	6	3,622	(3,647)
		386	**(11,864)**
Profit before net finance (cost)/income		**16,646**	**12,883**
Finance income		-	1
Finance expense		(4,224)	(2,277)
Net finance (cost)/income		**(4,224)**	**(2,276)**
Profit before tax		**12,422**	**10,607**
Income tax expense	7	(3,726)	(3,182)
Profit for the year attributable to shareholders of Duxton Water Limited		**8,696**	**7,425**
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year attributable to shareholders of Duxton Water Limited		**8,696**	**7,425**
Earnings per share attributable to shareholders of Duxton Water Limited			
Basic earnings per share	16	0.073	0.064
Diluted earnings per share	16	0.073	0.064

The notes on page 43 to 67 are an integral part of these financial statements

STATEMENT OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	2,760	751
Trade and other receivables	9	4,866	6,851
Water allocations	11	10,164	5,745
Other current assets		208	331
Total current assets		**17,998**	**13,678**
Non-current assets			
Water entitlements	12	239,819	231,695
Deferred taxation	7	875	1,668
Total non-current assets		**240,694**	**233,363**
Total assets		**258,692**	**247,041**
LIABILITIES			
Current liabilities			
Trade and other payables	13	422	5,431
Unearned revenue		1,726	2,183
Tax liability	7	1,159	2,206
Interest-bearing liabilities	14	6,000	-
Financial derivative liabilities	21	-	339
Total current liabilities		**9,307**	**10,159**
Non-current liabilities			
Interest-bearing liabilities	14	103,300	94,200
Financial derivative liabilities	21	1,992	-
Total non-current liabilities		**105,292**	**94,200**
Total liabilities		**114,599**	**104,359**
Net assets		**144,093**	**142,682**
EQUITY			
Issued capital	15	137,230	137,717
Retained earnings		6,863	4,965
Total equity		**144,093**	**142,682**

The notes on page 43 to 67 are an integral part of these financial statements

STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Issued capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2020		**137,717**	**4,965**	**142,682**
Profit for the year		-	8,696	8,695
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	8,696	8,695
Transactions with owners of the company:				
Shares issued	15	589	-	589
Share buyback	15	(1,071)	-	(1,071)
Share issue costs - net of taxes	15	(5)	-	(5)
Distribution of dividends	15	-	(6,798)	(6,798)
Balance at 31 December 2020		**137,230**	**6,863**	**144,093**
Balance at 1 January 2019		**121,389**	**3,638**	**125,027**
Profit for the year		-	7,425	7,425
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	7,425	7,425
Transactions with owners of the company:				
Shares issued	15	16,784	-	16,784
Share issue costs – net of taxes	15	(456)	-	(456)
Distribution of dividends	15	-	(6,098)	(6,098)
Balance at 31 December 2019		**137,717**	**4,965**	**142,682**

The notes on page 43 to 67 are an integral part of these financial statements

STATEMENT OF **CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities			
Receipts from customers		37,139	92,959
Payments to suppliers		(36,011)	(62,496)
Interest received		-	1
Interest paid		(2,578)	(1,898)
Income tax paid		(3,979)	(3,781)
Net cash generated from operating activities	17	**(5,429)**	**24,785**
Cash flows from investing activities			
Purchase of water entitlements	12	(11,016)	(97,645)
Disposal of water entitlements		10,300	4,858
Movement in deposits		339	687
Net cash used in investing activities		**(377)**	**(92,100)**
Cash flows from financing activities			
Proceeds from issue of shares	15	-	18,629
Payment of share buyback	15	(1,071)	(2,248)
Transaction costs related to issues of shares	15	(5)	(652)
Proceeds from borrowings	14	15,100	55,367
Payment of dividends	15	(6,209)	(5,695)
Net cash generated from financing activities		**7,815**	**65,401**
Net increase in cash and cash equivalents		**2,009**	**(1,914)**
Cash and cash equivalents at beginning of the year		751	2,665
Cash and cash equivalents at end of year	8	2,760	751

The notes on page 43 to 67 are an integral part of these financial statements

1 CORPORATE INFORMATION

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

The Company is a for-profit entity.

The financial statements were authorised for issue by the Directors on 25 March 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 or, except for financial derivatives which are measured at Fair Value.

Statement of compliance

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

Critical accounting estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

a) Permanent water entitlements

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

b) Temporary water allocations

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

Standards issued but not yet effective

At balance date, there are a number of new Standards and Interpretations that were issued but not yet effective, none of which are expected to have a material impact on the Company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

Changes in significant accounting policies

There are a number of new accounting standards or amendments that have been applied to the Company's financial statements from 1 January 2020. None of these new standards of amendments to existing standards have a material impact on the Company's financial statements.

Standard/Interpretation	Effective date
Amendments to Definition of a Business	1 January 2020
Amendments to Definition of Material	1 January 2020
AASB 1059 - Service Concession Arrangements: Grantors	1 January 2020
Amendments to references to Conceptual Framework	1 January 2020
Amendments to Interest Rate Benchmark Reform	1 January 2020
Disclosure to effect of new IFRS Standards not yet issued	1 January 2020

Leases

The Company (as lessor) generates leasing revenue through the provision of long-term leasing arrangements of permanent water entitlements to various counterparties. As lessor, the process of accounting for theses leases under AASB 16 remains unchanged from AASB 117. Under AASB 16 the Company classifies all leases as either operating or finance leases using similar principles as defined in AASB 117 Leases. AASB 16 does not have any impact on the Company's financial statements for leasing arrangements where the company acts as lessor.

The Company can (as lessee) lease permanent water entitlements from various counterparties through the provision of long-term leasing arrangements. AASB 16 would ordinarily require the present value of the future lease payments to be recorded on the Company's Statement of Financial Position, however given the nature of permanent water entitlements (i.e. intangible assets) the Company has elected to not apply AASB 16 to these intangible assets.

Revenue and Other Income

Sale of temporary water allocations

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

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

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

Lease of water entitlements

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

Interest income

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

Sale of permanent water entitlements

The profit or loss on the disposal of water entitlements (which are a non-current asset) is recognised in the Statement of Profit or Loss on the date in which control of the asset passes to the purchaser, usually when an unconditional contract of sale is achieved. This gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Impairment of Financial Assets

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Presentation of impairment

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

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

Segment reporting

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

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In this case, GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are recognised inclusive of GST.

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

Income tax

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

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

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

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

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

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

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

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

Financial instruments

a) Recognition and initial measurement

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

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

b) Classification and subsequent measurement

Financial assets

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

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

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

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

c) Subsequent measurement and gains and losses

Financial assets at amortised cost

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

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

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

e) Derecognition

Financial assets

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

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

Financial liabilities

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

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

f) Offsetting

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

Share-based payments arrangements

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

Water assets

a) Permanent water entitlements

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

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

b) Temporary water allocations

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

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Impairment of tangible and intangible assets other than goodwill

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

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

Permanent water entitlements

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

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

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

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

Cash and cash equivalents

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

Share capital

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

Provisions

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

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

Earnings per share

a) Basic earnings per share

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

b) Diluted earnings per share

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

4 REVENUE AND OTHER INCOME

	2020 $'000	2019 $'000
Lease income from water entitlements	8,949	5,762
Sale of temporary water allocations	22,627	87,894
Profit on sale from disposal of water entitlements	7,997	2,792
Other income	35	2
	39,608	**96,450**

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5 OTHER EXPENSES

	2020 $'000	2019 $'000
Administration and marketing expenses	374	392
ASX Listing fees	52	47
Auditors remuneration – KPMG – Audit of financial statements*	58	66
Auditors remuneration – KPMG – Other assurance services**	-	-
Brokerage, bank fees and other expenses	17	82
Company secretary	65	65
Directors' and officers' insurance	128	104
Government water charges	291	346
Non-executive Directors' fees	123	109
Share registry costs	44	60
	1,152	**1,271**

**Auditors remuneration – KPMG – Audit of financial statements = $57,882*
*** Auditors remuneration – KPMG – Other assurance services = $0*

6 IMPAIRMENT OF WATER ENTITLEMENTS

	2020 $'000	2019 $'000
Impairment/(impairment reversal) of water entitlements	(3,622)	3,647
	(3,622)	**3,647**

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 constitute a discrete zone within a river system, or entitlement type. The key assumption applied to determining the recoverable amount of each cash generating unit is the estimated price per mega litre (ML).

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

Water entitlements are classified as Level 3 fair value hierarchy assets (2019: Level 3). The determination of fair value is subject to unobservable judgment applied by the independent expert in selecting transactions sourced from state water registers and intermediary transaction data as input in calculating a dollar per ML volume weighted average price.

For the year ended 31 December 2020 the Company recognised an impairment reversal of $3.622 million against the general security portion of the portfolio. Details of information to which reportable segment the impairment reversal relates to is disclosed in Note 18.

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

	2020 $'000	2019 $'000
Murrumbidgee Zone 13 GS	(1,173)	1,375
Murray Zone 10 GS	(1,431)	1,430
Murray Zone 11 HR	-	(25)
Murray Zone 11 GS	(1,018)	1,018
Murray Zone 11 SW	-	1
Macquarie Zone 2A GS	-	-
Lachlan Lower Groundwater Bore	-	(152)
Other	-	-
	(3,622)	**3,647**

Price change sensitivity

If the fair market price of the impaired assets listed above changed by 1%, this would result in a change to the statutory impairment expense in the Statement of Profit or Loss of $0.165 million (2019: $0.493 million).

7 TAXATION

	2020 $'000	2019 $'000

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

	2020 $'000	2019 $'000
Current tax expense	2,931	4,364
Deferred tax expense (benefit)	795	(1,182)
Total income tax expense	**3,726**	**3,182**

b) Recognised in the statement of changes in equity

	2020 $'000	2019 $'000
Current tax expense (benefit) – share issue expenses	–	(191)
Deferred tax expense (benefit) – share issue expenses	(2)	(5)
Income tax recognised directly in equity	**(2)**	**(196)**

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

	2020 $'000	2019 $'000
Profit before tax	12,421	10,607
Income tax expense at 30% (2019: 30%)	3,726	3,182
Total income tax expense recognised in profit or loss	**3,726**	**3,182**

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	2020 $'000	2019 $'000
d) Current Tax Liability		
Current tax expense recognised through profit or loss	2,931	4,364
Current tax benefit recognised in the statement of changes in equity	-	(191)
Income tax instalments paid	(1,772)	(1,967)
Current tax liability	**1,159**	**2,206**

	2020 $'000	Transactions via P&L	Transactions via Equity	2019 $'000
e) Deferred Tax Asset				
Deferred tax assets (liabilities) in relation to:				
Share issue and listing costs	214	(204)	2	416
Water entitlements	63	(1,087)	-	1,150
Financial derivatives	598	496	-	102
	875	**(795)**	**2**	**1,668**

	2020 $'000	2019 $'000
f) Dividend Franking Account		
Total franking account balance at 30%	2,182	1,301

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

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

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

8 CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Cash at bank	2,760	751
	2,760	**751**

9 TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Trade receivables	4,672	6,446
Deposits paid	101	315
Other receivables	92	90
	4,866	**6,851**

Trade receivables are net of impairment of $nil. (2019:$nil)

10 LEASES AS LESSOR

Duxton Water leases out some of the water entitlements that it owns. At 31 December 2020 the future minimum lease payments under non-cancellable leases receivable was:

	2020 $'000	2019 $'000
Less than one year	9,149	8,719
Between one and five years	11,739	19,627
More than five years	-	-
	20,888	**28,346**

During 2020, lease income of $8.949 million was included in revenue (2019: $5.762 million).

11 WATER ALLOCATIONS

	2020 $'000	2019 $'000
Water allocations	10,164	5,745
	10,164	**5,745**

See accounting policy note 2.

In 2020, temporary water allocations of $26.447 million (2019: $71.703 million) were recognised as an expense in cost of sales. At 31 December 2020, no items of inventory were carried at net realisable value.

12 WATER ENTITLEMENTS

Permanent water entitlements - at cost	$'000
Balance at 1 January 2019	139,950
Additions	97,645
Disposals	(2,066)
Balance at 31 December 2019	235,529
Balance at 1 January 2020	235,529
Additions	11,016
Disposals	(6,514)
Balance at 31 December 2020	240,031

Accumulated impairment	$'000
Balance at 1 January 2019	187
Impairment loss recognised in profit or loss	3,647
Balance at 31 December 2019	3,834
Balance at 1 January 2020	3,834
Reversal of impairment losses recognised in profit or loss	(3,622)
Balance at 31 December 2020	212
Net book value 2019	231,695
Net book value 2020	239,819

13 TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Trade payables	34	44
Accrued expenses	261	5,386
Other payables	127	1
	422	**5,431**

14 INTEREST-BEARING LIABILITIES

	2020 $'000	2019 $'000
Bank loans – secured	109,300	94,200
	109,300	**94,200**

The debt is secured by a security interest and charge over all of the present and future rights, property and undertakings of Duxton Water Ltd. As per the debt agreement, the debt facility is secured by mortgages on approximately 67,525 ML of permanent water entitlements at 31 December 2020.

SUMMARY OF BORROWING ARRANGEMENTS

At 31 December 2020 the Company has two outstanding debt facilities with NAB:

- Limit of $106 million due for expiry 23 December 2022. ($103.3 million drawn)
- Limit of $6 million due for expiry 31 January 2021. (fully drawn)

Terms of borrowing arrangements:

(i) The variable interest payable on these debt facilities is calculated as BBSY + Margin Fee of 0.775% p.a + Facility Fee of 0.775% p.a.

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

(iii) 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%.

(iv) The Company's $6 million current debt facility is due for expiry on 31 January 2021 with the non-current $106 million debt facility due for expiry on 23 December 2022.

Changes to Covenants since 31 December 2019:

(i) Maximum Net Debt (Drawn Primary Debt less Cash at Bank) to Water Portfolio Market Value (both entitlement and allocation market value) is to be no greater than 35% (previously 30%), and to be measured against monthly Independent Sworn Water Holding Valuation. Other covenants remained unchanged.

15 EQUITY

a) Ordinary shares

	No. Shares	$'000
Opening balance at 1 January 2019	108,576,017	121,389
Shares issued during the year (dividend reinvestment plan)	286,290	403
Shares issued during the year (options exercised)	10,135,136	15,000
Shares issued during the year (institutional entitlement offer)	2,452,240	3,629
Shares issued during the year (retail entitlement offer)	(1,569,385)	(2,248)
Share issue costs – net of taxes	-	(456)
Closing balance at 31 December 2019	**119,880,298**	**137,717**
Opening balance at 1 January 2020	119,880,298	137,717
Shares issued during the year (dividend reinvestment plan)	449,752	589
Share buyback	(732,472)	(1,071)
Share issue costs – net of taxes	-	(5)
Closing balance at 31 December 2020	**119,597,578**	**137,230**

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

b) Dividends

Total dividends paid for the 2020 financial year were $6.798 million. This consisted of cash distributions of $6.209 million and shares issued under the DRP to the value of $0.589 million.

16 EARNINGS PER SHARE

	2020	2019
Earnings/(loss) $'000	8,696	7,425
Earnings/(loss) used in the calculation of basic EPS $,000	8,696	7,425
Weighted average number of ordinary shares (basic)	119,445,423	116,816,340
Weighted average number of ordinary shares (diluted)	119,445,423	116,816,340
Basic earnings per share from continuing operations (dollars)	0.073	0.064
Diluted earnings per share from continuing operations (dollars)	0.073	0.064

17 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2020 $'000	2019 $'000
Profit after tax	8,696	7,425
Adjustments for non-cash items included in profit:		
Finance costs	1,653	339
Impairment / (impairment reversal) of water entitlements	(3,622)	3,647
Profit on disposal of water entitlements	(7,997)	(2,792)
Changes in other items:		
Trade receivables	5,554	(2,190)
Net GST paid (received)	(2)	(71)
Prepaid expenses	123	(218)
Creditors	(8)	26
Unearned revenue	(26)	1,491
Accrued expenses	(5,126)	2,864
Income taxes	(1,048)	392
Deferred tax	989	(991)
Water allocations	(4,420)	14,721
Other	(195)	142
Net cash generated from operating activities	**(5,429)**	**24,785**

Non-cash transaction

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

- 449,752 shares ($0.589 million) were issued under the Company's Dividend Reinvestment Plan during 2020.

18 SEGMENT INFORMATION

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

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

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

For the year ended 31 December 2020

	Permanent Water $'000	Temporary Water $'000	Unallocated $'000	Total $'000
Profit & Loss				
Reportable segment revenue	16,946	22,627	35	39,608
Cost of goods sold	-	(23,348)	-	(23,348)
Total segment gross profit	**16,946**	**(721)**	**35**	**16,260**
Finance income	-	-	-	-
Expenses	3,331*	-	(2,946)	385
Finance costs	-	-	(4,224)	(4,224)
Tax expense	-	-	(3,726)	(3,726)
Net profit after tax	**20,277**	**(721)**	**(10,862)**	**8,695**

**Includes $3.662 million of impairment reversal on the Company's permanent water portfolio.*

	Murray $'000	Murrumbidgee $'000	Goulburn $'000	Other[1] $'000	Unallocated $'000	Total $'000
Balance Sheet						
Permanent water entitlements at fair value	210,053	41,570	42,884	13,927	-	308,434
- Less fair market value adjustment[2]	(56,197)	(6,301)	(234)	(5,459)	-	(68,191)
- Less accumulated impairment	(1)	(211)	-	-	-	(212)
Permanent water entitlements at cost	**153,855**	**35,058**	**42,650**	**8,468**	**-**	**240,031**
Temporary water allocations at fair value	10,388	106	290	45	-	10,829
- Less fair market value adjustment[3]	(479)	109	(265)	(30)	-	(665)
- Less accumulated impairment	-	-	-	-	-	-
Temporary water allocations at cost	**9,908**	**215**	**25**	**15**	**-**	**10,164**
Total segment assets as disclosed in the financial statements[4]	168,385	35,062	42,688	8,520	4,037	258,692
Total segment liabilities as disclosed in the financial statements	(1,589)	(54)	-	(83)	(112,873)	(114,599)

For the year ended 31 December 2019

	Permanent Water $'000	Temporary Water $'000	Unallocated $'000	Total $'000
Profit & Loss				
Reportable segment revenue	8,554	87,896	-	96,450
Cost of goods sold	-	(71,703)	-	(71,703)
Total segment gross profit	**8,554**	**16,193**	**-**	**24,747**
Finance income	-	-	1	1
Expenses	(3,993)*	(78)	(7,793)	(11,864)
Finance costs	-	-	(2,277)	(2,277)
Tax expense	-	-	(3,182)	(3,182)
Net profit after tax	**4,561**	**16,115**	**(13,251)**	**7,425**

Includes $3.647 million of impairment expense on the Company's permanent water portfolio.

	Murray $'000	Murrumbidgee $'000	Goulburn $'000	Other[1] $'000	Unallocated $'000	Total $'000
Balance Sheet						
Permanent water entitlements at fair value	221,473	42,162	48,222	14,972	-	326,829
- Less fair market value adjustment[2]	(67,872)	(7,086)	(7,002)	(5,506)	-	(87,466)
- Less accumulated impairment	(2,449)	(1,385)	-	-	-	(3,834)
Permanent water entitlements at cost	**151,152**	**33,691**	**41,220**	**9,466**	**-**	**235,529**
Temporary water allocations at fair value	5,636	991	749	353	-	7,729
- Less fair market value adjustment[3]	(1,365)	(63)	(335)	(221)	-	(1,984)
- Less accumulated impairment	-	-	-	-	-	-
Temporary water allocations at cost	**4,271**	**928**	**414**	**132**	**-**	**5,745**
Total segment assets as disclosed in the financial statements[4]	152,974	33,234	41,634	9,598	9,601	247,041
Total segment liabilities as disclosed in the financial statements	-	-	-	-	(104,359)	(104,359)

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 is measured at fair value. The measure of water entitlements does not comply with the recognition and measurement requirements of the Australian Accounting Standards.

19 KEY MANAGEMENT PERSONNEL

The Company has appointed Duxton Capital (Australia) Pty Ltd as its Investment Manager to manage its assets and implement its investment strategy. Details of the basis of remuneration paid or payable to the Investment Manager is fully disclosed in the Remuneration Report of the Directors' Report. During the year the Company recognised management fees paid or payable to its Investment Manager amounting to $1.877 million (2019: $1.780 million) and performance fees paid or payable to its Investment Manager amounting to $nil (2019: $5.060 million).

Key management personnel of the Company are:

- Mr Edouard Peter
- Mr Stephen Duerden
- Mr Dirk Wiedmann
- Mr Peter Michell
- Mr Dennis Mutton
- Dr Vivienne Brand

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

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

Mr Edouard Peter has a direct interest of 386,282 shares in the Company and an indirect interest in 11,124,213 shares in the Company.

Mr Stephen Duerden has a direct interest of 41,353 shares in the Company and an indirect interest in 92,657 shares in the Company.

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.

20 RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the year ended 31 December 2020 (and the year ended 31 December 2019):

	2020 $'000	2019 $'000
Management fee – Duxton Capital (Australia) Pty Ltd	1,877	1,780
Administration fee – Duxton Capital (Australia) Pty Ltd	203	231
Performance fee – Duxton Capital (Australia) Pty Ltd	–	5,060
Revenue – Duxton Viticulture Pty Ltd	2,248	2,199
Revenue – Duxton Dairies (Cobram) (Previously Hathor Dairies Pty Ltd)	92	92
Revenue – Duxton Broadacre Farms Ltd	186	187

Transactions between related parties are on commercial terms and conditions.

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

	2020 $'000	2019 $'000
Amount due to (from) Duxton Capital (Australia) Pty Ltd	186	5,256
Amount due to (from) Duxton Viticulture Pty Ltd	-	1
Amount due to (from) Duxton Dairies (Cobram)	-	-
Amount due to (from) Duxton Broadacre Farms Ltd	(1)	-

21 FINANCIAL INSTRUMENTS – RISK MANAGEMENT AND FAIR VALUE AASB 13

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Trade and other receivables and trade and other payables classified as held-for-sale are not included in the table below (see Notes 9 and 13). Their carrying amount is a resonable approximation of fair value.

Financial Assets	Note	2020 $'000	2019 $'000
Financial assets not measured at fair value:			
Cash and cash equivalents	8	2,760	751
Trade and other receivables	9	4,866	6,851
Total financial assets not measured at fair value		**7,626**	**7,602**

Financial Liabilities	Note	2020 $'000	2019 $'000
Financial liabilities not measured at fair value:			
Trade and other payables	13	422	5,431
Total financial liabilites not measured at fair value		**422**	**5,431**
Financial liabilities measured at fair value:			
Interest-bearing liabilities	14	109,300	94,200
Financial derivative liabilities		1,992	339
Total financial liabilities measured at fair value		**111,292**	**94,539**

Financial risk management framework

The Company's board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Specific financial risk exposures and management

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

Credit risk

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

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

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

Credit risk exposures

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

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

There is no significant concentration of credit risk as the Company transacts with a large number of customers.

Past due and impaired assets

No financial assets carried at amortised cost were past due or impaired at 31 December 2020 (2019:$nil).

Derivatives

The Company's derivatives are entered into with bank and financial institution counterparties, which are rated AA-, based on Standard and Poor's ratings.

Liquidity risk

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

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

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

Financial Liabilities	Note	Carrying Value $'000	Contractual Cash Flows $'000	6 Months or Less $'000	Over 6 Months $'000
Trade and other payables	13	422	422	422	-
Interest-bearing liabilities	14	109,300	111,313	6,475	104,838
Interest rate swaps		1,992	2,918	736	2,182
		111,714	**114,653**	**7,633**	**107,020**

Market risk

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

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

Lessor risk

The company acknowledges there are risks associated with being a lessor. Risks can include situations where the Company does not receive its lease payments, or damage is incurred to the respected asset.
To ensure corrective measures have been taken to reduce or minimise these risks, the Company utilises mechanisms to reduce the risk associated with acting as lessor in asset leasing arrangements. The Company undertakes due diligence procedures which include:

- Utilising a third-party assessor to perform background and credit checks of all lessees. This level of verification gives the Company confidence in the lessees ability to satisfy its lease payment obligations in a timely manner.
- Leasing arrangements require payment in advance. The Company does not transfer useable water associated with the lease until payment has been made in full.
- The Company maintains control of the underlying permanent water entitlement attributable to leasing arrangements.

Interest rate risk

The Company utilises a combination of floating-to-fixed interest swaps in conjunction with variable interest rates to ensure the Company can adequately risk manage the interest rate risk. Under these arrangements, the company agrees to exchange the floating rate interest amounts for fixed contract rates at negotiated principal amounts. The Company does not apply hedge accounting when accounting for the fair value movements of financial derivatives.

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.

Interest bearing liabiliites (carrying value)	2020 $'000	2019 $'000
Fixed debt (IRS arrangements)	50,000	30,000
Variable debt	59,300	64,200
Total interest bearing liabilites	**109,300**	**94,200**

Interest expenses	2020 $'000	2019 $'000
Cash interest expense	2,571	1,938
IRS non-cash interest expense	1,653	339
Total interest expenses	**4,224**	**2,277**

Fair values are not based on any significant unobservable inputs. During the year, fair value changes of $1.653 million was recognised as interest expense in the Statement of Profit or Loss and Other Comprehensive Income. There were no transfer between fair value levels during the year.

At 31 December 2020, it is estimated that a general increase/(decrease) of 1% in interest rates would increase/(decrease) the Company's profit before tax by approximately $0.593 million (2019: $0.542 million).

Capital management risk

For the purpose of the Company's capital management profile, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management assessment is to maximise shareholder value.

The Company's policy is to uphold a strong capital base to maintain investor interest, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends paid to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) for 2020 was 2.3% (2019: 3.18%).

22 CAPITAL COMMITMENT

At 31 December 2020, the Company had entered into contracts to acquire permanent water entitlements to the value of $0.263 million, and settled deposits relating to these contracts amounting to $0.029 million.

23 SUBSEQUENT EVENTS

There have been no events subsequent to reporting date which would have a material impact on the Company's 31 December 2020 financial statements.

DIRECTOR'S **DECLARATION**
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors declare that:

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

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

   i. the financial report complies with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   ii. the financial statements and notes give a true and fair view of Duxton Water Limited's financial position and performance for the year ended 31 December 2020.

c) the audited remuneration disclosures set out on pages 33 to 36 of the Directors' report comply with section 300A of the Corporations Act 2001; and

d) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors made pursuant to s.295A of the Corporations Act 2001.

Edouard Peter
Chairman

Dennis Mutton
Independent Non-Executive Director

Stirling, South Australia
25 March 2021

KPMG

Independent Auditor's Report

To the shareholders of Duxton Water Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 31 December 2020;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Director's Declaration.

Basis for opinion

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

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

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of Duxton Water Ltd, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

Key Audit Matters

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

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

KPMG

Carrying value of Permanent Water Entitlements ($239.819m)

Refer to Notes 6 and 12

The key audit matter

Permanent water entitlements are recognised by the Company as indefinite useful life intangible assets, measured at acquisition cost less any impairment in value since acquisition.

The carrying value of permanent water entitlements is a key audit matter as:

- they are the most significant value assets on the Company's Statement of Financial Position and form the basis of the Company's future long term revenue and cash-flow;
- the Company engaged an external expert to assist with the fair value less costs of disposal impairment assessment of permanent water entitlements. The fair value less costs of disposal impairment assessment applied a market approach fair value valuation technique to assess permanent water entitlements for impairment. This valuation technique used prices observed in the market for identical or comparable transactions to determine an adjusted observable selling price. We focussed our audit effort on evaluating the selection of comparable transaction data to determine an adjusted observable selling price ; and
- the Company recognised an impairment reversal of $3.622 million in the financial year ended 31 December 2020 increasing our focus in this area.

How the matter was addressed in our audit

Our procedures included:

- we assessed the Company's external expert's methodology of a market approach as a fair value valuation technique, and the adjustment of observable selling prices, against the criteria in the accounting standards;
- we assessed the scope, competence and objectivity of the external expert engaged by the Company;
- with involvement of our valuation specialists:
  - we assessed the Company's market approach fair value valuation technique of using prices of recent identical and comparable transactions to calculate an adjusted observable selling price to determine the recoverable amount of the permanent water entitlements, against industry practice;
  - we independently developed adjusted observable selling prices and compared these to the Company's adjusted observable selling price, and investigated differences to challenge the external expert's assumptions used in calculating the Company's recoverable amount of permanent water entitlements. This process involved obtaining transactions, by water entitlement type, from brokers and state government water trades register websites and assessing the attributes of the transactions (date, water volumes and water zone) for comparability to the entitlements held by the Company;
  - we compared the results of our independently developed adjusted observable selling prices to the recoverable amount applied in the Company's assessment of impairment and determination of impairment charge by entitlement type. We considered this impairment against our knowledge and understanding of the economic factors impacting the price of permanent water entitlements, such as expected rainfall, demand for water, expected usage and government regulation and allocation;
- we considered the sensitivity of the recoverable amount, by permanent water entitlement and in aggregate, to a reasonably possible range of dollar price per mega litre, to identify those permanent water entitlements at higher risk of impairment; and
- we assessed the disclosures made in the financial statements using our understanding obtained from our testing and against the requirements of the accounting standards.

KPMG

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Duxton Water Limited for the year ended 31 December 2020, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 33 to 35 of the Directors' report for the year ended 31 December 2020.

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

KPMG

Darren Ball
Partner

Adelaide

26 March 2021

ASX ADDITIONAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 31 January 2021 (unless otherwise stated).

Twenty largest equity security holders

The names of the twenty largest holders of quoted equity securities as at 31 January 2021 are listed below:

	ORDINARY SHARES	
Name	**Number held**	**Percentage of issued shares**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,450,132	**10.41**
BNP PARIBAS NOMINEES PTY LTD <LGT BANK AG DRP>	10,694,558	**8.94**
PRESALI AUSTRALIA HOLDINGS PTY LTD	6,671,408	**5.58**
NATIONAL NOMINEES LIMITED	6,018,974	**5.03**
CITICORP NOMINEES PTY LIMITED	4,719,945	**3.95**
FRIDAY INVESTMENTS PTY LTD <GOLDBURG FAMILY A/C>	4,151,981	**3.47**
MR MICHAEL HARTWEG	1,808,487	**1.51**
BOND STREET CUSTODIANS LIMITED <MARKWI - D74118 A/C>	1,406,172	**1.18**
TRUE NORTH PROPERTY MANAGEMENT PTY LTD <SAVCHENKO A/C>	1,315,263	**1.10**
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	1,300,000	**1.09**
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,298,638	**1.09**
ELATA INVESTMENT CO PTY LIMITED	1,136,054	**0.95**
INARI INVESTMENT CO PTY LIMITED	1,136,054	**0.95**
OMURA INVESTMENT CO PTY LIMITED	1,136,053	**0.95**
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,082,756	**0.91**
BOND STREET CUSTODIANS LIMITED <ATHOM4 - D70767 A/C>	1,000,000	**0.84**
WKM HOLDINGS PTY LTD <THE RONWYNNE NO 2 A/C>	867,802	**0.73**
DEFENDER INVESTMENT CO PTY LIMITED	834,233	**0.70**
ENDURANCE INVESTMENT CO PTY LIMITED	834,231	**0.70**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	823,767	**0.69**
Total	**60,686,508**	**50.74**

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding as at 31 January 2021 are listed below:

Holding	Shares
1-1,000	390,348
1,001-5,000	1,880,793
5,001-10,000	2,740,780
10,001-100,000	31,789,975
100,001 and over	82,795,682
Total	**119,597,578**

Substantial holders

Substantial holders of ordinary shares in the Company as at 31 January 2021 are listed below:

	ORDINARY SHARES	
Holding	**Number held**	**Percentage**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,450,132	10.41
BNP PARIBAS NOMINEES PTY LTD <LGT BANK AG DRP>	10,694,558	8.94
PRESALI AUSTRALIA HOLDINGS PTY LTD	6,671,408	5.58
NATIONAL NOMINEES LIMITED	6,018,974	5.03

Holders of each class of equity securities

Number of holders in each class of equity securities as at 31 January 2021 are listed below:

Holding	Number
Ordinary shares	119,597,578

Voting rights

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

Voluntary escrow

The table below shows a breakdown of the vendor shares subject to voluntary escrow as at 31 January 2021:

Escrow period	Total
No escrow	119,597,578


DUXTON
WATER

DUXTON WATER

APPENDIX 4E

ASX PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

1 REPORTING PERIOD

Reporting period "Current period"	From 1 January 2020 to 31 December 2020
Previous corresponding period	From 1 January 2019 to 31 December 2019

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$,000
Revenue from ordinary activities	down	59%	to	39,608
Profit (loss) from ordinary activities after tax attributable to members	up	17%	to	8,696
Net profit (loss) for the period attributable to members	up	17%	to	8,696

	2020	2019
Net asset value per share	$1.205	$1.190
Net asset value per share at fair market value	$1.622	$1.761

During 2020, the Company paid two dividends to shareholders. An final dividend of 2.8 cents per share franked to 100% on 30 March 2020 and an interim dividend of 2.9 cents per share franked to 100% on 30 October 2020.

	Record date	Date payable	Amount per security	Franked amount per security
Current year				
Final dividend	16 March 2020	30 March 2020	$0.028	$0.028
Interim dividend	16 October 2020	30 October 2020	$0.029	$0.029
Previous year				
Final dividend	13 March 2019	27 March 2019	$0.026	$0.026
Interim dividend	3 September 2019	18 September 2019	$0.027	$0.027

Commentary on results for the period

During the period ended 31 December 2020, the Company:

- Delivered a profit before interest and taxes of $16.65 million (2019: $12.88 million)
- Increased visible leasing revenue to $8.95 million (2019: $5.76 million)
- Paid two fully franked dividends totalling $0.057 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 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 31 December 2020 was $1.62 which has decreased from $1.76 at 31 December 2019 on the back of wetter forecasted conditions and a fall in high security permanent water prices from the all time highs experienced in early 2020.

At 31 December 2020, the Company is carrying $68.40 million (or $0.57 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 31 December 2020 is $1.21 per share (31 December 2019: $1.19 per share).

The statutory NAV position of the Company includes accumulated impairment losses of $0.211 million across the Company's water asset portfolio.

Fair value adjustments on the Company's interest rate swap arrangements of $2.00 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.

31 December 2020	Per Company Statement of Financial Position $'000	Per Fair Market Value* $'000	Variance $'000
Assets			
Permanent water entitlements	239,819	308,434	68,615
Temporary water entitlements	10,164	10,829	665
Net current and deferred tax assets (liabilities)	(284)	(21,667)	(21,383)
Net other assets (liabilities)	(314)	(314)	-
Net non-current assets (liabilities)	(105,292)	(103,300)	1,992
Total net assets	**144,093**	**193,982**	**49,889**
Net asset value per share	**$1.205**	**$1.622**	**$0.417**

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

3 DIVIDENDS

31 December 2020	Amount per security	Franked amount per security at 30%	Amount per security of foreign source dividend cents
Final dividend(s)			
Current year	$0.028	$0.028	-
Previous year	$0.026	$0.026	-
Interim dividend(s)			
Current year	$0.029	$0.029	-
Previous year	$0.027	$0.027	-

On 26 February 2021, the Director's announced a final dividend of $0.030 per ordinary share franked to 100% with a record date of 16 April 2021 to be paid on 30 April 2021.

4 DIVIDEND REINVESTMENT PLAN

The Board has determined that the Dividend Reinvestment Plan (DRP) will continue to operate for the final dividend for the 2020 financial year (payable 30 April 2021). Participants in the DRP are 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 under the DRP is 19 April 2021.

5 NET TANGIBLE ASSETS PER SHARE

	31 December 2020	31 December 2019
Net tangible assets per ordinary share ($)	(0.80)	(0.74)
Net assets per ordinary share ($)	1.205	1.190

6 CONTROL GAINED OR LOST DURING THE PERIOD

Not applicable

7 ASSOCIATES AND JOINT VENTURES

There are no associates or joint venture entities.

8 AUDIT QUALIFICATION OR REVIEW

This report is based on the Financial Report for the period ended 31 December 2020. All the documents comprise the information required by Listing Rule 4.3A.