
DUKE ROYALTY LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
31 MARCH 2018**

DUKE ROYALTY LIMITED

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DUKE ROYALTY LIMITED

COMPANY SUMMARY FOR THE YEAR ENDED 31 MARCH 2018

The Company

Duke Royalty Limited (“Duke Royalty” or the “Company”) is a Guernsey registered investment holding company incorporated with limited liability. Its shares are traded on the AIM market of the London Stock Exchange (“AIM”).

The “Group” is defined as the Company and its subsidiary Duke Royalty UK Limited.

Investing policy

For the year ended 31 March 2018 the Group’s investing policy was to invest in a diversified portfolio of royalty finance and related opportunities to build a stable and reliable income for Shareholders by seeking to invest in, without limitation and restrictions (including geographical restrictions):

- (i) Long term, revenue-based royalties in private and/or public companies; and/or
- (ii) Other alternative asset classes and/or financing instruments from time to time that bear similar risk and return characteristics to the investments in paragraph (i).

In order to capitalise on the opportunity, the Group has assembled a high quality Board and set of advisers with substantial experience and a long term track record within a range of commercial businesses. The Company has been structured as an investment holding company in order to give the Board maximum flexibility to achieve its goals, and is domiciled in a tax efficient jurisdiction to ensure Shareholders receive the benefit from any realised profits. Management, the Board and its advisors, will utilise their contacts and skill to attract and carry out appropriate due diligence on portfolio opportunities and to source new opportunities.

On 7 August 2015, the Company entered into an exclusive collaboration agreement with Oliver Wyman, a global management consultancy firm wholly-owned by Marsh & McLennan Companies (NYSE: MMC), for the sourcing of royalty financing opportunities in the pharmaceutical and healthcare sectors. Under this collaboration, Oliver Wyman provides the Group with deal origination and undertakes due diligence work on potential royalty partners in exchange for a share of the future distributions received by the Group from royalty partners once the relevant royalty financing has been completed.

On 14 June 2018 the Company announced that it has mutually agreed with Oliver Wyman to end the exclusive healthcare collaboration. The work that the two firms have undertaken together while developing the Group’s existing royalty portfolio has adhered to the economic framework of the original agreement however, the sector focus has been broader than originally envisaged by either party. As such, the necessity of the exclusive relationship in potential healthcare investments was deemed to be no longer relevant by either party, given that the Group’s future pipeline transactions are mostly outside of this sector.

Going forward, the Group intends to continue working with Oliver Wyman on a non-exclusive basis. It also plans to supplement Oliver Wyman’s due diligence efforts with relationships with additional global consulting firms which demonstrate expertise and local knowledge for each investment opportunity.

Dividend policy

Duke Royalty has implemented a policy of paying quarterly dividends. Since implementing this policy in 2017 the Company has raised its quarterly dividend by 40% from 0.5 pence to 0.7 pence per share.

DUKE ROYALTY LIMITED

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 2018

Dear Shareholder,

I am pleased to report the results for the financial year ending 31 March 2018 ("Fiscal 2018") which has been a period of significant progress and development for the Company.

Following the Company's re-admission to AIM in March 2017 and concurrent raising of its first institutional equity capital of £15 million to finance a pipeline of near term royalty financing transactions, we were delighted therefore that the Company was able to quickly announce that, during April 2017, it had closed its inaugural royalty investment of €8 million (£6.9 million) into Temarca, an established European river cruise operator.

The Temarca investment was followed by two further royalty transactions during Fiscal 2018. The first of these transactions was a £7 million investment (split into two tranches) into Lynx UK, the European subsidiary of Lynx Equity which is a Toronto-based private firm that seeks to acquire, own and operate mature, old-economy businesses in a diverse range of industries. The second was a £9 million investment into Trimite, a 70-year-old UK private company that formulates and manufactures high performance and technologically superior coatings and paints for speciality industrial markets.

To be able to fund the third transaction and subsequent investments, Duke closed a successful second equity fundraising of £20 million which was completed in December 2017. Both of our fundraisings in Fiscal 2018 were well supported by institutional investors, which underpins our confidence in the ability for us to execute our business plan of diversifying the royalty partners at a measured but focused pace.

I am also pleased to report that during Fiscal 2018, the Company has grown the quality and quantity of the pipeline of transactions the team are evaluating. Duke Royalty is the first UK quoted non-resource royalty investment company, which means the Company needs to do some education in Europe of the advantages of this alternative finance solution which is well established in North America. However, one of the most pleasing aspects of Fiscal 2018 has been that we have seen a strong demand for the Duke financing solution in our key target markets.

As referenced in the Company's IPO document, the Company announced that it would target a minimum dividend yield of five percent (or 2 pence per share) for Fiscal 2018. The actual Fiscal 2018 pay-out was above target at 2.1 pence per share with the initial quarterly dividend of 0.5p per share being increased to 0.6p per share in respect of the final quarter of Fiscal 2018. A stable and increasing dividend yield is a fundamental principle that Duke will continue to focus on in future years and I am happy to be able to report that post the financial year end the quarterly dividend was increased again to 0.7p per share in respect of the first quarter of Fiscal 2019.

Fiscal 2018 also saw the inaugural income generated from our royalty investment strategy, which is a significant step in the Company's development and we are therefore pleased to report a total income for the year of £1.80 million. Our total comprehensive loss for the year was £0.86 million, however, to understand the overall trading of the Company, we need to point out that our inaugural income coincides with the early adoption of the new IFRS 9 accounting standard for financial instruments. Due to the nature of the royalty investments, under IFRS 9 they are classified at fair value through profit or loss which requires transaction and similar costs to be expensed immediately. Accordingly, the Company has had several material items expensed in the financial statements that need to be highlighted.

DUKE ROYALTY LIMITED

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 2018

Firstly, there were transactional related deal costs of £0.49 million that were expensed. These related to the execution of the three royalty transactions referred to above. On top of this, there is also a liability associated with the net present value of the long-term Oliver Wyman collaboration fee. This fee was expensed in full during Fiscal 2018 and was valued at £0.85 million, however the payments are directly tied to Duke's actual cash received over the life of its royalty investments. Finally, there was also a one-off expense associated with the 1.5 million share payment to the Support Service providers which was valued at of £0.59 million. This payment arose in recognition of the execution of the royalty strategy, principally the completion of royalty investments by the Group, and is now fully satisfied. If these three items were to be stripped out, then the total operating expenses of the Company would have fallen from £2.65 million to £0.72 million which is line with previous market guidance given by the Company.

As a result of the above impacts on the income statement, I would urge investors to focus their attention on the Consolidated Statement of Cash Flows to obtain a clearer picture of the Company's operating performance. In Fiscal 2018, this showed a net cash inflow from operating activities of £0.25 million. Because of the IFRS guidelines in valuing financial instruments as highlighted above, in the more mature Canadian royalty market, many of the independent research analysts focus much more heavily on operating cashflow per share rather than on earnings per share.

Finally, I am glad to be able to inform shareholders that post the financial year end the Company has continued its progress and growth. The Company has now successfully closed its fourth and fifth royalty investments further diversifying the existing portfolio and also has a strong pipeline of new royalty transactions that are currently under review. In order to fund this continued growth and portfolio diversification, the Company was able to successfully close a £44 million equity financing in August 2018 which has brought in a number of new institutional shareholders that has further strengthened the Company's share register and has provided the Company with an excellent platform for the future.

I am grateful for the support of our shareholders and am pleased to report the Chairman's statement for Fiscal 2018. I look forward to being able to report on the Company's ongoing progress and development in future periods.

Nigel Birrell
Chairman
21 September 2018

DUKE ROYALTY LIMITED

DIRECTORS FOR THE YEAR ENDED 31 MARCH 2018

Mr Nigel Birrell (Chairman)

Nigel Birrell is a Non-Executive Director and Chairman of the Company and works with the Executive Directors on deal origination and structuring. He has extensive public company experience and expertise in the gaming, media and financial services sectors. Mr Birrell is the CEO of the Lottoland Group, a Gibraltar regulated gaming group.

Mr Birrell was until 2013 Group Director on the Executive Board at bwin.party digital entertainment plc, a global on-line gaming business, where he was responsible for all its mergers and acquisitions, business development and management of its investment portfolio. While at bwin.party Mr Birrell led the acquisitions of Gamebookers, Empire On-line and IOG's casino operations, Cashcade, the World Poker Tour and Orneon. He was instrumental in devising, negotiating and transacting the merger between PartyGaming and bwin.party which, at the time, created the largest online-gaming business in history. He has also led all its disposals including Ogame's sale to Amaya.

Prior to bwin.party, Mr Birrell was a Director of the then FTSE 250 media group HIT Entertainment plc. He also worked as an investment banker with Donaldson, Lufkin & Jenrette and Dresdner Kleinwort Benson.

Mr Birrell holds a LLB from the University of London (Queen Mary College) and qualified as a solicitor of the Senior Courts of England and Wales.

Mr Neil Johnson

Neil Johnson is an Executive Director and Duke Royalty's Chief Executive Officer with responsibility for the overall strategic direction and performance of the Group. Working closely with the other members of the Management team, Board members and the Investment Committee, he leads all deal origination, due diligence and structuring.

Mr Johnson has over 25 years of experience in investment banking, merchant banking and research analysis in both the Canadian and UK capital markets. In 2012 he co-founded and became Chief Executive Officer of Difference Capital Financial, a Canadian publicly listed merchant bank. For the previous 19 years he worked for Canaccord Genuity, first in Canada and later at Canaccord London rising to the positions of Head of Corporate Finance (Europe), Global Head of Technology, and a member of the Global Executive Committee. Mr Johnson was instrumental in the firm becoming authorised as a nominated adviser for AIM and regulated in the UK and London Stock Exchange Main Market listings; he spearheaded the firm's diversification into the technology industry, and led Canaccord's initiative to attract North American firms to list in London.

Mr Johnson is a graduate of the Richard Ivey School of Business at the University of Western Ontario and holds the designation of Chartered Financial Analysis Charterholder.

Charles Cannon Brookes

Charles Cannon Brookes is an Executive Director of the Company and works alongside the CEO on deal origination, due diligence and structuring. In addition, Mr Cannon Brookes is Duke Royalty's liaison with UK institutions/advisors and has oversight of the Group's corporate governance and compliance with AIM Rules.

Mr Cannon Brookes has over 20 years investment experience. He is the Investment Director of FCA authorised and regulated Arlington Group Asset Management Limited having jointly acquired the business in October 2004. Through Arlington, Mr Cannon Brookes has been active in a variety of different investment management mandates and corporate finance transactions on the London markets. Prior to Arlington he worked for Arlington Group plc, an AIM quoted investment company, where he managed its entire public equity portfolio. Mr Cannon Brookes has also worked for Jupiter Asset Management, ABN Amro and Barclays de Zoete Wedd. He has extensive fund management experience and has advised and sat on the board of a number of different funds, trust and other operating public companies.

Mr Cannon Brookes holds a BA Honours degree in Economics & Politics from the University of Exeter.

DUKE ROYALTY LIMITED

DIRECTORS FOR THE YEAR ENDED 31 MARCH 2018

Mr Justin Cochrane

Justin Cochrane was appointed an Executive Director of the Company on 28 September 2017 and works on deal origination, due diligence and structuring. He also assists the Board with business strategy and is a member of the Investment Committee.

Mr Cochrane also serves as the President and COO of Cobalt 27 Capital Corp. Mr Cochrane was previously the Executive Vice President of Corporate Development for Sandstorm Gold Ltd. At Sandstorm, Mr Cochrane was responsible for sourcing, negotiating and executing royalty and stream financing transactions across the globe. Mr Cochrane was a key part of Sandstorm's team as it grew into one of the largest royalty and stream financing companies in Canada. Prior to Sandstorm Mr Cochrane was a Vice President at National Bank Financial where he spent some nine years working in the investment banking group. As Vice President, Mr Cochrane managed primary coverage of British Columbia based clients in the diversified, paper & forest products, power & utilities, resources, cleantech and other sectors. Mr Cochrane specialised in providing advice to client on merger and acquisition transactions and equity and debt financing opportunities.

Mr Cochrane holds the designation of Chartered Financial Analyst Charterholder and received a Bachelor of Commerce degree, with honours, from the University of British Columbia, Vancouver, Canada. Mr Cochrane is a government ambassador at the Multiple Sclerosis Society of Canada and also a Director of Cobalt 27 Capital Corp. and Nevada Copper Corp.

Mr Mark Le Tissier

Mark Le Tissier is a Non-Executive Director of the Company. He is responsible for the oversight of the Company's corporate obligations in Guernsey.

Mr Le Tissier is the European Regional Director of Trident Trust with oversight over five offices, as well as the Managing Director of Trident Trust Company (Guernsey) Limited and has worked for Trident for over twenty years. He has extensive board-level experience and has an in-depth knowledge of Guernsey and other jurisdictions' corporate and investment regulations. Mr Le Tissier is a Trust & Estate Practitioner who has also completed the IOD Programme in company direction and is resident in Guernsey.

Mr Matthew Wrigley

Matthew Wrigley was appointed a Non-Executive Director of the Company on 28 September 2017 and works with the Executive Directors on structuring and all legal matters relating to the Company.

Mr Wrigley is a partner at asset management advisory firm, MJ Hudson. In his fifteen years in alternative assets, he has gained experience through a mix of legal and commercial roles. This has included serving as General Counsel for a fund management company listed on the Australian Securities Exchange with AUD1.3 billion assets under management, Chief Operating Officer of an investment trust listed on the Singapore Securities Exchange with a market capitalisation of SGD600 million, and with leading global law firm, Baker McKenzie. He also sits on several fund and general partner boards, with strategies spanning private equity, infrastructure and real estate.

Mr Wrigley is a Solicitor of the Supreme Court of Queensland Australia, holds a Bachelor of Laws (LL.B) from the University of Queensland and is resident of Guernsey.

DUKE ROYALTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The Directors present their Annual Report and the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2018.

Status and activity

The Company is an investment holding company incorporated on 22 February 2012 with limited liability in Guernsey under the Companies (Guernsey) Law, 2008. The Company has a wholly owned subsidiary, Duke Royalty UK Limited, registered in England and Wales.

As detailed in the Investing Policy section on page 3, the Group's principal activity is that of investment in a diversified portfolio of royalty finance and related opportunities.

On 22 December 2017 the Company announced that 50 million new Ordinary Shares had been successfully placed or subscribed for at a price of 40 pence per share. This raised net proceeds of £18.3 million after commission.

During the year the Group entered into three royalty financing agreements. The first royalty financing agreement for €8 million (£6.9 million) was completed in April 2017 with Temarca B.V., an established European river cruise provider. The Group subsequently completed agreements for £7 million with Lynx Equity (U.K.) Limited, a diversified firm focused on acquiring small and medium-sized mature, old-economy businesses, and for £9 million with Trimite Global Coatings Limited, which formulates and manufactures high performance technologically superior coatings and paints for speciality industrial markets.

Since the year end the Group has completed royalty financing agreements for £6.5 million with Brownhills Investments Limited, one of the UK's leading independent glass merchants and processors and for £10 million with InterHealth Canada Holding Corp, a group that specialises in the development, commissioning and management of healthcare facilities in various countries around the world. The Group has also provided an additional £2 million of royalty financing to Lynx Equity (U.K.) Limited.

On 13 July 2018 the Company announced that 100 million new Ordinary Shares had been successfully placed or subscribed for at a price of 44 pence per share. The net proceeds from this fundraising were approximately £42 million.

Results and dividends

The Group's performance during the year is discussed in the Chairman's Report on page 4. The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 21.

At the year end the net assets attributable to the Ordinary Shareholders were £32,243,946 (2017: £14,506,012).

During the year, the Company implemented a quarterly dividend policy and dividends of £932,628 were paid during the financial year to 31 March 2018 (2017: £nil). The Company's inaugural quarterly dividend was 0.5 pence per share paid in July 2017, and two further quarterly dividends of 0.5 pence per share were paid in October 2017 and January 2018.

Since then, the Company has increased the dividend twice, representing a 40% total increase from the initial level. On 12 April 2018 the Company paid a quarterly dividend of 0.6 pence per share and on 12 July 2018 the Company paid a further quarterly dividend of 0.7 pence per share. On 20 September 2018 the Company approved a further quarterly dividend of 0.7 pence per share, to be paid on 12 October 2018.

Shareholder information

Up to date information regarding the Group and Company can be found on the Company's website, which is www.dukeroyalty.com.

DUKE ROYALTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

Annual General Meeting

The notice for the Annual General Meeting of the Company, which is to be held on 1 November 2018 at 10:00 a.m., is on page 50 of this document. The form of Proxy for the Annual General Meeting will accompany the notice of Annual General Meeting.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law allows the Directors to prepared Consolidated Financial Statements for each financial year. Under that law the Directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

The Directors are permitted by the Companies (Guernsey) Law, 2008 to prepare Consolidated Financial Statements for each financial period which give a true and fair view of the state of affairs of the Group and of the surplus or deficit of the Group for that period.

In preparing those Consolidated Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- prepare the Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Consolidated Financial Statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008. The Directors are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors who held office at the date of approval of this report confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, having taken all the steps that the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DUKE ROYALTY LIMITED

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

Directors

The Directors of the Company, who served during the year, and subsequently, are shown below:

Nigel Birrell
Neil Johnson
Charles Cannon Brookes
James Ryan (resigned 28 September 2017)
Justin Cochrane (appointed 28 September 2017)
Mark Le Tissier
Matthew Wrigley (appointed 28 September 2017)

The Directors held the following interest in the share capital of the Company either directly or beneficially:

	Ordinary Shares 2018 No.	Ordinary Shares 2017 No.
N Johnson	3,207,193	1,660,000
C Cannon Brookes	5,000,000	2,765,882
N Birrell	650,000	525,000
J Cochrane (* on appointment)	740,000	*690,000
M Le Tissier	-	-
M Wrigley	-	-

The Directors held the following interest in share options and Long Term Incentive Plan ("LTIP") awards either directly or beneficially (further information relating to these awards can be found in note 11 to the Consolidated Financial Statements):

	LTIP awards 2018 No.	LTIP awards 2017 No.	Share options 2018 No.	Share options 2017 No.
N Johnson	500,000	-	85,000	85,000
C Cannon Brookes	350,000	-	85,000	85,000
N Birrell	-	-	85,000	85,000
J Cochrane	175,000	-	70,000	70,000
M Le Tissier	-	-	-	-
M Wrigley	-	-	-	-

The Directors received the following remuneration (including LTIP expenses) during the year:

	2018 £	2017 £
N Johnson	52,715	100,000
C Cannon Brookes	36,900	70,000
N Birrell (Chairman)	12,000	24,000
J Ryan (resigned 28 September 2017)	6,000	24,000
J Cochrane (appointed 28 September 2017)	18,450	-
M Le Tissier	-	-
M Wrigley (appointed 28 September 2017)	6,000	-
	132,065	218,000

DUKE ROYALTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

Directors' authority to buy back shares

A Shareholder resolution, which took effect upon Admission to AIM, has been passed granting the Board authority to make market purchases of up to 14.99 per cent of the Ordinary Shares in issue during any twelve month period. Any repurchase of Ordinary Shares will be made in accordance with the Articles of Association of the Company and the Companies (Guernsey) Law, 2008, as amended, and within guidelines established from time to time by the Board and will be at the absolute discretion of the Board, and not at the option of the Shareholders.

This authority will lapse on the date of the Company's next Annual General Meeting. Subject to Shareholder authority for proposed repurchases, general purchases of up to 14.99 per cent of the Ordinary Shares in issue will only be made through the market.

The minimum price (exclusive of expenses) which may be paid for an Ordinary Share is £0.01 per share and the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be not more than five per cent above the average of the middle market quotation for the Ordinary Shares for the five business days before the purchase is made.

Any repurchase by the Company of 15 per cent or more of any class of its shares (excluding shares of that class held in treasury) will be effected by way of a tender offer to all Shareholders of that class.

When Ordinary Shares trade at a substantial discount to the NAV per Ordinary Share and do not coincide with trading volumes in the market, the Directors may feel that it is appropriate to make such purchases.

Shareholders' significant interests

The following Shareholders had a substantial interest either directly or beneficially of 3% or more of the Company's issued share capital as at 10 September 2018:

Shareholder/Nominee Account	Ordinary shares held	% of the Ordinary Share capital
Hargreave Hale Limited	30,583,000	15.45%
Blackrock, Inc.	19,887,000	10.04%
AXA Investment Managers	18,250,000	9.22%
Downing LLP	12,727,000	6.43%
Janus Henderson	9,000,000	4.55%
Partners Value Investment Inc.	8,750,000	4.42%
Capital Group	8,528,000	4.31%
GLG Partners	7,727,000	3.90%
Hadron	6,671,504	3.37%

Relations with Shareholders

The Directors place a great deal of importance on communication with Shareholders. The Annual Report and Consolidated Financial Statements are widely distributed to other parties who have an interest in the Group's performance. Shareholders and investors may obtain up to date information on the Group through the Company's website.

The Notice of the Annual General Meeting included within the Annual Report and Consolidated Financial Statements is sent out 20 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board formally at the Company's Annual General Meeting. The Company Secretary and representatives from Arlington Group Asset Management Limited and Abingdon Capital Corporation are available to answer general queries.

DUKE ROYALTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

Corporate governance

The Board of Directors is responsible for the corporate governance of the Company. As a Guernsey incorporated company and under the AIM Rules for Companies, the Company is not currently required to comply with The UK Corporate Governance Code published by the Financial Reporting Council ("UK Code"). However, the Directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained and as such the Company is committed to complying with the corporate governance obligations appropriate to the Company's size and nature of business.

The Board is aware of the London Stock Exchange's recent changes to the AIM Rules and, in particular, the changes to AIM Rule 26 requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. The Board plans to adopt the Quoted Companies Alliance Corporate Governance Code. As these changes will take effect from 28 September 2018, they will therefore be included in the next Annual Report. The Board is currently finalising the Corporate Governance Policy and this will be published on the Group's website by the due date.

As a Guernsey incorporated company, the Company is required to comply with the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission ("GFSC Code") introduced on 1 January 2012.

The Board

The Board, whose membership, and where relevant independence, is disclosed above, meets at least four times a year. Between the formal meetings there was regular contact with the Support Services Providers, the Company Secretary and the Investment Committee. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company and should be brought to the attention of the Directors. The Directors also have access to the Administrator and, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Group. The Board is responsible for the appointment and monitoring of all service providers to the Company.

The Board has engaged specific individuals and external companies to undertake the investment management, administrative and custodial activities of the Group. Clear documented contractual arrangements are in place with these individuals and firms, which define the areas where the Board has delegated responsibility to them.

It remains the responsibility of the Board to assess whether the outsourced activities are being performed adequately, to ensure that the Group has adequate resources and to establish procedures, including compliance plans, to be able to monitor the performance of third parties performing the outsourced activities. The Directors believe that the Board has a balance of skills and experience which enables it to perform these assessments, to provide effective strategic leadership and proper governance of the Group. The Board has considered non-financial areas of risk such as disaster recovery and staffing levels within service providers and considers adequate arrangements to be in place.

The Group maintains insurance in respect of Directors' and officers' liability in relation to their acts on behalf of the Group. Suitable insurance is in place and has been renewed for the period until 30 November 2018.

Annual Report and Financial Statements

The Board of Directors are responsible for preparing the Annual Report and Financial Statements. The Audit Committee advises the Board on the form and content of the Annual Report and Financial Statements, any issues which may arise and any specific areas which require judgement.

DUKE ROYALTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

Internal control and financial reporting

The Board is responsible for establishing and maintaining the Group's system of internal controls. Internal control systems are designed to meet the specific needs of the Group and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss.

The key components designed to provide effective internal control are outlined below:

- Trident Trust Company (Guernsey) Limited ("TT") was responsible for the provision of administration and company secretarial duties for the period under review;
- The duties of managing the Group's royalty investments, administration / company secretarial and accounting are segregated. The procedures are designed to complement one another; and
- The Board reviews financial information and compliance reports produced by the Administrator on a regular basis.

The Board reviews the Group's risk management and internal control systems quarterly and are satisfied that the controls are satisfactory, given the size and nature of the Group.

Audit Committee

The Company's Audit Committee comprises Matthew Wrigley (Chairman), Nigel Birrell and Mark Le Tissier. The Audit Committee's main functions include, inter alia; reviewing the effectiveness of internal control systems and risk assessment, considering the need for an internal audit, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications. The Audit Committee will also monitor the integrity of the Financial Statements of the Company including its annual and interim reports, announcements and any other formal announcement relating to financial performance. The Audit Committee will be responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Audit Committee will consider the nature, scope and results of the auditors' work and reviews, and develop and implement policy on the supply of non-audit services that are to be provided by the external auditors. The Audit Committee will focus particularly on compliance with legal requirements, accounting standards and the relevant AIM Rules for Companies and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts will remain with the Board. The identity of the Chairman of the Audit Committee will be reviewed on an annual basis and the membership of the Audit Committee and its terms of reference will be kept under review. The Audit Committee will have no links with the Company's external auditors.

DUKE ROYALTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

Investment committee

The Investment Committee was formed in 2015 jointly with Oliver Wyman in conjunction with the signing of the exclusive collaboration. Its members were nominated by the Company and by Oliver Wyman and include independent members. Following the announcement to mutually end the exclusive collaboration between the Company and Oliver Wyman as described on page 3, the Company did not change the Investment Committee members. As a consequence, there are three members from the Company and now three independent members on the Committee.

The current members of the Investment Committee are Neil Johnson, Executive Director and Chief Executive Officer of Duke Royalty; Jim Webster, Chief Investment Officer of Duke Royalty; Justin Cochrane, Executive Director of Duke Royalty; David Campbell, former Partner in the Health & Life Sciences practice of Oliver Wyman; John Romeo, Managing Partner and Executive Committee and Risk Committee member at Oliver Wyman and Andrew Carragher, a founder and Managing Partner of DW Healthcare Partners, a private equity firm founded in 2002 with over \$750 million under management.

The Investment Committee is responsible for reviewing the pipeline of all proposed opportunities; assisting and advising on royalty terms; identifying and managing potential conflicts of interests; assessing the individual capital requirements for each potential opportunity; making recommendations to the Board and reviewing the performance and outlook of the portfolio.

The Investment Committee has no power to bind the Company to any potential transaction, and the Company is not bound to follow any advice or recommendation of the Investment Committee. Every proposed Royalty Financing will be decided by the Board.

Anti-bribery and corruption

The Board acknowledges that the Group's international operations may give rise to possible claims of bribery and corruption. In consideration of the UK Bribery Act the Board reviews the perceived risks to the Group arising from bribery and corruption to identify aspects of the business which may be improved to mitigate such risk. The Board has adopted a zero tolerance policy toward bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

Financial risk profile

The Group's main financial instruments comprise royalty investments, royalty participation liabilities and cash. The main purpose of these instruments is the investment of Shareholders' funds. The most significant risks that these instruments are subject to are discussed in note 17 to the Consolidated Financial Statements

Environment

The Group seeks to conduct its affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions taken on behalf of the Group.

Going concern

After making all reasonable enquires the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements as the Group has adequate financial resources to continue in operational existence for the foreseeable future.

DUKE ROYALTY LIMITED

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

Independent Auditor

The auditor, BDO Limited, has indicated its willingness to continue in office. Accordingly, a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting. The external auditors are required to rotate the audit engagement partner responsible for the Company audits every five years. In certain circumstances where there has recently been, or will soon be, a substantial change to the entity's business it is permitted under the Financial Reporting Council's Ethical Standards (paragraph 3.15) to extend that tenure by up to two years in order to safeguard audit quality. In light of this the Board has determined, with the agreement of BDO Limited, that it was necessary for the current audit engagement partner to continue with his role for a sixth year, given his detailed understanding of the operations and systems at Duke Royalty which we believe are important at a time of significant change for the Company given the recent changes to the Company's Investment Strategy to a Royalty Finance Business along with the previous change in the Company's Administrator.

Approved by the Board of Directors on 21 September 2018 and signed on behalf of the Board by:

Mark Le Tissier
Director

Matthew Wrigley
Director

DUKE ROYALTY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUKE ROYALTY LIMITED

Opinion

We have audited the consolidated financial statements of Duke Royalty Limited (the "parent company") and its subsidiary (the "Group") for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

DUKE ROYALTY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUKE ROYALTY LIMITED

Key Audit Matter	Audit Response
<p>Classification and measurement of Royalty Instruments (notes 2.10, 3, 8 and 16) - During the year the group commenced investing in royalty instruments. The financial reporting standards predicate how a financial instrument shall be presented and measured based on the on the characteristics of the contracts. The royalty contracts are complex and therefore involved judgement in the application of the assessment of these characteristics.</p> <p>Depending on the classification of the instruments, the ongoing measurement requirements differ. As the group's instruments are classified at fair value through profit or loss then the instruments are required to be revalued to fair value at each reporting date.</p> <p>The valuation models are a highly subjective area as management makes judgements as to expected cash flows, risk free rates, revenue growth rates, discount rates and other variables to arrive at the fair value of the products. Any input inaccuracies or unreasonable bases used in the valuation judgements could result in a material misstatement of the group statement of comprehensive income and the group balance sheet.</p>	<ul style="list-style-type: none"> • We obtained all of the royalty instrument agreements and reviewed them together with considering and challenging management's assessment of the classification under standards. • We utilised our own technical specialists to assist in the interpretation of the standard for financial instruments and applying this to the characteristics of the royalty contracts. • We obtained management's valuation models for the Royalty Instruments and:- <ul style="list-style-type: none"> • Assessed and challenged the reasonableness of management's inputs into the valuation models against our expectations. • Agreed the future cash flows to the initial investment proposal and forecasts and gained an understanding where forecasts were different to those expected on day 1. • Based on underlying supporting documentation of the investees performance, we assessed whether managements consideration of whether the investees actual performance against budgeted indicated a need to revise the cash flows was reasonable. • We considered the short time period since investment to the year end and together with investee performance since investment to challenge the discount rates used by management within the valuation model.

DUKE ROYALTY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUKE ROYALTY LIMITED

Key Audit Matter	Audit Response
<p>Accounting for the collaboration agreement (notes 2.10, 3, 14 and 16) - The Company entered into a Collaboration agreement whereby the third party provides the Company with deal origination and undertakes due diligence work on potential Royalty Partners in exchange for a share of the future distributions received by the Company from Royalty Partners once the relevant Royalty Financing has been completed.</p> <p>Significant consideration of the characteristics of the contract and judgement was required to conclude on the treatment of the liability due to the nature of the agreement.</p> <p>The valuation model of the financial liability is dependent on the valuation models for the royalty instruments (see separate key audit matter).</p>	<ul style="list-style-type: none">• We obtained the collaboration agreement and separate side letters and assessed their characteristics together with considering and challenging management's assessment of the classification under the financial reporting standards.• We utilised our own technical specialists to assist in the interpretation of the standard for financial instruments and applying this to the characteristics of the collaboration agreement.• Once the classification was agreed we then reviewed the fair value model of the liability utilising the same approach as for the audit of the valuation models for the royalty instruments.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole to be £600,000 (2017: £251,000), which is based on a level of 1.75% (2017: 1.75%) of total assets. We considered total assets to be the most appropriate benchmark due to the nature of the group being to make long term investments.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the company has been set at £360,000 (2017: 63,150) which is 60% (2017: 65%) of materiality. This has been set based upon the control environment in place, the directors' assessment of risk and our past experience of adjustments.

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to sensitive fees including: broker fees, legal fees, audit fees, directors' fees administration fees, consultancy fees, investment committee fees, support fees, registrar fees, nomad fees and directors travel and entertainment. We have also applied this lower level of materiality to receipts received under the royalty instrument agreements due to this being a focal point for investors given the stated dividend policy of the group. We determined materiality for these areas to be £130,000.

DUKE ROYALTY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUKE ROYALTY LIMITED

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £30,000 (2017: £7,500). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit taking into account the nature of the group's investments, involvement of the Investment Manager, the accounting and reporting environment and the industry in which the group operates.

This assessment took into account the likelihood, nature and potential magnitude of any misstatement. As part of this risk assessment we considered the group's interaction with the Investment Manager. We assessed the control environment in place within the group to the extent that it was relevant to our audit. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

The group consists of the parent company and one subsidiary. The subsidiary was determined to be significant due to risk but not size. Accordingly, the subsidiary was not subject to a full scope audit. As the company's annual report does not include parent company only financial statements we concluded that the most effective audit approach to the group was to audit the consolidated financial statements as if they were one entity, during which we have performed audit procedures on all key risk areas. The materiality applied was that calculated above which had been based on the consolidated financial information.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

DUKE ROYALTY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUKE ROYALTY LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

The engagement director on the audit resulting in this independent auditor's report is Justin Hallett.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

21 September 2018

DUKE ROYALTY LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £	2017 £
Income			
Net change in fair value on financial assets and financial liabilities at fair value through profit or loss	8,14,16	1,554,518	-
Transaction costs reimbursed	2.7	145,000	-
Net foreign currency gains		97,238	-
Bank interest receivable		-	44
		<hr/>	<hr/>
Total income		1,796,756	44
Expenses			
Support services administration fees	15	(806,537)	(375,000)
Directors' fees	15	(132,065)	(218,000)
Investment Committee fees	15	(37,500)	(60,000)
Legal and professional fees		(229,723)	(334,195)
Transaction costs	2.8	(488,308)	(95,025)
Royalty participation fees	2.10,16	(848,534)	-
Other operating costs		(112,289)	(320,450)
Bank interest payable		(2)	(1,956)
		<hr/>	<hr/>
Total operating expenses		(2,654,958)	(1,404,626)
		<hr/>	<hr/>
Loss for the financial year		(858,202)	(1,404,582)
		<hr/>	<hr/>
Taxation expense	5	-	-
		<hr/>	<hr/>
Total comprehensive loss for the year		(858,202)	(1,404,582)
		<hr/>	<hr/>
Basic and diluted deficit per share (pence)	6	(1.38)	(15.83)
		<hr/>	<hr/>

All income is attributable to the holders of the Ordinary Shares of the Company.

The notes on pages 25 to 48 form an integral part of these Consolidated Financial Statements.

DUKE ROYALTY LIMITED
GUERNSEY REGISTERED NUMBER: 54697

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Non-current assets			
Financial assets at fair value through profit or loss	8	20,782,297	-
Current assets			
Financial assets at fair value through profit or loss	8	2,786,501	-
Trade and other receivables	9	6,687,020	381,467
Cash and cash equivalents		3,165,221	14,350,154
		12,638,742	14,731,621
Total assets		33,421,039	14,731,621
Equity			
Shares issued	10	60,303,293	40,905,094
Share based payment reserve	11	129,977	124,412
Warrant reserve	10	125,000	-
Retained losses	12	(28,314,324)	(26,523,494)
		32,243,946	14,506,012
Current liabilities			
Trade and other payables	13	259,693	225,609
Financial liabilities at fair value through profit or loss	14	140,886	-
		400,579	225,609
Non-current liabilities			
Financial liabilities at fair value through profit or loss	14	776,514	-
Total liabilities		1,177,093	225,609
Total equity and liabilities		33,421,039	14,731,621

The Consolidated Financial Statements on pages 21 to 48 were approved and authorised for issue by the Board of Directors on 21 September 2018 and were signed on its behalf by:

Mark Le Tissier
 Director

Matthew Wrigley
 Director

The notes on pages 25 to 48 form an integral part of these Consolidated Financial Statements.

DUKE ROYALTY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 £	2017 £
Cash flows from operating activities		
Receipts from royalty investments	987,192	-
Receipts from transaction costs reimbursed	45,000	-
Proceeds from sale of investments	-	516,535
Interest income received	-	44
Operating expenses paid	(785,714)	(1,255,997)
Net cash inflow/(outflow) from operating activities	246,478	(739,418)
Cash flows from investing activities		
Royalty investments advanced	(22,932,356)	-
Transaction costs paid	(277,737)	(31,500)
Amounts advanced to agents pending royalty investment completion	(6,467,500)	-
Payment to acquire equity investment	(250)	-
Net cash outflow from investing activities	(29,677,843)	(31,500)
Cash flows from financing activities		
Proceeds from share issue	19,840,275	14,209,425
Share issue costs	(765,613)	(712,148)
Dividends paid	(925,468)	-
Finance costs paid	-	(1,956)
Net cash inflow from financing activities	18,149,194	13,495,321
Net change in cash and cash equivalents	(11,282,171)	12,724,405
Cash and cash equivalents at beginning of year	14,350,154	1,625,749
Effect of foreign exchange on cash	97,238	-
Cash and cash equivalents at the end of year	3,165,221	14,350,154

The notes on pages 25 to 48 form an integral part of these Consolidated Financial Statements.

DUKE ROYALTY LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	Shares issued £	Share-based payment reserve £	Warrant reserve £	Retained losses £	Total equity £
At 1 April 2016		27,064,815	124,412	72,454	(25,191,366)	2,070,315
Total comprehensive loss for the year		-	-	-	(1,404,582)	(1,404,582)
Transactions with owners						
Shares issued for cash	10	14,552,425	-	-	-	14,552,425
Share issuance costs	10	(1,159,721)	-	-	-	(1,159,721)
Share based payments	11	447,575	-	-	-	447,575
Warrants lapsed	10	-	-	(72,454)	72,454	-
Total transactions with owners		13,840,279	-	(72,454)	(1,332,128)	12,435,697
At 1 April 2017		40,905,094	124,412	-	(26,523,494)	14,506,012
Total comprehensive loss for the year		-	-	-	(858,202)	(858,202)
Transactions with owners						
Shares issued for cash	10	19,507,275	-	-	-	19,507,275
Share issuance costs	10	(1,188,338)	-	-	-	(1,188,338)
Share based payments	10,11	1,079,262	5,565	-	-	1,084,827
Warrants issued	10	-	-	125,000	-	125,000
Dividends	7	-	-	-	(932,628)	(932,628)
Total transactions with owners		19,398,199	5,565	125,000	(932,628)	18,603,296
At 31 March 2018		60,303,293	129,977	125,000	(28,314,324)	32,243,946

The notes on pages 25 to 48 form an integral part of these Consolidated Financial Statements.

DUKE ROYALTY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. General Information

Duke Royalty Limited (“Duke Royalty” or the “Company”) is a closed-ended investment company with limited liability formed under the Companies (Guernsey) Law, 2008. Its shares are traded on the AIM market of the London Stock Exchange. The Company’s registered office is shown on page 49.

The Group comprised Duke Royalty Limited and its wholly owned subsidiary Duke Royalty UK Limited, a company registered in England and Wales.

The Group’s investing policy is to invest in a diversified portfolio of royalty finance and related opportunities.

The Company’s shares are traded on AIM, a market operated by the London Stock Exchange.

2. Significant accounting policies

2.1 Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”), to the extent that they have been adopted by the European Union, and applicable Guernsey law, and reflect the following policies, which have been adopted and applied consistently.

The Financial Statements have been prepared on a historical cost basis, except for the following:

- Royalty investments – measured at fair value through profit or loss
- Equity investments – measured at fair value through profit or loss
- Royalty participation liabilities – measured at fair value through profit or loss

2.2 New and amended standards adopted by the Group

The Group has elected to apply IFRS 9 ‘Financial instruments’ early.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 ‘Financial instruments: recognition and measurement’.

The application of IFRS 9 has resulted in the following changes to the classification of the Group’s financial instruments:

- Trade and other receivables were classified as ‘loans and receivables’ under IAS 39 and are now classified as ‘financial assets held at amortised cost’
- Cash and cash equivalents were classified as ‘loans and receivables’ under IAS 39 and are now classified as ‘financial assets held at amortised cost’

The adoption of IFRS 9 has not materially impacted the measurement basis of the opening balance sheet.

Further information can be found in note 2.10.

DUKE ROYALTY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Significant accounting policies (continued)

2.3 New standards and interpretations not yet adopted

At the date of authorisation of these Consolidated Financial Statements, certain standards and interpretations were in issue but not yet effective and have not been applied in these Consolidated Financial Statements. The Directors do not expect that the adoption of these standards and interpretations will have a material impact on the Financial Statements of the Group in future periods.

2.4 Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted across the Group.

The "Group" is defined as the Company and its subsidiary Duke Royalty UK Limited.

2.5 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. 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, as a whole. The key measure of performance used by the Board to assess the Group's performance and to allocate resources is the total return on the Group's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in these Consolidated Financial Statements.

For management purposes, the Group's new investment objective is to focus on one main operating segment, which is to invest in a diversified portfolio of royalty finance and related opportunities. At the end of the period the Group has three investments into this segment and has derived income from them. Due to the Group's nature it has no customers.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Significant accounting policies (continued)

2.6 Foreign currency

Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Consolidated Financial Statements are presented in pounds sterling, which is also the functional currency of the Company and its subsidiary.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'net foreign currency gains'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Consolidated Statement of Comprehensive Income within 'net change in fair value on financial assets and financial liabilities at fair value through profit or loss'.

2.7 Transaction costs reimbursed

Income relating to transaction costs reimbursed comprises one off fees charged to investee companies as a reimbursement of certain costs incurred on their behalf. The Group recognises transaction costs reimbursed when the costs have been incurred and right to reimbursement has been established.

2.8 Transaction costs

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include fees and commissions paid to agents and advisers. Transaction costs, when incurred, are recognised immediately in profit or loss as an expense.

DUKE ROYALTY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Significant accounting policies (continued)

2.9 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.10 Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income when there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

Financial assets

The Group financial assets are classified in the following measurement categories:

- those to be measured subsequently at fair value or through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

DUKE ROYALTY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Significant accounting policies (continued)

2.10 Financial instruments (continued)

Financial assets (continued)

At initial recognition, the Group measures a financial asset at its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets held at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method.

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets held at amortised cost. The Group has elected to apply the simplified approach permitted by IFRS 9 in respect of trade receivables. This approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group's financial assets held at amortised cost include trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with an original maturity of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial assets at fair value through profit or loss

Royalty investments are debt instruments classified at fair value through profit or loss under IFRS 9. The return on these investments is linked to a fluctuating revenue stream and thus, whilst the business model is to collect contractual cash flows, such cash flows are not solely payments of principal and interest. Such assets are recognised initially at fair value and remeasured at each reporting date. The change in fair value is recognised in profit or loss and is presented within the 'net change in fair value on financial assets and financial liabilities' in the Consolidated Statement of Comprehensive Income. The fair value of these financial instruments is determined using discounted cash flow analysis. Further details of the methods and assumptions used in determining the fair value can be found in note 16.

Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either (i) when the Group has transferred substantially all the risks and rewards of ownership; or (ii) when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or (iii) when the contractual right to receive cash flow has expired. Any gain or loss on derecognition is taken to other income/expenses in the Consolidated Statement of Comprehensive Income as appropriate.

DUKE ROYALTY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Significant accounting policies (continued)

2.10 Financial instruments (continued)

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All financial liabilities are initially recognised at fair value. Unless otherwise indicated the carrying amounts of the Group's financial liabilities are approximate to their fair values.

Financial liabilities measured at amortised cost

These consist of trade and other payables. These liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise royalty participation liabilities. These liabilities arise under a contractual agreement between the Group and a strategic partner for the provision of services in connection with the Group's royalty financing arrangements. Under this agreement services are provided in exchange for a percentage of gross royalties receivable. These instruments are classified at fair value through profit or loss on the basis that the liability is linked to the Group's royalty investments. Such liabilities are recognised initially at fair value with the costs being recorded immediately in profit or loss as 'royalty participation fees' and remeasured at each reporting date in order to avoid an accounting mismatch. The change in fair value is recognised in profit or loss and presented within 'net change in fair value on financial assets and financial liabilities'. The fair value of these financial instruments is determined using discounted cash flow analysis. Further details of the methods and assumptions used in determining the fair value can be found in note 16.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to other income/expenses in the Consolidated Statement of Comprehensive Income.

Capital

Financial instruments issued by the Group are treated as equity if the holder has only a residual interest in the assets of the Group after the deduction of all liabilities. The Company's Ordinary Shares are classified as equity instruments.

The Group considers its capital to comprise its Ordinary Share Capital, share based payment reserve, warrants and retained losses.

Equity instruments

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds.

DUKE ROYALTY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Significant accounting policies (continued)

2.11 Share-based payment

The Group operates an equity settled Share Option Plan for its Directors and key advisers and a Long Term Incentive Plan for its Directors.

The fair value of awards granted under the above plans are recognised in profit or loss with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the awards granted:

- including any market performance conditions (eg. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (eg. increase in cash available for distribution, remaining a Director for a specified time period); and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Group also settles a portion of expenses by way of share-based payments. These expenses are settled based on the fair value of the service received as an expense with the corresponding amount increasing equity.

The Group issues warrants in return for services. These are measured based on the value of the service provided and are recognised as the service is delivered.

3. Critical accounting judgements and estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods. The following judgements, estimates and assumptions that may cause a material adjustment to the carrying amount of assets and liabilities are:

Fair value of royalty investments

Royalty investments are valued using a discounted cash flow analysis. The discount rate used in these valuations has been estimated to take account of market interest rates and the credit worthiness of the investee. Revenue growth has been estimated by the Directors and is based on unobservable market inputs.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. Critical accounting judgements and estimates (continued)

Fair value of royalty investments (continued)

Where the royalty investment contains a buy-back clause, the Directors have assessed the likelihood of this occurring. Where occurrence of the buy-back is deemed likely, this is built into the discounted cash flow at the appropriate point.

These assumptions are reviewed annually. The Directors believe that the applied valuation techniques and assumptions used are appropriate in determining the fair value of the royalty investments. Due to the relatively short time between entering into the investments and the year end, and having considered all relevant factors, the Directors have used the initial implied yield in the instruments as the year end discount rate. At the year end the Directors did not consider that there had been any changes to the assumptions applied at inception of the investments. Further details of the methods and assumptions used in determining the fair value can be found in note 16.

Fair value of royalty participation liabilities

The payments falling due under the Group's contract for royalty participation fees are directly linked to the Group's royalty investments and thus the same assumptions have been applied in arriving at the fair value of these liabilities. The Directors have considered whether any increase in discount rate is required to represent the Group's credit risk as the payments are made by the Group rather than the investee and have concluded that none is required since payment under the contract is only due once the Group has received the gross amounts from the investee.

4. Auditor's remuneration

	2018	2017
	£	£
Audit of the Consolidated Financial Statements	28,500	28,000

5. Income tax

The Company has been granted exemption from Guernsey taxation. The Company's subsidiary in the UK is subject to taxation in accordance with relevant tax legislation.

Factors affecting income tax expense for the year

	2018	2017
	£	£
Loss on ordinary activities before tax	(858,202)	(1,404,582)
Corporation tax at country rates	(122,458)	-
Tax losses not recognised	122,458	-
	-	(1,404,582)

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Income tax (continued)

Tax losses

	2018	2017
	£	£
Unused tax losses for which no deferred tax asset has been recognised	644,517	-
Potential tax benefit at 17%	109,568	-

The unused tax losses were incurred by the Company's subsidiary, Duke Royalty UK Limited.

6. Deficit per share

	2018	2017
	£	£
Basic and diluted deficit per Ordinary Share		
Loss for the year	(858,202)	(1,404,582)
Weighted average number of Ordinary Shares in issue	62,234,062	8,874,766
Deficit per share (pence)	(1.38)	(15.83)

The deficit per share is based on the Group loss for the year and on the weighted average number of Ordinary Shares in issue for the year. The share options, warrants and Long Term Incentive Plan awards in issue are not dilutive at the year end but could become dilutive in future periods. For more details on the share options see note 11.

Subsequent to the year end, 100 million new Ordinary Shares were placed (see note 18).

7. Dividends

The Company implemented a quarterly dividend policy during the year and paid three quarterly dividends of 0.5 pence per share, totalling £932,628 (2017: £nil).

On 28 March 2018 a fourth interim dividend of 0.6 pence per share, totalling £1,117,415, was declared and this was paid on 12 April 2018. On 12 July 2018 the Company paid a further quarterly dividend of 0.7 pence per share, totalling £1,385,317. On 20 September 2018 the Company approved a further quarterly dividend of 0.7 pence per share, to be paid on 12 October 2018.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. Financial assets at fair value through profit or loss

	2018 £	2017 £
Non-current		
Royalty investments	20,782,047	-
Equity investments	250	-
	20,782,297	-
Current		
Royalty investments	2,786,501	-
	23,568,798	-

Net changes in fair value on financial assets at fair value through profit or loss:

	2018 £	2017 £
On royalty investments	1,623,384	-
On equity investments	-	-
Total net gains	1,623,384	-

Net changes in fair value on financial assets at fair value through profit or loss:

	2018 £	2017 £
Realised	987,192	-
Change in unrealised	636,192	-
Total net gains	1,623,384	-

Realised changes in fair value relate to cash amounts received under the Group's royalty financing agreements.

Royalty investments

Temarca B.V.

In April 2017 the Group completed its first royalty financing agreement with Temarca B.V. ("Temarca"). Under the terms of the agreement the Group advanced €8 million (£6.9 million) to Temarca for a term of 25 years in exchange for annualised royalty distributions of approximately €1 million (£0.9 million). The distributions are adjusted annually based on the percentage change in Temarca's gross revenues compared to the prior year, subject to a floor and cap. The financing is secured by way of fixed and floating charges over certain assets and the Group has provided Temarca with a buyback option. This buyback option can be exercised at Temarca's discretion at any time during the term of the agreement.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. Financial assets at fair value through profit or loss (continued)

Royalty investments (continued)

Lynx Equity (U.K.) Limited

In October 2017 the Group entered into a royalty financing agreement with Lynx Equity (U.K.) Limited (“Lynx”). Under the terms of the agreement the Group advanced £7 million to Lynx in perpetuity in exchange for annualised royalty distributions of approximately £0.8 million. The distributions are adjusted annually based on the percentage change in the aggregated gross revenues of Lynx’s investee companies compared to the prior year, subject to a floor and cap. The financing is secured over all present and after-acquired property and assets of Lynx and shares of the subsidiaries of Lynx. The Group has provided Lynx with a buyback option after the expiry of a period of five years from the date of the original investment. This buyback option is exercisable at Lynx’s discretion.

Trimite Global Coatings Limited

In March 2018 the Group entered into a royalty financing agreement with Trimite Global Coatings Limited (“Trimite”). Under the terms of the agreement the Group advanced £9 million to Trimite for a term of 30 years in exchange for annualised distributions of approximately £1.1 million. The distributions are adjusted annually based on the percentage change in Trimite’s gross revenues compared to the prior year, subject to a floor and cap. The financing is secured by way of fixed and floating charges over certain assets and the Group has provided Trimite with a buyback option. This buyback option can be exercised at Trimite’s discretion at any time during the term of the agreement.

Equity investments

At completion of the Group’s royalty financing agreement with Trimite (see above) the Group acquired a 2.5% interest in the Trimite group for £250.

The Group still holds three unlisted investments in mining entities from its previous investment objectives. The Board do not consider there to be any future cash flows from these investments and were fully written down to nil value.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

9. Trade and other receivables

	2018 £	2017 £
Transaction costs reimbursed receivable	100,000	-
Prepayments and accrued income	109,520	38,467
Unpaid share capital	10,000	343,000
Amounts advanced to agents pending royalty investment completion (see note 18)	6,467,500	-
	6,687,020	381,467

10. Share capital

	No. shares	£
Authorised		
Unlimited number of shares of no par value	-	-
Allotted, called up and fully paid		
A 1 April 2016	7,877,459	27,137,269
Shares issued for cash during the year	36,381,062	14,552,425
Shares issued in settlement of share issuance costs	1,118,938	447,575
Share issuance costs	-	(1,159,721)
Warrants lapsed	-	(72,454)
At 31 March 2017	45,377,459	40,905,094
Shares issued for cash during the year	48,768,187	19,507,275
Shares issued in settlement of share issuance costs	1,231,813	492,725
Share issuance costs	-	(1,188,339)
Shares issued in connection with support services agreement	1,500,000	586,537
At 31 March 2018	96,877,459	60,303,292

On 22 December 2017 the Company issued 50,000,000 new Ordinary Shares at 40p per share, comprising 48,768,187 issued for cash and 1,231,813 issued in settlement of broker and other commission arising on the fundraising of £492,725. A total of £18,811,661 was raised, net of issuance costs. At the year end £10,000 of the shares issued remained outstanding. This was settled subsequent to the year end.

On 22 December 2017 the Company also issued 1,500,000 shares with a fair value of £586,537 in respect of its support services agreement (see note 15).

On 23 March 2017 the Company issued 37,500,000 new Ordinary Shares at 40p per share, of which 1,118,938 were issued in settlement of broker and other commission arising on the fundraising. At 31 March 2017 £343,000 of the shares issued remained outstanding.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

11. Share-based payments

Warrants

On 8 November 2017 the Company issued 2,000,000 warrants to Partners Value Investments LP to subscribe for shares at 42 pence per share. The warrants are exercisable immediately and can be exercised within a period of five years from the date of the agreement. The fair value of the warrants was determined to be £125,000, being the value of services provided. This was recognised in profit or loss with £70,000 attributed to 'Transaction costs' and £55,000 to 'Legal and professional fees'.

On 29 October 2016, 363,196 warrants with an exercise price of £4.13 lapsed. The fair value of the warrants of £72,454 was reclassified to reserves during the year ended 31 March 2017.

The following table shows the movements in the share-based payment reserve during the year:

	Share options £	LTIP awards £	Total £
At 1 April 2016 and 1 April 2017	124,412	-	124,412
LTIP awards granted in the year	-	5,565	5,565
At 31 March 2018	124,412	5,565	129,977

Share option scheme

The Group operates a share option scheme ("the Scheme").

The Scheme was established to incentivise Directors, staff and certain key advisers and consultants to deliver long-term value creation for shareholders.

Under the Scheme, the Board of the Company will award, at its sole discretion, options to subscribe for Ordinary Shares of the Company on terms and at exercise prices and with vesting and exercise periods to be determined at the time. However, the Board of the Company has agreed not to grant options such that the total number of unexercised options represents more than 4 per cent of the Company's Ordinary Shares in issue from time to time. Options vest immediately and lapse 5 years from the date of grant.

At the year end 760,000 (2017 – 760,000) options were outstanding and exercisable at a weighted average exercise price of 75 pence (2017 – 75 pence). The weighted average remaining contractual life of the options outstanding at the year end was 2.43 years (2017 – 3.43 years).

Long Term Incentive Plan

On 7 November 2017 the Remuneration Committee adopted the Duke Royalty Limited Long Term Incentive Plan ("LTIP") which the Board approved the framework of and described in the Admission Document of the Company dated 20 March 2017.

Under the rules of the LTIP the Remuneration Committee may grant Performance Share Awards ("PSAs") which vest after a period of three years and are subject to various performance conditions. The LTIP awards will be subject to a performance condition based 50 per cent on total shareholder return ("TSR") and 50 per cent on total cash available for distribution ("TCAD per share"). TSR can be defined as the returns generated by shareholders based on the combined value of the dividends paid out by the Company and the share price performance over the period in question. Upon vesting the awards are issued fully paid.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

11. Share-based payments (continued)

Long Term Incentive Plan (continued)

On 6 March 2018 1,025,000 PSAs were issued to Directors with a fair value of £234,390. An expense of £5,565 was recognised in these Consolidated Financial Statements in 'Directors' fees'. Disclosure of the valuation assumptions used to value the PSAs has not been made on the basis that the related IFRS 2 charge in the year under review is immaterial.

At the year end 1,025,000 (2017 – nil) LTIP awards were outstanding. The weighted average remaining vesting period of the LTIP awards outstanding at the year end was 2.93 years (2017 – nil).

Support services agreement

During the year the Company issued 1,500,000 shares with a fair value of £586,537 in respect of its support services agreement (see note 15).

Other share-based payments

The Company also issues shares periodically in settlement of certain share issuance costs (see note 10).

12. Distributable reserves

Pursuant to the Companies (Guernsey) Law, 2008 (as amended), all reserves (including share capital) can be designated as distributable. However, in accordance with the Admission Document, the Company shall not make any distribution of capital profits or capital reserves except by means of capitalisation issues in the form of fully paid Ordinary Shares or issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares.

13. Trade and other payables

	2018	2017
	£	£
Trade payables	178,761	-
Accruals and deferred income	80,932	225,609
	259,693	225,609

14. Financial liabilities at fair value through profit or loss

	2018	2017
	£	£
Royalty participation liability		
Current	140,886	-
Non-current	776,514	-
	917,400	-

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

14. Financial liabilities at fair value through profit or loss (continued)

Net changes in fair value on financial liabilities at fair value through profit or loss:

	2018	2017
	£	£
Realised	-	-
Change in unrealised	68,866	-
	68,866	-
Total net losses	68,866	-

15. Related parties

Directors' fees

The following fees were paid to the Directors during the year:

	2018	2017
	£	£
Neil Johnson	52,715	100,000
Charles Cannon Brookes	36,900	70,000
Nigel Birrell	12,000	24,000
James Ryan	6,000	24,000
Justin Cochrane	18,450	-
Matthew Wrigley	6,000	-
Mark Le Tissier	-	-
	132,065	218,000
	132,065	218,000

During the year, the Directors voluntarily reduced their fees in order for the Company to implement and sustain its quarterly dividend policy. Subsequent to the year end this reduction has ceased.

The above noted fees include the following expenses relating to awards granted under the Group's Long Term Incentive Plan (see note 11):

	2018	2017
	£	£
Neil Johnson	2,715	-
Charles Cannon Brookes	1,900	-
Justin Cochrane	950	-
	5,565	-
	5,565	-

Mark Le Tissier, a Director of Trident Trust Company (Guernsey) Limited has waived his entitlement to a fee in relation to being Director of the Company.

Fees relating to Matthew Wrigley are paid to MJ Hudson, a law firm in which he is a partner.

At the year end no fees remained outstanding. At 31 March 2017 £6,000 remained outstanding to James Ryan.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Related parties (continued)

Investment Committee fees

The Group's Investment Committee assist in analysing and recommending potential royalty transactions and its members are considered to be key management along with the Directors. The following fees were paid to the members of the Investment Committee during the year:

	2018	2017
	£	£
Andrew Carragher	-	20,000
Jim Webster	37,500	40,000
	37,500	60,000
	37,500	60,000

Jim Webster is also the Group's Chief Investment Officer and has an operational role in the Group beyond the Investment Committee, which is reflected in the level of his fee.

Andrew Carragher has waived his entitlement to a fee during the year in relation to being a member of the Group's Investment Committee, and Jim Webster agreed to voluntarily reduce his fee, in conjunction with the voluntary reductions of the Directors, in order for the Company to implement and sustain its quarterly dividend policy. Subsequent to the year end this reduction has ceased.

During the fiscal year, the representatives of Oliver Wyman were not paid by the Group for their service as per the terms of the collaboration agreement.

No amounts remained outstanding at the year end (2017 - £nil).

Other related party transactions

The following amounts were paid to related parties during the year in respect of support services fees:

	2018	2017
	£	£
Payable to Abingdon Capital Corporation		
Annual service fee	196,000	280,000
Share award	415,818	-
	611,818	280,000
Payable to Arlington Group Asset Management Limited		
Annual service fee	24,000	95,000
Share award	170,719	-
	194,719	95,000
	806,537	375,000

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

15. Related parties (continued)

Other related party transactions (continued)

Support Service Agreements with Abingdon Capital Corporation (“Abingdon”), a company of which Neil Johnson is a Director, and Arlington Group Asset Management Limited (“Arlington”), a company of which Charles Cannon Brookes is a Director, were signed on 16 June 2015. The services to be provided by both Abingdon and Arlington include global deal origination, vertical partner relationships and on-going investment management, including preparation of investment reports, performance data and compliance with the Company's investing policy.

The Support Services Agreements also entitled Abingdon and Arlington to be allotted up to 1,500,000 Ordinary shares in the Company, in recognition of the execution of the royalty strategy, principally the completion of royalty investments by the Group. These conditions were met during the year and the shares were issued on 22 December 2017. This entitlement has now been satisfied in full and no further shares will be issued pursuant to the Support Services Agreements. The shares were valued at £586,537 based on the 20-day volume weighted average share prices preceding the dates on which Abingdon and Arlington became entitled to them in accordance with the terms of the agreement.

During the year, both Abingdon and Arlington agreed to voluntary reductions in their annual service fees in order for the Company to implement and sustain its quarterly dividend policy. Currently these reductions are still in place.

Share options and LTIP awards

The Group's related parties have the following interests, either directly or beneficially, in share options issued under the Group's share option scheme and Long Term Incentive Plan:

	Share options		LTIP awards	
	2018 No.	2017 No.	2018 No.	2017 No.
Neil Johnson	85,000	85,000	500,000	-
Charles Cannon Brookes ¹	85,000	85,000	350,000	-
Nigel Birrell	85,000	85,000	-	-
James Ryan	85,000	85,000	-	-
Justin Cochrane	70,000	70,000	175,000	-

¹ Includes share options issued to Arlington

The following dividends were paid to related parties:

	2018 £	2017 £
Neil Johnson ¹	33,636	-
Charles Cannon Brookes ²	58,000	-
Nigel Birrell	8,500	-
Justin Cochrane	10,600	-

¹ Includes dividends paid to Abinvest Corporation, a wholly owned subsidiary of Abingdon

² Includes dividends paid to Arlington

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

16. Fair value measurements

Fair value hierarchy

IFRS 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can readily observe.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3: Inputs that are not based on observable market data (unobservable inputs).

The Group has classified its financial instruments into the three levels prescribed as follows:

	2018	2017
	Level 3	Level 3
	£	£
Financial assets		
Financial assets at fair value through profit or loss		
- Royalty investments	23,568,548	-
- Equity investments	250	-
Total financial assets	23,568,798	-
Financial liabilities		
Financial liabilities at fair value through profit or loss		
- Royalty participation instruments	917,400	-
Total financial liabilities	917,400	-

The following table presents the changes in level 3 items for the years ended 31 March 2018 and 31 March 2017:

	Financial assets	Financial liabilities	Total
	£	£	£
At 1 April 2016 and 1 April 2017	-	-	-
Additions	22,932,606	(848,534)	22,084,072
Royalty income received	(987,192)	-	(987,192)
Net change in fair value	1,623,384	(68,866)	1,554,518
At 31 March 2018	23,568,798	(917,400)	22,651,398

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

16. Fair value measurements (continued)

Valuation techniques used to determine fair values

The fair value of the Group's financial instruments is determined using discounted cash flow analysis and all of the resulting fair value estimates are included in level 3.

Valuation processes

The main level 3 inputs used by the Group are derived and evaluated as follows:

Annual adjustment factors for royalty investments and royalty participation liabilities

These factors are estimated based upon the underlying past and projected performance of the royalty investee companies together with general market conditions.

Discount rates for financial assets and liabilities

These are initially estimated based upon the projected internal rate of return of the royalty investment and subsequently adjusted to reflect changes in credit risk determined by the Group's Investment Committee.

Changes in level 3 fair values are analysed at the end of each reporting period and reasons for the fair value movements are documented.

Valuation inputs and relationships to fair value

The following summary outlines the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Royalty investments

The unobservable inputs are the annual adjustment factor and the discount rate. The range of annual adjustment factors used is 0.0% to 6.0% and the range of risk-adjusted discount rates is 15.4% to 17.3%.

An increase in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 5% would increase the fair value by £160,969.

A reduction in the discount rate of 25 basis points would increase the fair value by £366,748.

A decrease in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 5% would decrease the fair value by £243,127.

An increase in the discount rate of 25 basis points would decrease the fair value by £364,692.

Equity investments

Sensitivity analysis has not been performed on the Group's equity investments on the basis that they are not material to the Consolidated Financial Statements.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

16. Fair value measurements (continued)

Valuation inputs and relationships to fair value (continued)

Royalty participation instruments

The unobservable inputs are the annual adjustment factor and the discount rate used in the fair value calculation of the royalty investments. The range of annual adjustment factors used is 0.0% to 6.0% and the range of risk-adjusted discount rates is 15.4% to 17.3%.

An increase in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 5% would increase the fair value of the liability by £6,026.

A reduction in the discount rate of 25 basis points would increase the fair value of the liability by £13,755.

A decrease in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 5% would decrease the fair value of the liability by £9,092.

An increase in the discount rate of 25 basis points would decrease the fair value of the liability by £13,679.

17. Financial risk management

The Group's royalty financing activities expose it to various types of risk that are associated with the investee companies to which it provides royalty finance. The most important types of financial risk to which the Group is exposed are market risk, liquidity risk and credit risk. Market risk includes price risk, foreign currency risk and interest rate risk. The Board of Directors has overall responsibility for risk management and the policies adopted to minimise potential adverse effects on the Group's financial performance.

The policies and processes for measuring and mitigating each of the main risks are described below.

Market Risk

Market risk comprises foreign exchange risk, interest rate risk and other price risk.

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The functional and presentation currency of the Group is Sterling.

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the Euro. Foreign exchange risk arises from future commercial transactions in recognised assets and liabilities denominated in a currency that is not the functional currency of the Company and its subsidiary.

The Group does not consider the foreign exchange risk to be significant and therefore no steps have been taken to mitigate this risk.

DUKE ROYALTY LIMITED

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17. Financial risk management (continued)

Market Risk (continued)

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

	2018	2017
	Euro	Euro
	£	£
Royalty investments	7,216,755	-
Cash and cash equivalents	75,663	-
Royalty participation liability	(293,002)	-
	6,999,416	-

If Sterling strengthens by 5% against the Euro the net Euro-denominated assets would reduce by £361,720. Conversely, if it weakens by 5% the assets would increase by £398,634.

During the year the following foreign exchange related amounts were recognised in profit or loss:

	2018	2017
	£	£
Exchange gain on royalty investment included in net change in fair value on financial assets and liabilities at fair value through profit or loss	77,837	-
Exchange loss on royalty participation liability included in net change in fair value on financial assets and liabilities at fair value through profit or loss	(8,493)	-
Other exchange gains included in other income/expenses	97,238	-
	166,582	-

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market interest rates.

The Group's main interest rate risk arises in relation to its royalty investments, which are carried at fair value through profit or loss. The Group's royalty investments have a fair value at the balance sheet date of £23,568,548 (2017: £nil). A sensitivity analysis in respect of these assets is presented in note 16.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk).

The fair value of the Group's royalty investments fluctuates due to changes in the expected annual adjustment factor applied to the royalties payable by each of the investee companies, which factors are based upon the revenue growth of the investee company.

A sensitivity analysis in respect of the annual adjustment factors applied to the royalty investments is presented in note 16.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

17. Financial risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group's assets subject to credit risk are as follows:

	2018	2017
	£	£
Royalty investments	23,568,548	-
Deal fees reimbursed receivable	100,000	-
Funds held in escrow	6,467,500	-
Cash and cash equivalents	3,165,221	14,350,154
	<u>33,301,269</u>	<u>14,350,154</u>

Royalty investments

The royalty investments relate to the Group's three royalty financing agreements. At the reporting date there are no royalty receipts that are past due.

The Group monitors the credit worthiness of the investee companies on an ongoing basis and receives regular financial reports from each investee company. These reports are reviewed by the Investment Committee.

The Group also has security in respect of the royalty investments which can be called upon if the counterparty is in default under the terms of the agreement (see note 8).

Funds held in escrow

The Group's funds held in escrow at the reporting date were held in a solicitor's client account pending completion of the Group's investment in Brownhills Investment Limited (see note 18). This royalty financing agreement was completed in April 2018 and the funds transferred to the investee.

Cash and cash equivalents

The credit quality of the Group's cash and cash equivalents can be assessed by reference to external credit ratings as follows:

	2018	2017
	£	£
Moody's credit rating:		
Aa3	294,136	-
Baa2	-	14,350,154
Baa3	2,871,085	-
	<u>3,165,221</u>	<u>14,350,154</u>

The Group considers that the credit risk relating to cash and cash equivalents is acceptable.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

17. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments.

The Group maintains sufficient cash to pay accounts payable and accrued expenses as they fall due. The Group's overall liquidity risks are monitored on a quarterly basis by the Board.

The table below analyses the Group's royalty investments and financial liabilities into relevant maturity groupings based on their contractual maturities:

	Less than 6 months £'000	6 – 12 months £'000	Between 1 - 2 years £'000	Between 2 - 5 years £'000	Over 5 years £'000	Total contrac- tual cash flows £'000
As at 31 March 2018						
Royalty investments	1,473	1,515	3,132	10,044	88,712	104,876
Royalty participation	(92)	(57)	(117)	(377)	(3,327)	(3,970)
Trade and other payables	(260)	-	-	-	-	(260)
Total	1,121	1,458	3,015	9,667	85,385	100,646
As at 31 March 2017						
Trade and other payables	(226)	-	-	-	-	(226)

Capital management

The Board manages the Company's capital with the objective of being able to continue as a going concern while maximising the return to Shareholders through the capital appreciation of its investments. The capital structure of the Company consists of equity as disclosed in the Consolidated Statement of Financial Position.

18. Events after the financial reporting date

Brownhills Investments Limited

In April 2018 the Group entered into a royalty financing agreement with Brownhills Investments Limited ("Brownhills"). Under the terms of the agreement the Group advanced £6.5 million to Brownhills for a term of 30 years in exchange for annualised distributions of approximately £0.9 million. The distributions are adjusted annually based on the percentage change in Brownhill's gross revenues compared to the prior year, subject to a floor and cap. The investment is secured via fixed and floating charges. The Group has provided Brownhills with a buyback option.

DUKE ROYALTY LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

18. Events after the financial reporting date (continued)

Lynx Equity (U.K.) Limited

In April 2018 the Group contributed a further £2 million of royalty financing to Lynx Equity (U.K.) Limited ("Lynx"). This entitled the Group to higher distributions from Lynx from June 2018, of £1.08 million per annual. The terms of the agreement are outlined in note 8 to the Consolidated Financial Statements.

InterHealth Canada Holding Corp

In August 2018 the Group entered into a royalty financing agreement with InterHealth Canada Holding Corp ("ICHC"). Under the terms of the agreement the Group advanced £10 million to ICHC for a term of 30 years in exchange for annualised distributions of approximately £1.35 million. The distributions are adjusted annually based on the percentage change in ICHC's gross revenues compared to the prior year, subject to a floor and cap. The investment is secured via fixed and floating charges. The Group has provided ICHC with a buyback option.

Secured loan

In June 2018 the Group was granted a secured loan of £3.5 million by a non-related third party. This loan has an expiry date of 30 June 2019 and bears interest at 9% per annum until 31 December 2018, rising to 12% per annum for the final six-month period ending 30 June 2019. The loan required automatic repayment in the event of the closure of an equity issue of more than £3.5 million and accordingly was repaid following the fundraising noted below.

Fundraising

On 13 July 2018 the Company announced that 100 million new Ordinary Shares had been successfully placed or subscribed for at a price of 44 pence per share. The net proceeds from this fundraising were approximately £42 million.

Dividends

On 12 April 2018 the Company paid a quarterly dividend of 0.6 pence per share and on 12 July 2018 the Company paid a further quarterly dividend of 0.7 pence per share. On 20 September 2018 the Company approved a further quarterly dividend of 0.7 pence per share, to be paid on 12 October 2018.

Exclusive healthcare collaboration

On 14 June 2018 the Company announced that it has mutually agreed with Oliver Wyman to end the exclusive healthcare collaboration. The work that the two firms have undertaken together while developing the Group's existing royalty portfolio has adhered to the economic framework of the original agreement however, the sector focus has been broader than originally envisaged by either party. As such, the necessity of the exclusive relationship in potential healthcare investments was deemed to be no longer relevant by either party, given that the Group's future pipeline transactions are mostly outside of this sector.

Going forward, the Group intends to continue working with Oliver Wyman on a non-exclusive basis. It also plans to supplement Oliver Wyman's due diligence efforts with relationships with additional global consulting firms which demonstrate expertise and local knowledge for each investment opportunity.

DUKE ROYALTY LIMITED

COMPANY INFORMATION

Directors	Nigel Birrell (Chairman) Neil Johnson Charles Cannon Brookes	Justin Cochrane Mark Le Tissier Matthew Wrigley
Secretary and administrator	Trident Trust Company (Guernsey) Limited Trafalgar Court 4 th Floor, West Wing, St Peter Port Guernsey, GY1 3RL	
Registered in Guernsey, number	54697	
Website address	www.dukeroyalty.com	
Registered office	Trafalgar Court 4 th Floor, West Wing, St Peter Port Guernsey, GY1 2JA	
Independent auditor	BDO Limited Place du Pre Rue de Pre St Peter Port Guernsey, GY1 3LL	
Nominated advisor	Grant Thornton UK LLP 30 Finsbury Square London, EC2A 1AG	
Brokers	Mirabaud Securities Limited 5 th Floor, 10 Bressenden Place London, SW1E 5DH	Cenkos Securities plc 6-8 Tokenhouse Yard London, EC2R 7AS
Support service providers	Arlington Group Asset Management Limited 47/48 Piccadilly London, W1J 0DT	Abingdon Capital Corporation 4 King Street W., Suite 401 Toronto, Ontario Canada, M5H 1B6
Registrar and CREST agent	Computershare Investor Services (Guernsey) Limited c/o Queensway House Hilgrove Street St Helier Jersey, JE1 1ES	
Advocates to the Company as to Guernsey law	MJ Hudson Hadsley House Lefebvre Street St Peter Port Guernsey, GY1 2JP	
Investment Committee	Neil Johnson David Campbell Andrew Carragher	John Romeo Justin Cochrane Jim Webster

DUKE ROYALTY LIMITED

(incorporated under The Companies (Guernsey) Law, 2008, and registered in Guernsey with registered number 54697)

1 NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Duke Royalty Limited (the “**Company**”) will be held at 4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey GY1 2JA at 10:00 a.m. on 1 November 2018 to consider and, if deemed fit, to pass, with or without amendment and/or modification (as applicable) the following ordinary and extraordinary resolutions:

1.1 Ordinary resolutions

1. To receive and consider the Company’s annual accounts and directors’ and auditors’ reports for the year ended 31 March 2018 in accordance with Article 37.3 of the Articles of Incorporation of the Company (the “**Articles**”) and section 252 of The Companies (Guernsey) Law, 2008, as amended (the “**Law**”).
2. To reappoint BDO Limited as auditors of the Company from the end of this Annual General Meeting until the end of the next Annual General Meeting of the Company in accordance with section 257(4) of the Law.
3. To authorise the directors to determine the remuneration of the auditors in accordance with section 259(a)(ii) of the Law.
4. To reappoint Mr Justin Cochrane, who retires as a director of the Company in accordance with Article 19.3 and, being eligible, offers himself for re-election as a director of the Company in accordance with Article 19.4.
5. To reappoint Mr Mark Le Tissier, who retires as a director of the Company in accordance with Article 19.3 and, being eligible, offers himself for re-election as a director of the Company in accordance with Article 19.4.
6. To reappoint Mr Matthew Wrigley, who retires as a director of the Company in accordance with Article 19.3 and, being eligible, offers himself for re-election as a director of the Company in accordance with Article 19.4.
7. That, pursuant to section 315 of the Law, and subject always to the Articles, the Company be and is generally and unconditionally authorised to make market acquisitions of ordinary shares provided that:
 - (a) the maximum aggregate number of ordinary shares which may be purchased shall be a number of ordinary shares not exceeding 14.99% (fourteen point ninety nine per cent) of the ordinary share capital of the Company in issue as at the date of the Annual General Meeting.
 - (b) the minimum price (excluding expenses connected with the acquisition) which may be paid for an ordinary share is one pence;
 - (c) the maximum price (excluding expenses connected with the acquisition) which may be paid for an ordinary share is an amount equal to the higher of:
 - (i) 105% (one hundred and five per cent) of the average of the middle market quotations for an ordinary share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and
 - (ii) the higher of the price of the last independent trade and highest current independent bid on the London Stock Exchange Daily Official List for an ordinary share at the time the acquisition is carried out;

and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may enter into a contract to purchase ordinary shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of ordinary shares pursuant to any such contract as if this authority had not expired. Subject always to the

provisions of the Law and the Articles, the Company shall be able to hold as treasury shares any ordinary shares acquired pursuant to the authority conferred by this resolution 7.

1.2 Extraordinary resolutions

8. The directors be and are generally empowered to issue equity securities (as defined in the Articles) for cash as if the pre-emption provisions contained in Article 4.2 of the Articles did not apply provided that this power shall: (i) be limited to the allotment of equity securities for cash constituting an aggregate amount not exceeding 10% (ten per cent) of shares (as defined in the Articles) in issue at the date of the Annual General Meeting; and (ii) expire at the conclusion of the Company's Annual General Meeting in 2019.

By order of the Board
Trident Trust Company (Guernsey) Limited
Company Secretary

21 September 2018

Registered office

Fourth Floor,
West Wing,
Trafalgar Court,
Admiral Park,
St Peter Port,
Guernsey
GY1 2JA

Registered in Guernsey with registered number 54697

2. EXPLANATION OF THE BUSINESS TO BE CONSIDERED AT THE ANNUAL GENERAL MEETING

All resolutions will be proposed as ordinary resolutions, other than resolution 8 which is being proposed as an extraordinary resolution. For an ordinary resolution to be passed, more than half of the votes cast must be in favour of the resolution. For an extraordinary resolution to be passed, at least three-quarters of the Members Present in Person (as defined in the Articles) must cast votes in favour of the resolution.

2.1 Resolution 1: Approval of the accounts

The Company is required by law to put the Company's annual report and accounts for the year ended 31 March 2018 before the meeting. Shareholders are invited to vote to receive and adopt the annual report and accounts for the year ended 31 March 2018.

2.2 Resolutions 2 and 3: Appointment and remuneration of auditor

The Company is required by law to appoint an auditor at the Annual General Meeting. BDO Limited has expressed its willingness to continue in office. Resolutions 2 and 3 authorise the re-appointment of BDO Limited for the coming year and authorises the board to agree the auditor's remuneration.

2.3 Resolutions 4, 5 and 6: Re-appointment of directors

Mr Justin Cochrane, Mr Mark Le Tissier and Mr Matthew Wrigley will retire at this year's Annual General Meeting and submit themselves for re-election in accordance with the UK Corporate Governance Code. Resolutions 4, 5 and 6 propose the re-election of Mr Justin Cochrane, Mr Mark Le Tissier and Mr Matthew Wrigley, respectively.

2.4 Resolution 7: Market Acquisition of Ordinary Shares

The Directors are seeking to renew the authority they have to purchase the Company's ordinary shares in the market from time to time either for cancellation or to hold as treasury shares for future resale or transfer. The authority is in respect of a maximum number of ordinary shares and is subject to the restrictions on the price that can be paid on acquisition in each case as set out in this resolution.

The authority will lapse at the conclusion of the Annual General Meeting of the Company to be held in 2019.

2.5 Resolution 8: Disapplication of pre-emption rights

Shareholders are being asked to pass an extraordinary resolution empowering the directors to issue equity securities for cash without the pre-emption rights in the Company's Articles applying to any such issue. This power allows the issue of ordinary shares and options subject to the limits set out in each of the resolutions. The disapplication will lapse at the conclusion of the Annual General Meeting of the Company to be held in 2019

NOTES:

- a. A Member entitled to attend, speak and vote at the Annual General Meeting ("AGM") is entitled to appoint one or more proxies to exercise all or any of his/her rights to attend, speak and vote at the AGM instead of him/her (the "**Proxy Appointment**"). A proxy need not be a Member. A Member may appoint more than one proxy in relation to the AGM provided that such proxy is appointed to exercise the rights attached to a different share or shares held by the Member. A Member may not appoint more than one proxy to exercise rights attached to any one Share. Where multiple proxies have been appointed to exercise rights attached to different Shares, on a show of hands those proxy holders taken together will collectively have the same number of votes as the Member who appointed them would have on a show

of hands if he/she were present at the meeting. On a poll, all or any of the rights of the Member may be exercised by one or more duly appointed proxies. To appoint more than one proxy you may photocopy the Proxy Form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as proxy (which, in aggregate, should not exceed the number of shares held by the Member). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

- b. A Proxy Form is enclosed for use by Members to complete, sign and return. Completion and return of the Proxy Form(s) will not prevent a Member from subsequently attending the AGM (or any adjournments) and voting in person if he/she so wishes.
- c. On a vote on a show of hands, each proxy has one vote. If a proxy is appointed by more than one member, and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled, on a show of hands, to vote "for" or "against" as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may, on a show of hands, vote both "for", and "against" in order to reflect the different voting instructions.
- d. On a poll all or any of the voting rights of the Member may be exercised by one or more duly appointed proxies.
- e. In order to be valid, a Proxy Appointment must be made by one of the following methods:
 - i. by Proxy Form, delivered by post, by courier or by hand together with any power of attorney or other authority under which it is executed (or a notarially certified copy of such power of attorney or authority) to the Company's Transfer Agent, the Registrar, at c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY; or
 - ii. in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,

and in each case, it must be received by the Registrar as soon as possible and in any event not later than 48 hours before the time fixed for the AGM (or any adjournment). The Articles provide that a Proxy Appointment may be given by email or other electronic means. However, a Member that appoints a person to act on its behalf under any power of attorney or other authority must return by post, by courier or by hand such power of attorney or other authority (or a notarially certified copy thereof) to Registrar as soon as possible and in any event not later than 48 hours before the time fixed for the AGM (or any adjournment) or, in the case of a poll taken not more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of a poll, or in the case of a poll taken not more than 48 hours after it was demanded, the time at which the poll was demanded.

- f. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with CREST specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's transfer agent, the Registrar, (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's transfer agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that no special procedures are available in CREST for any particular messages. Normal system

timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 34 of the Uncertificated Securities (Guernsey) Regulations, 2009.

- g. No Member will be entitled to be present or vote at the AGM (or any adjournment) either personally or by proxy unless their name appears on the register of members of the Company as at 10:00 a.m. on Tuesday, 30 October 2018. Changes to the entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the AGM (or any adjournments). This record time is being set for voting at the AGM (and any adjournments) because the procedures for updating the register of members in respect of shares held in uncertificated form require a record time to be set for the purpose of determining entitlements to attend and vote at the AGM.
- h. Any corporation which is a Member may, by a resolution of its board or other governing body or officers authorised by such body, authorise such person or persons as it thinks fit to act as its representative at the AGM and the person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers as that corporation could exercise if it were an individual Member of the Company.
- i. The quorum for the AGM will be two Members present in person, by proxy or by corporate representative. If a quorum is not present within 30 minutes from the time appointed for the AGM, or if during the AGM such a quorum ceases to be present, the AGM, shall stand adjourned to such day, time and place as the chairman of the AGM may determine and, on the resumption of an adjourned AGM those Members present in person or by proxy shall constitute the quorum.
- j. Resolutions proposed at the AGM as ordinary resolutions, will be passed conditional on obtaining not less than 50 per cent. of the total number of votes cast by those entitled to vote in respect of the ordinary resolution.
- k. Resolutions proposed at the AGM as extraordinary resolutions, will be passed conditional on obtaining not less than 75 per cent. of the total number of votes cast by those entitled to vote in respect of the extraordinary resolution.
- l. By attending the AGM a Member expressly agrees they are requesting and willing to receive any communications made at the AGM.
- m. Information about the AGM is available on the Company's website, www.dukeroyalty.com
- n. As at close of business on Friday 21 September 2018 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 197,902,459 ordinary shares. Each share carries (on a vote conducted by way of a poll) the right to one vote per share held at a general meeting of the Company and therefore the total voting rights in the Company as at close on Friday 21 September 2018 is 197,902,459.