
DUKE ROYALTY LIMITED

INTERIM REPORT
FOR THE PERIOD
1 APRIL 2018 TO 30 SEPTEMBER 2018

DUKE ROYALTY LIMITED

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DUKE ROYALTY LIMITED

COMPANY SUMMARY FOR THE PERIOD ENDED 30 SEPTEMBER 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 period ended 30 September 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.

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 PERIOD ENDED 30 SEPTEMBER 2018

Dear Shareholder,

Duke Royalty's strategy is to provide investors with exposure to capital growth and income by becoming the preferred and leading provider of royalty finance for corporations in Europe and abroad.

I am delighted to present our financial results for the six months ended 30 September 2018, with the Company achieving its inaugural net profit before tax of £1.1 million and revenues of £2.7 million. Duke is now in a strong position to execute its strategy thanks to the achievements delivered during the period.

These include diversification of Duke's portfolio of royalty partners and underlying companies from five to eight investments across a range of sectors, completion of an oversubscribed placing to raise £44 million delivered at a premium to the previous fundraise, and the receipt of increased royalty payments from two of our partners due to the revenue growth they achieved on the back of our investment. As a result of these achievements, Duke continues to be ranked amongst the top AIM companies based on dividend yield.

We are currently the only UK-quoted diversified Royalty company. This means that we have a first-mover advantage to secure some of the most compelling investment opportunities in these jurisdictions.

Our sector focus currently covers:

- Hospitality and Leisure;
- Industrials;
- Technology and media;
- Healthcare; and
- Power and utilities.

Our operating cost base is carefully managed to ensure that each deal entered into by Duke is immediately accretive. Accordingly, cash operating expenses were kept under tight control during the period, increasing from £0.26 million to £0.56 million period-on-period to reflect the decision by Duke to scale-up its operating team to effectively manage its deal origination, execution and monitoring requirements.

Whilst we expect further modest increases in cash operating expenses as the Company continues to expand, they should significantly lag revenue growth and this positive operational leverage is expected to be seen in the coming periods.

During this interim period, two new royalty investments and one follow-on investment were concluded. £6.5 million was invested into Brownhills Investments Limited (BIL) and £10 million into InterHealth Canada Holding Corp (IHC), while a follow-up investment totalling £3 million was also made into Lynx Equity (U.K.) Limited. Both Brownhills and InterHealth match Duke's core investment criteria in that they are both well-established and profitable private businesses, with Duke looking forward to being aligned with them in their future growth and success.

Royalty finance, which provides capital and receives returns based on revenue performance of its investee companies over a long term, represents a £50 billion sector in North America. The funding gap in Europe and abroad, due to the banks' unwillingness to lend to SMEs, means that we represent an attractive proposition for private growth businesses that wish to retain control of their businesses without any refinancing risk. In turn, our business model provides investors with exposure to ambitious private companies with excellent track records of delivering growth.

DUKE ROYALTY LIMITED

CHAIRMAN'S REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2018

One of the key selling points and differentiating factors about the Duke business model is that Duke is aligned with its investee companies (royalty partners), with its return being directly linked to the underlying performance of its royalty partners. Each of Duke's royalty partners is subject to an annual adjustment, which triggers a reset of the monthly payment amount due to Duke, subject to a collar (a maximum adjustment up or down). The reset is calculated once a year, each year for the life of the royalty agreement, based on the gross revenue growth (or decline) of the royalty partner over the preceding twelve months.

In this regard, I am pleased that Duke recently confirmed positive annual adjustments for its first two Royalty Partners, Lynx UK and Tamarca. As announced on 8 May 2018, Tamarca and Lynx UK were tracking above the top end of the annual adjustment range, and the Company is pleased to report that both partners are continuing to track above expectations and we are confident of further positive resets in both cases.

With regard to Duke's other partners, the first adjustment date for both Trimite and Brownhills is on 31 March 2019. Based on management accounts received by Duke for the period to the end of September 2018, the year-on-year revenue performance for Trimite and Brownhills is meeting expectations. As such, Duke remains confident of a positive reset event as and when these two partners complete their first adjustment periods.

Financial Review

Investors will note the restatement of the September 2017 interim numbers. This has been necessary as part of the move by Duke to adopt IFRS 9 reporting standards and the requirement to compare this Interim FY19 statement to the previous interim period on a like for like basis. All future reporting periods will be reported according to IFRS 9 and, due to the fact that the March 31 2018 financials were also prepared under IFRS 9, no further restatements will be required in the future.

To fund these investments and also provide the necessary liquidity to fund future royalty investments, Duke was able to successfully raise £44 million in an equity issuance in July 2018 priced at 44p per share. It was very pleasing that the equity issue was well oversubscribed and that it also brought a number of new institutional shareholders onto the Company's share register.

During the interim period, Duke paid out two quarterly dividends with 0.6p per share paid to shareholders on 12 April 2018 and 0.7p per share paid on 12 July 2018. The July payment reflected the second dividend increase in the Company's short operating history. The Company remains committed to maintaining a high and stable dividend and the Company's current focus is now on deploying all of its remaining cash into a series of new royalty investments in the coming months.

Outlook

Heading into 2019, I am confident that the Company's momentum will continue as it seeks to further expand its portfolio. We have a very strong cash position with over £30 million as at 30 September, a pipeline of new investments expected to deliver news flow in 2019, and an excellent management team which boasts more than 75 years' combined royalty finance experience. Currently, the Company is focused on delivering additional deployments into new royalty partners and I am confident the results of our efforts will be seen before the end of the financial year.

We expect knowledge of royalty finance, a multi-billion industry in North America, to grow across Europe and abroad, particularly among private small and medium-sized enterprises, attracting more potential opportunities for Duke among well-established businesses. The management team will continue to educate the corporate community, the advisors to these companies and the investor community in 2019, to further drive new opportunities and potential investors to the Company.

DUKE ROYALTY LIMITED

**CHAIRMAN'S REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

We are mindful of the geo-political headwinds, including Brexit, facing the UK and European business community. But Duke's business model, which includes consistently low operating costs and tight controls over operating expenses, means that the Company is very well-positioned to cope with unfavourable macroeconomic events.

Overall, this has been another period of strong progress by the Company and, as always, I am very grateful for the support of our shareholders. The board looks forward to reporting on the Company's continued progress in future periods.

Nigel Birrell
Chairman
3 December 2018

DUKE ROYALTY LIMITED

DIRECTORS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Mr Nigel Birrell (Chairman)

Nigel Birrell is a Non-Executive Director and Chairman of the Board. He 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 previously Group Director on the Executive Board at bwin.party digital entertainment plc, the world's leading listed on-line gaming business, where he was responsible for all its mergers and acquisitions, business development and managing 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, the largest online gaming deal in history. He has also led all its disposals including Ongame's sale to Amaya. Prior to bwin.party, Mr Birrell was a director of the FTSE 250 media group HIT Entertainment. He also worked as an investment banker with Donaldson, Lufkin & Jenrette and Dresdner Kleinwort Benson. Since leaving bwin.party Mr Birrell has served on the Board of LottoLand Limited, a Gibraltar regulated fast growing gaming group as its CEO. He is also a Non-Executive Chairman of Southern Rock Insurance Company Limited, a regulated insurance underwriter.

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.

During his tenure the Canaccord European operation grew revenues from less than £5 million to over £50 million, completed over 100 transactions and raised in excess of £3 billion for North American companies listed 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.

DUKE ROYALTY LIMITED

DIRECTORS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Mr Charles Cannon Brookes

Charlie 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 Duke Royalty's corporate governance and UK plc responsibilities.

Mr Cannon Brookes has over 20 years investment experience. He is a Director of FCA authorised and regulated Arlington Group Asset Management Limited (AGAM). Through AGAM, Mr Cannon Brookes has been active in a variety of different investment management mandates and corporate finance transactions. In addition, he has successfully led a number of IPO and RTO transactions on the London markets. Prior to AGAM he worked for Arlington Group plc, an AIM quoted investment company and managed all of its public equity portfolio, as well as 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, trusts and other operating public companies.

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

Mr Justin Cochrane

Justin Cochrane is currently a Non-Executive Director of the Company. He works with the Executive Directors on deal origination and structuring and is a member of the Investment Committee.

Mr Cochrane is the President and COO of Cobalt 27 Capital Corp. Mr Cochrane was the Executive Vice President of Duke Royalty from 2015 to the period under review as he transitioned into the executive role at Cobalt 27. 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.

DUKE ROYALTY LIMITED

**DIRECTORS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

Mr Matthew Wrigley

Matthew Wrigley is a Non-Executive Director of the Company 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, including serving as General Counsel for a fund management company listed on the Australian Securities Exchange with AUD 1.3 billion assets under management, Chief Operating Officer of investment trust listed on the Singapore Securities Exchange with a market capitalisation of SGD 600 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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	Note	Period to 30 September 2018 (unaudited) £	Year to 31 March 2018 (audited) £	Period to 30 September 2017 (unaudited) (restated) £
Income				
Net change in fair value on financial assets and financial liabilities at fair value through profit or loss	6,13,15	2,481,210	1,554,518	467,887
Transaction costs reimbursed		107,500	145,000	-
Net foreign currency gains		-	97,238	100,700
Gain on exercise of warrants		87,989	-	-
Interest receivable		22,345	-	-
Total income		2,699,044	1,796,756	568,587
Expenses				
Support services administration fees	14	(110,000)	(806,537)	(451,439)
Directors' fees	14	(144,315)	(132,065)	(54,500)
Investment Committee fees	14	(25,000)	(37,500)	(12,500)
Legal and professional fees		(234,510)	(229,723)	(50,918)
Transaction costs		(436,102)	(488,308)	(141,103)
Royalty participation fees	15	(431,750)	(848,534)	(249,769)
Other operating costs		(91,377)	(112,289)	(34,496)
Net foreign currency losses		(1,820)	-	-
Interest payable		(78,880)	(2)	(1,700)
Other finance costs		(93,180)	-	-
Total expenses		(1,646,934)	(2,654,958)	(996,425)
Gain/(loss) for the financial period		1,052,110	(858,202)	(427,838)
Taxation expense	3	(102,000)	-	-
Total comprehensive income/(loss) for the period		950,110	(858,202)	(427,838)
Basic earnings/(deficit) per share (pence)	4	0.73	(1.38)	(0.94)
Diluted earnings/(deficit) per share (pence)	4	0.73	(1.38)	(0.94)

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

The notes on pages 15 to 31 form an integral part of these Condensed Consolidated Financial Statements.

DUKE ROYALTY LIMITED
GUERNSEY REGISTERED NUMBER: 54697

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	30 September 2018 (unaudited) £	31 March 2018 (audited) £	30 September 2017 (unaudited) (restated) £
Non-current assets				
Financial assets at fair value through profit or loss	6	39,174,461	20,782,297	6,339,755
Deferred tax	7	107,000	-	-
		39,281,461	20,782,297	6,339,755
Current assets				
Financial assets at fair value through profit or loss	6	5,609,414	2,786,501	844,198
Trade and other receivables	8	711,163	6,687,020	15,253
Cash and cash equivalents		30,066,361	3,165,221	7,323,409
		36,386,938	12,638,742	8,182,860
Total assets		75,668,399	33,421,039	14,522,615
Equity				
Shares issued	9	101,918,170	60,303,293	40,905,094
Shares to be issued		-	-	341,439
Share based payment reserve	10	169,042	129,977	124,412
Warrant reserve		125,000	125,000	-
Retained losses	11	(28,623,621)	(28,314,324)	(27,178,219)
		73,588,591	32,243,946	14,192,726
Current liabilities				
Trade and other payables	12	678,541	259,693	51,336
Financial liabilities at fair value through profit or loss	13	187,362	140,886	42,968
		865,903	400,579	94,304
Non-current liabilities				
Financial liabilities at fair value through profit or loss	13	1,213,905	776,514	235,585
Total liabilities		2,079,808	1,177,093	329,889
Total equity and liabilities		75,668,399	33,421,039	14,522,615

The Condensed Consolidated Financial Statements on pages 10 to 31 were approved and authorised for issue by the Board of Directors on 3 December 2018 and were signed on its behalf by:

Mark Le Tissier
Director

Matthew Wrigley
Director

The notes on pages 15 to 31 form an integral part of these Condensed Consolidated Financial Statements.

DUKE ROYALTY LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	Period to 30 September 2018 (unaudited) £	Year to 31 March 2018 (audited) £	Period to 30 September 2017 (unaudited) (restated) £
Cash flows from operating activities			
Receipts from royalty investments	1,791,642	987,192	245,074
Receipts from transaction costs reimbursed	167,500	45,000	-
Payments for royalty participation fees	(81,252)	-	-
Operating expenses paid	(566,563)	(785,714)	(343,474)
Net cash inflow/(outflow) from operating activities	1,311,327	246,478	(98,400)
Cash flows from investing activities			
Royalty investments advanced	(13,924,640)	(22,932,356)	(6,932,356)
Transaction costs paid	(222,047)	(277,737)	(141,103)
Pre-royalty investment advanced	(605,419)	-	-
Amounts advanced to agents pending royalty completion	-	(6,467,500)	-
Gain on exercise of warrants	87,989	-	-
Payment to acquire equity investment	-	(250)	-
Interest income received	13,914	-	-
Net cash outflow from investing activities	(14,650,203)	(29,677,843)	(7,073,459)
Cash flows from financing activities			
Proceeds from share issue	44,010,000	19,840,275	343,000
Share issue costs	(2,345,123)	(765,613)	(70,000)
Dividends paid	(1,250,630)	(925,468)	(226,887)
Interest paid	(78,880)	-	(1,699)
Other finance costs paid	(85,500)	-	-
Net cash inflow from financing activities	40,249,867	18,149,194	44,414
Net change in cash and cash equivalents	26,910,991	(11,282,171)	(7,127,445)
Cash and cash equivalents at beginning of year	3,165,221	14,350,154	14,350,154
Effect of foreign exchange on cash	(9,851)	97,238	100,700
Cash and cash equivalents at the end of year	30,066,361	3,165,221	7,323,409

The notes on pages 15 to 31 form an integral part of these Condensed Consolidated Financial Statements.

DUKE ROYALTY LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 30 SEPTEMBER 2017 AND 31 MARCH 2018**

	Note	Shares issued £	Shares to be issued £	Share-based payment reserve £	Warrant reserve £	Retained losses £	Total equity £
At 1 April 2017		40,905,094	-	124,412	-	(26,523,494)	14,506,012
Total comprehensive loss for the period (restated)		-	-	-	-	(427,838)	(427,838)
Transactions with owners							
Share based payments	10	-	341,439	-	-	-	341,439
Dividends	5	-	-	-	-	(226,887)	(226,887)
Total transactions with owners		-	341,439	-	-	(226,887)	114,552
At 1 October 2017 (restated)		40,905,094	341,439	124,412	-	(27,178,219)	14,192,726
Total comprehensive loss for the period		-	-	-	-	(430,364)	(430,364)
Transactions with owners							
Shares issued for cash	9	19,507,275	-	-	-	-	19,507,275
Share issuance costs	9	(1,188,338)	-	-	-	-	(1,188,338)
Share based payments	9,10	1,079,262	(341,439)	5,565	-	-	743,388
Warrants issued		-	-	-	125,000	-	125,000
Dividends	5	-	-	-	-	(705,741)	(705,741)
Total transactions with owners		19,398,199	(341,439)	5,565	125,000	(705,741)	18,481,584
At 31 March 2018		60,303,293	-	129,977	125,000	(28,314,324)	32,243,946

The notes on pages 15 to 31 form an integral part of these Condensed Consolidated Financial Statements.

DUKE ROYALTY LIMITED

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	Note	Shares issued £	Share-based payment reserve £	Warrant reserve £	Retained losses £	Total equity £
At 1 April 2018		60,303,293	129,977	125,000	(28,314,324)	32,243,946
Total comprehensive income for the year		-	-	-	950,110	950,110
Transactions with owners						
Shares issued for cash	9	44,000,000	-	-	-	44,000,000
Share issuance costs	9	(2,385,123)	-	-	-	(2,385,123)
Share based payments	10	-	39,065	-	-	39,065
Dividends	5	-	-	-	(1,259,407)	(1,259,407)
Total transactions with owners		41,614,877	39,065	-	(1,259,407)	40,394,535
At 30 September 2018		101,918,170	169,042	125,000	(28,623,621)	73,588,591

The notes on pages 15 to 31 form an integral part of these Condensed Consolidated Financial Statements.

DUKE ROYALTY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 32.

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.

2. Significant accounting policies

2.1 Basis of preparation

The interim Condensed Consolidated Financial Statements of the Group have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as adopted by the European Union, and using the going concern basis of preparation. These interim financial statements do not contain all the information and disclosures as presented in the annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the Group for the year ended 31 March 2018, which 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.

The accounting policies adopted in the preparation of the interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Consolidated Financial Statements of the Group for the year ended 31 March 2018, except for the adoption of new standards effective from 1 January 2018, and are expected to be applied in the preparation of the financial statements for the year ended 31 March 2018.

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 adopted IFRS 15 “Revenue from Contracts with Customers” for the first time in these interim financial statements. There are no areas within this standard which have a material impact on the Group.

2.3 Restatement of interim comparatives

In preparing the interim Consolidated Financial Statements of the Group for the period ended 30 September 2017, the Group elected to early adopt IFRS 9 ‘Financial instruments’. Following a full review of the implementation of IFRS 9 as part of the preparation of the Consolidated Financial Statements for the year ended 31 March 2018, the Group made certain amendments which have resulted in the restatement of the comparative figures for the period ended 30 September 2017 in these Condensed Consolidated Financial Statements. As part of this restatement, transaction costs and royalty participation fees previously included in the carrying value of the investments were expensed in the Condensed Consolidated Statement of Comprehensive Income. This has resulted in the previously reported loss before tax of £78,139 increasing to £427,838.

DUKE ROYALTY LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

3. 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

	Period to 30 September 2018 (unaudited)	Year to 31 March 2018 (audited)	Period to 30 September 2017 (unaudited) (restated)
	£	£	£
Profit/(loss) on ordinary activities before tax	950,110	(858,202)	(427,838)
Corporation tax at country rates	331,458	(61,409)	(61,049)
Tax losses not recognised	-	61,409	61,049
Utilisation of tax losses brought forward	(122,458)	-	-
Deferred tax asset recognised	(107,000)	-	-
	102,000	-	-

4. Earnings/(deficit) per share

	Period to 30 September 2018 (unaudited)	Year to 31 March 2018 (audited)	Period to 30 September 2017 (unaudited) (restated)
	£	£	£
Basic earnings/(deficit) per Ordinary Share			
Profit/(loss) for the period	950,110	(858,202)	(427,838)
Weighted average number of Ordinary Shares in issue	130,210,792	62,234,062	45,377,459
Basic earnings/(deficit) per share (pence)	0.73	(1.38)	(0.94)
Diluted earnings/(deficit) per Ordinary Share			
Profit/(loss) for the period	950,110	(858,202)	(427,838)
Weighted average number of Ordinary Shares, diluted for warrants in issue	130,309,049	62,234,062	45,377,459
Diluted earnings/(deficit) per share (pence)	0.73	(1.38)	(0.94)

DUKE ROYALTY LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

4. Earnings/(deficit) per share (continued)

The basic earnings per share is based on the Group profit for the period and on the weighted average number of Ordinary Shares in issue for the period. The share options, Long Term Incentive Plan awards and warrants in issue were not dilutive in the year ended 31 March 2018 and the period ended 30 September 2017, but the warrants in issue have become dilutive in the current period. For more details on the share options see note 10.

5. Dividends

The Company implemented a quarterly dividend policy during the year ended 31 March 2018. The following interim dividends have been recorded and paid since the inception of this policy:

Record date	Payment date	Dividend per share pence/share	Dividends payable £
30 June 2017	27 July 2017	0.5	226,887
Dividends payable for the period ended 30 September 2017			226,887
Record date	Payment date		
29 September 2017	19 October 2017	0.5	226,887
29 December 2017	12 January 2018	0.5	478,854
Dividends payable for the period ended 31 March 2018			705,741
Record date	Payment date		
3 April 2018	12 April 2018	0.6	581,265
29 June 2018	12 July 2018	0.7	678,142
Dividends payable for the period ended 30 September 2018			1,259,407

On 20 September 2018 the Company approved a further quarterly dividend of 0.7 pence per share, totalling £1,385,317, which was paid on 12 October 2018.

DUKE ROYALTY LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

6. Financial assets at fair value through profit or loss

	30 September 2018 (unaudited)	31 March 2018 (audited)	30 September 2017 (unaudited) (restated)
	£	£	£
Non-current			
Royalty investments	39,174,211	20,782,047	6,339,755
Equity investments	250	250	-
	39,174,461	20,782,297	6,339,755
Current			
Royalty investments	5,609,414	2,786,501	844,198
	44,783,875	23,568,798	7,183,953

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

	Period to 30 September 2018 (unaudited)	Year to 31 March 2018 (audited)	Period to 30 September 2017 (unaudited) (restated)
	£	£	£
On royalty investments	2,614,579	1,623,384	496,671
On equity investments	-	-	-
Total net gains	2,614,579	1,623,384	496,671

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

	Period to 30 September 2018 (unaudited)	Year to 31 March 2018 (audited)	Period to 30 September 2017 (unaudited) (restated)
	£	£	£
Realised	1,791,642	987,192	245,074
Change in unrealised	822,937	636,192	251,597
Total net gains	2,614,579	1,623,384	496,671

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

DUKE ROYALTY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

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.

In August 2018 the Group contributed a further €1 million (£0.9 million) of financing to Temarca. This increased the annualised royalty distributions receivable from Temarca to approximately €1.1 million (£1.0 million) per annum.

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. Lynx's parent company has also provided a corporate guarantee to pledge all cash flows from Lynx to the Group. 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.

In April and September 2018 the Group contributed a further £2 million and £1 million respectively of royalty financing to Lynx. This increased the annualised royalty distributions receivable from Lynx to approximately £1.2 million per annum.

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.

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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6. Financial assets at fair value through profit or loss (continued)

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.

Equity investments

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

The Group still holds two 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 they are fully written down to nil value.

7. Deferred tax

	30 September 2018 (unaudited) £	31 March 2018 (audited) £	30 September 2017 (unaudited) £
Deferred tax asset	107,000	-	-

The deferred tax asset arises due to a temporary timing differences on the treatment of transaction costs in the UK subsidiary. This deferred tax asset is expected to reverse over a 30 year period. The utilisation of this asset is dependent on sufficient future taxable profits being generated by the UK subsidiary.

8. Trade and other receivables

	30 September 2018 (unaudited) £	31 March 2018 (audited) £	30 September 2017 (unaudited) £
Transaction costs reimbursed receivable	40,000	100,000	-
Prepayments and accrued income	57,713	109,520	15,253
Unpaid share capital	-	10,000	-
Pre-royalty investment advances	613,450	-	-
Amounts advanced to agents pending royalty investment completion	-	6,467,500	-
	711,163	6,687,020	15,253

DUKE ROYALTY LIMITED

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9. Share capital

	No. shares	£
Authorised		
Unlimited number of shares of no par value	-	-
Allotted, called up and fully paid		
At 1 April 2017 and at 30 September 2017	45,377,459	40,905,094
Shares issued for cash during the period	48,768,187	19,507,275
Shares issued in settlement of share issuance costs	1,231,813	492,725
Share issuance costs	-	(1,188,338)
Shares issued in connection with support services agreement	1,500,000	586,537
At 31 March 2018	96,877,459	60,303,293
Shares issued for cash during the period	100,000,000	44,000,000
Share issuance costs	-	(2,385,123)
Shares issued to Employee Benefit Trust during the period	1,025,000	-
At 30 September 2018	197,902,459	101,918,170

In August 2018 the Company issued 100 million new Ordinary Shares at 44p per share, of which all were fully paid up at 30 September 2018.

During the period, the Company issued 1,025,000 shares for consideration of £nil into an Employee Benefit Trust, under the terms of its Long Term Incentive Plan (LTIP). See note 10 for further details.

10. Share-based payments

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

	Share options £	LTIP awards £	Total £
At 1 April 2017	124,412	-	124,412
LTIP awards granted in the year	-	-	-
At 30 September 2017	124,412	-	124,412
LTIP awards granted	-	5,565	5,565
At 31 March 2018	124,412	5,565	129,977
LTIP awards granted	-	39,065	39,065
At 30 September 2018	124,412	44,630	169,042

DUKE ROYALTY LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

10. Share-based payments (continued)

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 period end 760,000 (March 2018 and September 2017 – 760,000) options were outstanding and exercisable at a weighted average exercise price of 75 pence (March 2018 and September 2017 – 75 pence). The weighted average remaining contractual life of the options outstanding at the period end was 1.93 years (March 2018 - 2.43 years; September 2017 – 2.93 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.

On 6 March 2018 1,025,000 PSAs were issued to Directors with a fair value of £234,390. An expense of £39,065 for the period (March 2018 – £5,565; September 2017 – £nil) has been recognised in these Condensed 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 period end 1,025,000 (March 2018 – 1,025,000; September 2017 – nil) LTIP awards were outstanding. The weighted average remaining vesting period of the LTIP awards outstanding at the period end was 2.43 years (March 2018 – 2.93; September 2017 – nil).

DUKE ROYALTY LIMITED

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11. Distributable reserves

Under Guernsey law, the Company can pay dividends provided it satisfies the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether the Company is able to pay its debts when they fall due, and whether the value of the Company's assets is greater than its liabilities. The Company satisfied the solvency test in respect of the dividends declared in the period.

12. Trade and other payables

	30 September 2018 (unaudited) £	31 March 2018 (audited) £	30 September 2017 (unaudited) £
Trade payables	76,424	178,761	-
Corporation tax	209,000	-	-
Accruals and deferred income	393,117	80,932	51,336
	678,541	259,693	51,336

13. Financial liabilities at fair value through profit or loss

	30 September 2018 (unaudited) £	31 March 2018 (audited) £	30 September 2017 (unaudited) (restated) £
Royalty participation liability			
Current	187,362	140,886	42,968
Non-current	1,213,905	776,514	235,585
	1,401,267	917,400	278,553

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

	Period to 30 September 2018 (unaudited) £	Year to 31 March 2018 (audited) £	Period to 30 September 2017 (unaudited) (restated) £
Realised	-	-	-
Change in unrealised	133,369	68,866	28,784
	133,369	68,866	28,784

DUKE ROYALTY LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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14. Related parties

Directors' fees

The following fees were payable to the Directors during the period:

	Period to 30 September 2018 (unaudited) £	Year to 31 March 2018 (audited) £	Period to 30 September 2017 (unaudited) £
Neil Johnson	56,555	52,715	25,000
Charles Cannon Brookes	39,590	36,900	17,500
Nigel Birrell	12,000	12,000	6,000
James Ryan	-	6,000	6,000
Justin Cochrane	24,170	18,450	-
Matthew Wrigley	12,000	6,000	-
Mark Le Tissier	-	-	-
	144,315	132,065	54,500

During the year to 31 March 2018, the Directors voluntarily reduced their fees in order for the Company to implement and sustain its quarterly dividend policy. During the 6 months ended 30 September 2018 this reduction ceased.

The above noted fees include the following expenses relating to awards granted under the Group's Long Term Incentive Plan (see note 10):

	Period to 30 September 2018 (unaudited) £	Year to 31 March 2018 (audited) £	Period to 30 September 2017 (unaudited) £
Neil Johnson	19,055	2,715	-
Charles Cannon Brookes	13,340	1,900	-
Justin Cochrane	6,670	950	-
	39,065	5,565	-

Mark Le Tissier, a Director of Trident Trust Company (Guernsey) Limited has waived his entitlement to a fee in relation to being a 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 period end £6,000 remained outstanding to Nigel Birrell and £6,000 remained outstanding to Matthew Wrigley (March 2018 and September 2017 – no fees remained outstanding). These were paid subsequent to the period end.

DUKE ROYALTY LIMITED

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14. 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 payable to the members of the Investment Committee during the period:

	Period to 30 September 2018 (unaudited) £	Year to 31 March 2018 (audited) £	Period to 30 September 2017 (unaudited) £
Andrew Carragher	-	-	20,000
Jim Webster	25,000	37,500	40,000
	25,000	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 period 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. During the 6 months ended 30 September 2018, the reduction of Jim Webster's fee 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.

£12,500 remained outstanding to Jim Webster at the period end (March 2018 and September 2017 - £nil). This was paid subsequent to the period end.

DUKE ROYALTY LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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14. Related parties (continued)

Other related party transactions

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

	Period to 30 September 2018 (unaudited) £	Year to 31 March 2018 (audited) £	Period to 30 September 2017 (unaudited) £
Payable to Abingdon Capital Corporation			
Annual service fee	98,000	196,000	280,000
Share award	-	415,818	-
	98,000	611,818	280,000
Payable to Arlington Group Asset Management Limited			
Annual service fee	12,000	24,000	95,000
Share award	-	170,719	-
	12,000	194,719	95,000
	110,000	806,537	375,000

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 ended 31 March 2018 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 to 31 March 2018, 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. These reductions were still in place throughout the current period.

DUKE ROYALTY LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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14. Related parties (continued)

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	Period to 30 September 2018 (unaudited) No.	Year to 31 March 2018 (audited) No.	Period to 30 September 2017 (unaudited) No.
Neil Johnson	85,000	85,000	-
Charles Cannon Brookes ¹	85,000	85,000	-
Nigel Birrell	85,000	85,000	-
James Ryan	85,000	85,000	-
Justin Cochrane	70,000	70,000	-
<hr/>			
LTIP awards	Period to 30 September 2018 (unaudited) No.	Year to 31 March 2018 (audited) No.	Period to 30 September 2017 (unaudited) (restated) No.
Neil Johnson	500,000	500,000	-
Charles Cannon Brookes ¹	350,000	350,000	-
Justin Cochrane	175,000	175,000	-

¹ Includes share options issued to Arlington

The following dividends were paid to related parties:

	Period to 30 September 2018 (unaudited) £	Year to 31 March 2018 (audited) £	Period to 30 September 2017 (unaudited) £
Neil Johnson ¹	41,693	33,636	-
Charles Cannon Brookes ²	65,000	58,000	-
Nigel Birrell	8,450	8,500	-
Justin Cochrane	9,620	10,600	-

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

² Includes dividends paid to Arlington

DUKE ROYALTY LIMITED

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15. 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:

	30 September 2018 Level 3 (unaudited) £	31 March 2018 Level 3 (audited) £	30 September 2017 Level 3 (unaudited) (restated) £
Financial assets			
Financial assets at fair value through profit or loss			
- Royalty investments	44,783,625	23,568,548	7,183,953
- Equity investments	250	250	-
	44,783,875	23,568,798	7,183,953
Financial liabilities			
Financial liabilities at fair value through profit or loss			
- Royalty participation instruments	1,401,267	917,400	278,553
Total financial liabilities	1,401,267	917,400	278,553

DUKE ROYALTY LIMITED

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FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

15. Fair value measurements (continued)

The following table presents the changes in level 3 items for the 6 month periods ended 30 September 2018, 31 March 2018 and 30 September 2017:

	Financial assets £	Financial liabilities £	Total £
At 1 April 2017	-	-	-
Additions (restated)	6,932,356	(249,769)	6,682,587
Royalty income received	(245,074)	-	(245,074)
Net change in fair value (restated)	496,671	(28,784)	467,887
At 30 September 2017 (restated)	7,183,953	(278,553)	6,905,400
Additions	16,000,250	(598,765)	15,401,485
Royalty income received	(742,118)	-	(742,118)
Net change in fair value	1,126,713	(40,082)	1,086,631
At 31 March 2018	23,568,798	(917,400)	22,651,398
Additions	20,392,140	(431,750)	19,960,390
Royalty income received	(1,791,642)	-	(1,791,642)
Net change in fair value	2,614,579	(52,117)	2,562,462
At 30 September 2018	44,783,875	(1,401,267)	43,382,608

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.

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15. Fair value measurements (continued)

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 -1.0% to 6.0% and the range of risk-adjusted discount rates is 13.6% to 20.0%.

An increase in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 25 basis points would increase the fair value by £711,068.

A reduction in the discount rate of 25 basis points would increase the fair value by £714,542.

A decrease in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 25 basis points would decrease the fair value by £640,943.

An increase in the discount rate of 25 basis points would decrease the fair value by £643,524.

Equity investments

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

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 -1.0% to 6.0% and the range of risk-adjusted discount rates is 13.6% to 20.0%.

An increase in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 25 basis points would increase the fair value of the liability by £31,639.

A reduction in the discount rate of 25 basis points would increase the fair value of the liability by £31,496.

A decrease in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 25 basis points would decrease the fair value of the liability by £12,257.

An increase in the discount rate of 25 basis points would decrease the fair value of the liability by £12,089.

DUKE ROYALTY LIMITED

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16. Events after the financial reporting date

Dividends

On 12 October 2018 the Company paid a quarterly dividend of 0.7 pence per share.

Performance Share Awards ("PSA") under the Company's Long Term Incentive Plan ("LTIP") Awards

On 31 October 2018 the Group's Remuneration Committee approved the issuance of 1,665,000 PSA's. The PSA's vest after a period of three years and are subject to various performance conditions outlined in the Company's admission document and set by the Remuneration Committee, all in accordance with the LTIP rules.

Grant of options

On 31 October 2018 the Group's Remuneration Committee approved the grant of 200,000 options over Ordinary Shares (the "Options") under the Company's option plan. The Options expire five years from the date of issuance and have an exercise price of GBP 0.50.

Issuance of ordinary shares

On 31 October 2018 the Company's Remuneration Committee approved the issuance of 305,000 new ordinary shares of no par value.

Issuance of warrants

The Board also approved the grant of 2,375,000 Warrants to Partners Value Investments LP ("PVI") in consideration for the provision of services provided by PVI to the Company under the terms of the Strategic Advisory Agreement (as announced on 8 November 2017).

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 Justin Cochrane Jim Webster	John Romeo Andrew Carragher