

---

**DUKE ROYALTY LIMITED**

---

**INTERIM REPORT**  
**FOR THE PERIOD**  
**1 APRIL 2019 TO 30 SEPTEMBER 2019**

# DUKE ROYALTY LIMITED

## CONTENTS

---

	Page
Company summary	3
Chairman's report	4
Condensed consolidated statement of comprehensive income	7
Condensed consolidated statement of financial position	8
Condensed consolidated statement of cash flows	9
Condensed consolidated statement of changes in equity	10
Notes to the condensed consolidated financial statements	11
Company information	24

## **DUKE ROYALTY LIMITED**

### **COMPANY SUMMARY**

---

Duke Royalty Limited provides alternative capital solutions to a diversified range of profitable and long-established businesses in Europe and abroad. It is the only UK quoted, commercial royalty company, which provides corporate royalty finance to UK and European SME businesses.

Duke Royalty's experienced team delivers financing solutions to private companies that are in need of capital but whose owners wish to maintain equity control of their business. We believe great businesses are best left in the hands of those who built them.

#### **Investing policy**

The Group's investing policy is 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 deliver on its strategy to invest in opportunities which provide predictable, robust, long-term returns to shareholders, the Group has assembled a 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. Management, the Board and its advisers, will utilise their contacts and skills to attract suitable portfolio opportunities and to carry out appropriate due diligence.

Duke Royalty's investing policy provides investors with exposure to well-run private companies across a range of industries and geographies. Its risk averse investment strategy has attracted a suite of blue-chip investors through three successful placings undertaken since listing, raising almost £80m.

#### **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 50% from 0.5 pence to 0.75 pence per share.

#### **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, its subsidiaries Duke Royalty UK Limited, Capital Step Holdings Limited, Capital Step Funding Limited, Capital Step Investments Limited and Capital Step Funding 2 Limited and The Duke Royalty Employee Benefit Trust.

Dear Shareholder,

Duke Royalty's ("Duke") strategy is to provide its shareholders with exposure to capital growth and income by becoming the preferred and leading provider of royalty finance for companies in Europe and abroad.

Our sector focus currently covers:

- Hospitality and Leisure
- Industrials
- Technology and Media
- Healthcare and
- Business Services

Duke is the only UK-quoted diversified royalty company, meaning that it benefits from a first-mover advantage to secure compelling investment opportunities in the royalty financing sector in the UK and Europe.

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. Due to the banks' historic unwillingness to lend to SMEs, the funding gap in Europe and abroad means that we represent an attractive financing solution for private growth businesses that want 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.

One of the key selling points and differentiating factors about Duke's business model is that its investee companies (royalty partners) are able to service the obligations arising from the royalty contract entirely out of expected cash flows. This is different than other forms of debt which typically expect the company to repay the entire principal within five years, sometimes with amortisation periods starting within two years. In times of short term uncertainty, repayment of principal which cannot be managed through operational cash flow, presents risk to the business owner and makes Duke Royalty's long term capital solution a more attractive option for businesses.

Our business development team has continued to broaden awareness of the benefits of royalty finance across the corporate and corporate advisory community, building on the success we have experienced so far.

### **Operational Review**

I am pleased to report the results for the Group for the six-month period ended 30 September 2019 ("Interim 2020"). Interim 2020 was a period of ongoing rapid development for the Company with revenue, profitability and cashflow all increasing materially year on year, as well as further deployment of capital into its royalty portfolio. The Group also strengthened its operational team.

#### *Careful cost management during growth phase*

The Company's operating cost base is carefully managed to ensure that each deal entered into by Duke is immediately accretive. While cash operating expenses increased from £0.57 million to £1.1 million period-on-period, this reflects the decision by management to scale-up its operating team to effectively manage its deal origination, execution and monitoring requirements. Operating expenses will continue to be kept under tight control.

#### *Improvements to operational team*

I am delighted to report that the operating team has been further strengthened during the period by the appointment of Hugo Evans as Duke's new Finance Director. Hugo brings with him a wealth of expertise having previously acted as a Group Finance Director to a Guernsey domiciled, AIM listed investment

## DUKE ROYALTY LIMITED

### CHAIRMAN'S REPORT

---

management company. His relevant financial experience will be extremely useful in helping Duke prudently navigate its way through this next phase of growth.

I am pleased to say that post Hugo's appointment, the existing operating team and central cost base has now reached a sustainable level for the foreseeable future. Going forward, the Group's profitability is now expected to benefit from this operational leverage as additional income is generated from its royalty partners.

#### *Extensions to investments*

During Interim 2020, the Group made extensions to three senior loan agreements with existing royalty partners, thereby increasing the amount of cash that Duke can expect to receive back from these investments over their life.

These agreements were made with existing partners Welltel (Ireland) Limited ("Welltel"), a telecommunications services company, media company Step Investments Limited ("Step Investments", formerly "the Pearl & Dean Group"), and Xtremepush Limited, a technology solutions company. Each of these partners were acquired via the Capital Step acquisition in February 2019.

#### *Follow on investments*

During the period, Duke also completed two small follow-on investments into both Welltel and Step Investments, totalling £1.65 million, further demonstrating the confidence that Duke has in the recently acquired Capital Step portfolio.

### **Financial Review**

I am pleased to report that total income for the period under review was £5.9 million, which is an increase of 119% year on year. Moreover, total comprehensive income for the period increased by 246% year on year to £3.3 million, as did net cash inflow from operating activities which rose 195% year on year to £3.9 million.

As referenced in previous Chairman's reports, I have encouraged shareholders to focus on the "net cash inflow from operating activities" number as this provides a true reflection of the Company's operating performance, highlighting what cash has been generated from the Company's royalty and loan book minus all cash operating costs incurred to manage the Group. I also refer you to the adjusted earnings figure in Note 4, which provides shareholders with a more detailed breakdown of operating performance. Given the increasing amount of capital that has been deployed by Duke coupled with the positive adjustment factors being generated by the existing portfolio alongside a now largely fixed operating cost base, I am pleased to report that I expect this metric to continue its increase in future periods.

In September 2019, Duke announced that it had entered into a new £30 million revolving facility agreement with its existing debt provider, Honeycomb Investment Trust PLC (the "New Credit Facility"), on improved terms. The New Credit Facility has a five-year term expiring in September 2024 with straight line amortization beginning in year four. It also has an interest rate equal to one-month LIBOR plus 7.25% per annum, which represents an improvement of 225bps on the previous rate of 9.5%.

Importantly, the New Credit Facility has an accordion facility which, subject to various loan to value and NAV thresholds, could allow for it to increase to a total of £50 million.

Duke now has significant balance sheet flexibility given that it can draw on this credit line before going to the equity markets to raise additional capital. This thereby avoids the potentially damaging impact of "cash drag" for shareholders, which is always an area of focus for Duke management given the Company's ongoing high dividend yield.

#### *Dividend*

During the interim period, Duke paid quarterly dividends to shareholders of 0.7p per share on 17 April

## **DUKE ROYALTY LIMITED**

### **CHAIRMAN'S REPORT**

---

2019 and 0.7p per share on 12 July 2019. Additionally, for the September 2019 quarterly dividend, the Board announced the Company's third increase to 0.75p per share.

This increase was in line with our strategy to maintain a high and stable dividend.

#### **Outlook**

Looking towards 2020, I am confident that the Company's momentum will continue as it seeks to further expand and balance its portfolio. Finally, it is pleasing to report that progress has continued post the period end, with a significant equity issue of £17.45 million which closed in October 2019 and a further capital deployment into Lynx Equity in November. With the aforementioned New Credit Facility, the Company now has the capital to deploy into new and existing royalty partners which the management team is focused on delivering for the rest of FY2020.

Although we continually assess the geopolitical uncertainties facing the UK and European business community, the Company is well-positioned to cope with challenging macroeconomic events due to the consistently low operating costs and tight controls which are central to our business model. As such, the future remains bright for the Company and I am looking forward to the additional positive news flow expected for the remainder of FY2020.

We are pleased to report another strong period of growth and progress by the Company. I am grateful for the ongoing support of our shareholders, royalty partners and network of corporate partners and advisers and we look forward to reporting on the Group's ongoing progress in future periods.

Nigel Birrell  
Chairman

**DUKE ROYALTY LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Period to 30-Sep-19 (unaudited) £000	Year to 31-Mar-19 (audited) £000	Period to 30-Sep-18 (unaudited) £000
<b>Income</b>				
Net change in fair value of financial assets and financial liabilities through profit and loss	7,15,18	5,089	5,676	2,483
Loan interest receivable	9	672	255	-
Other income		6	209	216
Foreign exchange movements		136	-	-
<b>Total income</b>		<b>5,903</b>	<b>6,140</b>	<b>2,699</b>
<b>Investment Expenses</b>				
Transaction costs		(208)	(1,508)	(436)
Royalty participation fees	15,18	-	(432)	(432)
Net foreign currency losses		-	(42)	(2)
		<b>(208)</b>	<b>(1,982)</b>	<b>(870)</b>
<b>Operating Expenses</b>				
Administration and personnel	17	(801)	(1,133)	(279)
Legal and professional		(315)	(509)	(234)
Other operating expenses		(139)	(203)	(92)
		<b>(1,255)</b>	<b>(1,845)</b>	<b>(605)</b>
<b>Operating profit</b>		<b>4,440</b>	<b>2,313</b>	<b>1,224</b>
Interest payable	16	(611)	(397)	(79)
Other finance costs		(140)	-	(93)
<b>Profit for the period before tax</b>		<b>3,689</b>	<b>1,916</b>	<b>1,052</b>
Taxation expense	3	(406)	(119)	(102)
<b>Total comprehensive income for the period</b>		<b>3,283</b>	<b>1,797</b>	<b>950</b>
<b>Basic earnings per share (pence)</b>		<b>1.66</b>	<b>1.10</b>	<b>0.73</b>
<b>Diluted earnings per share (pence)</b>		<b>1.65</b>	<b>1.10</b>	<b>0.73</b>

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

The notes on pages 12 to 24 form an integral part of these Condensed Consolidated Financial Statements.

**DUKE ROYALTY LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 SEPTEMBER 2019**

	Note	30-Sep-19 £000	31-Mar-19 £000	30-Sep-18 £000
<b>Non-current assets</b>				
Goodwill	6	203	203	-
Financial assets at fair value through profit or loss	7	63,163	63,167	39,174
Loans receivable	8	9,052	8,993	-
Deferred tax asset	9	-	-	107
		72,418	72,363	39,281
<b>Current assets</b>				
Financial assets at fair value through profit or loss	7	9,106	8,065	5,609
Loans receivable	9	2,065	632	-
Trade and other receivables	10	260	178	712
Cash and cash equivalents		3,998	5,894	30,066
		15,429	14,769	36,387
<b>Current liabilities</b>				
Trade and other payables	11	250	714	469
Current tax liability		538	248	209
Financial liabilities at fair value through profit or loss	12	212	173	187
Borrowings	13	257	326	-
		1,257	1,461	865
<b>Non-current liabilities</b>				
Trade and other payables	11	480	440	-
Financial liabilities at fair value through profit or loss	12	1,172	1,193	1,214
Borrowings	13	11,470	11,365	-
Deferred tax liability	9	680	565	-
		13,802	13,563	1,214
<b>Net Assets</b>		72,788	72,108	73,589
<b>Equity</b>				
Shares issued	14	102,044	102,044	101,918
Share based payment reserve	15	491	333	169
Warrant reserve	15	265	265	125
Retained losses	16	(30,012)	(30,534)	(28,623)
<b>Total Equity</b>		72,788	72,108	73,589

The Condensed Consolidated Financial Statements on pages 8 to 24 were approved and authorised for issue by the Board of Directors on [DATE] and were signed on its behalf by:

**Mark Le Tissier**  
Director

**Matthew Wrigley**  
Director

The notes on pages 12 to 24 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 2019**

	<b>Period to 30-Sep-19 (unaudited) £000</b>	Year to 31-Mar-19 (audited) £000	Period to 30-Sep-18 (unaudited) £000
<b>Cash flows from operating activities</b>			
Receipts from royalty investments	4,397	5,097	1,792
Receipts of interest from loan investments	625	257	-
Receipts from transaction costs reimbursed	6	308	168
Other interest income received	-	1	-
Payments for royalty participation fees	(78)	(161)	(81)
Operating expenses paid	(1,084)	(1,392)	(568)
<b>Net cash inflow from operating activities</b>	<b>3,866</b>	4,110	1,311
<b>Cash flows from investing activities</b>			
Royalty investments advanced	(250)	(25,033)	(13,925)
Loan investments advanced	(1,400)	(3,057)	-
Payment for acquisition of subsidiaries, net of cash acquired	(321)	(4,274)	-
Transaction costs paid – royalty investments	(404)	(624)	(222)
Transaction costs paid – business combinations	-	(268)	-
Pre-royalty investment advanced	-	-	(605)
Gain on exercise of warrants	-	-	88
Payment to acquire equity investment	-	-	-
Proceeds from disposal of equity instruments	-	89	-
Interest income received	-	-	14
<b>Net cash outflow from investing activities</b>	<b>(2,375)</b>	(33,167)	(14,650)
<b>Cash flows from financing activities</b>			
Proceeds from share issue	-	44,010	44,010
Share issue costs	-	(2,398)	(2,345)
Dividends paid	(2,760)	(4,023)	(1,251)
Proceeds from loans	-	3,500	-
Redemption of loans	-	(9,109)	-
Interest paid	(662)	(172)	(79)
Other finance costs paid	-	-	(86)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(3,422)</b>	31,808	40,250
<b>Net change in cash and cash equivalents</b>	<b>(1,931)</b>	2,749	26,911
Cash and cash equivalents at beginning of Period/year	5,894	3,165	3,165
Effect of foreign exchange on cash	35	(21)	(10)
<b>Cash and cash equivalents at the end of Period/year</b>	<b>3,998</b>	5,894	30,066

The notes on pages 12 to 24 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 2019**

	Note	Shares issued £000	Share-based payment reserve £000	Warrant reserve £000	Retained losses £000	Total equity £000
<b>At 1 April 2018</b>		<b>60,303</b>	<b>130</b>	<b>125</b>	<b>(28,314)</b>	<b>32,244</b>
Total comprehensive income for the period		-	-	-	950	950
<b>Transactions with owners</b>						
Shares issued for cash	11	44,000	-	-	-	44,000
Share issuance costs	11	(2,385)	-	-	-	(2,385)
Share based payments	12	-	39	-	-	39
Dividends	5	-	-	-	(1,259)	(1,259)
Total transactions with owners		41,615	39	-	(1,259)	40,395
<b>At 30 September 2018</b>		<b>101,918</b>	<b>169</b>	<b>125</b>	<b>(28,623)</b>	<b>73,589</b>
Total comprehensive income for the period		-	-	-	847	847
<b>Transactions with owners</b>						
Share issuance costs	11	(13)	-	-	-	(13)
Share based payments	12	139	164	-	-	303
Warrants issued	12	-	-	140	-	140
Dividends	5	-	-	-	(2,758)	(2,758)
Total transactions with owners		126	164	140	(2,758)	(2,328)
<b>At 31 March 2019</b>		<b>102,044</b>	<b>333</b>	<b>265</b>	<b>(30,534)</b>	<b>72,108</b>

**DUKE ROYALTY LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Shares issued £000	Share-based payment reserve £000	Warrant reserve £000	Retained losses £000	Total equity £000
At 1 April 2019		102,044	333	265	(30,534)	72,108
Total comprehensive income for the period		-	-	-	3,283	3,283
<b>Transactions with owners</b>						
Share based payments	12	-	158	-	-	158
Dividends	5	-	-	-	(2,761)	(2,761)
Total transactions with owners		-	158	-	(2,761)	(2,603)
<b>At 30 September 2019</b>		<b>102,044</b>	<b>491</b>	<b>265</b>	<b>(30,012)</b>	<b>72,788</b>

The notes on pages 12 to 24 form an integral part of these Condensed Consolidated Financial Statements.

# DUKE ROYALTY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 SEPTEMBER 2019

---

#### 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. The Company is domiciled in Guernsey. Its shares are traded on the AIM market of the London Stock Exchange. The Company’s registered office is shown on page 25.

Throughout the period, the “Group” comprised Duke Royalty Limited and its wholly owned subsidiaries; Duke Royalty UK Limited, Capital Step Holdings Limited, Capital Step Investments Limited, Capital Step Funding Limited, Capital Step Funding 2 Limited and Duke Royalty Employee Benefit Trust.

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 2019, 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 2019.

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

There were no new standards adopted by the Group during the reporting period.

#### 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.

**DUKE ROYALTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

***Factors affecting income tax expense for the year***

	<b>Period to 30-Sep-19 (unaudited) £000</b>	Year to 31-Mar-19 (audited) £000	Period to 30-Sep-18 (unaudited) £000
Profit on ordinary activities before tax	<b>3,689</b>	1,916	950
Tax using the Groups effective tax rate of 11.29% (2018: 10.53%, period to 30 September 2018: 10.73%)	<b>417</b>	202	102
Tax losses not recognised	-	(97)	-
Differential in tax rate	<b>(11)</b>	14	-
	<b>406</b>	119	102

**4. Earnings per share**

	<b>Period to 30-Sep-19 (unaudited) £000</b>	Year to 31-Mar-19 (audited) £000	Period to 30-Sep-18 (unaudited) £000
Total comprehensive income (£000)	<b>3,283</b>	1,797	950
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	<b>197,182</b>	163,129	130,211
Basic earnings per share (pence)	<b>1.66</b>	1.10	0.73

	<b>Period to 30-Sep-19 (unaudited)</b>	Year to 31-Mar-19 (audited)	Period to 30-Sep-18 (unaudited)
Total comprehensive income (£000)	<b>3,283</b>	1,797	950
Weighted average number of Ordinary Shares, diluted for warrants in issue (000s)	<b>199,182</b>	163,244	130,309
Diluted earnings per share (pence)	<b>1.65</b>	1.10	0.73

Basic earnings per share is calculated by dividing total comprehensive income for the period by the weighted average number of shares in issue throughout the period. Diluted earnings per share represents the basic earnings per share adjusted for the effect of dilutive potential shares issuable on exercise of share options under the Company's share-based payment schemes, weighted for the relevant period.

**DUKE ROYALTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

**Adjusted earnings per share**

Adjusted earnings represents the Group's underlying performance from core activities. Adjusted earnings is the total comprehensive income adjusted for unrealised and non-core fair value movements, non-cash items and transaction-related costs, including royalty participation fees, together with the tax effects thereon.

Valuation and other non-cash movements such as those outlined are not considered by management in assessing the level of profit and cash generation of the Group. Additionally, IFRS 9 requires transaction-related costs to be expensed immediately whilst the income benefit is over the life of the asset. As such, an adjusted earnings measure is used which reflects the underlying contribution from the Group's core activities during the year.

	<b>Period to 30-Sep-19 (unaudited) £000</b>	Year to 31-Mar-19 (audited) £000	Period to 30-Sep-18 (unaudited) £000
Total comprehensive income for the period	<b>3,283</b>	1,797	950
Unrealised fair value movements	<b>(693)</b>	(651)	(771)
Gain on warrants	-	(88)	(88)
Share-based payments	<b>158</b>	482	39
Transactions costs net of costs reimbursed	<b>208</b>	1,161	329
Royalty participation fees	-	432	432
Tax effect of the adjustments above at Group effective rate	<b>37</b>	(140)	8
Adjusted earnings	<b>2,993</b>	2,992	899

	<b>Period to 30-Sep-19 (unaudited)</b>	Year to 31-Mar-19 (audited)	Period to 30-Sep-18 (unaudited)
Adjusted earnings (£000)	<b>2,993</b>	2,992	899
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	<b>197,182</b>	163,129	130,211
Adjusted earnings per share (pence)	<b>1.52</b>	1.83	0.69

	<b>Period to 30-Sep-19 (unaudited)</b>	Year to 31-Mar-19 (audited)	Period to 30-Sep-18 (unaudited)
Adjusted earnings (£000)	<b>2,993</b>	2,992	899
Weighted average number of Ordinary Shares, diluted for warrants in issue (000s)	<b>199,182</b>	163,244	130,309
Diluted adjusted earnings per share (pence)	<b>1.50</b>	1.83	0.69

**DUKE ROYALTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

**5. Dividends**

The following interim dividends have been recorded in the period:

<b>Record date</b>	<b>Payment date</b>	<b>Dividend per share pence/share</b>	<b>Dividends payable £000</b>
3 April 2018	12 April 2018	0.6	581
29 June 2018	12 July 2018	0.7	678
Dividends payable for the period ended 30 September 2018			<u>1,259</u>
<b>Record date</b>	<b>Payment date</b>		
28 September 2018	12 October 2018	0.7	1,378
28 December 2018	11 January 2019	0.7	1,380
Dividends payable for the period ended 31 March 2019			<u>2,758</u>
<b>Record date</b>	<b>Payment date</b>		
5 April 2019	17 April 2019	<b>0.7</b>	<b>1,380</b>
28 June 2019	12 July 2019	<b>0.7</b>	<b>1,381</b>
Dividends payable for the period ended 30 September 2019			<u><b>2,761</b></u>

On 27 September 2019 the Company approved a further quarterly dividend of 0.75 pence per share, totalling £1,479,000, which was paid on 18 October 2018.

**6. Goodwill**

	<b>Goodwill £000</b>
Opening net book value at 1 April 2018 and 1 October 2018	-
Arising on business combination	203
<b>Closing net book value at 31 March 2019 and 30 September 2019</b>	<u><b>203</b></u>

**7. Financial assets at fair value through profit or loss**

	<b>30-Sep-19 (unaudited) £000</b>	<b>31-Mar-19 (audited) £000</b>	<b>30-Sep-18 (unaudited) £000</b>
<b>Non-current</b>			
Royalty investments	61,952	61,990	39,174
Equity investments	1,211	1,177	-
	<u>63,163</u>	<u>63,167</u>	<u>39,174</u>
<b>Current</b>			
Royalty investments	9,106	8,065	5,609
	<u>72,269</u>	<u>71,232</u>	<u>44,783</u>

**DUKE ROYALTY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

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

	<b>Period to 30-Sep-19 (unaudited) £000</b>	<b>Year to 31-Mar-19 (audited) £000</b>	<b>Period to 30-Sep-18 (unaudited) £000</b>
On royalty investments	<b>5,150</b>	5,789	2,615
On equity investments	<b>34</b>	65	-
Total net gains	<b>5,184</b>	<b>5,854</b>	<b>2,615</b>

  

	<b>Period to 30-Sep-19 (unaudited) £000</b>	<b>Year to 31-Mar-19 (audited) £000</b>	<b>Period to 30-Sep-18 (unaudited) £000</b>
Realised	<b>4,396</b>	5,185	1,792
Change in unrealised	<b>788</b>	669	823
Total net gains	<b>5,184</b>	<b>5,854</b>	<b>2,615</b>

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

**Royalty investments**

The Group's royalty investments comprise royalty financing agreements with 12 (30 September 2018: five, 31 March 2019: 12) investees. Under the terms of these agreements the Group advances funds in exchange for annualised royalty distributions. The distributions are adjusted based on the change in the investees' revenues, subject to a floor and a cap. The financing is secured by way of fixed and floating charges over certain of the investees' assets. The investees are provided with buyback options, exercisable at certain stages of the agreements.

**Equity investments**

The Group's equity investments comprise unlisted shares and warrants in four of its royalty investment companies (30 September 2018: one, 31 March 2019: four)

The Group also still holds two (30 September 2018: three, 31 March 2019: two) unlisted investments in mining entities from its previous investment objectives. The Board does not consider there to be any future cash flows from the remaining investments and they are fully written down to nil value.

**8. Loans receivable**

	<b>30-Sep-19 (unaudited) £000</b>	<b>31-Mar-19 (audited) £000</b>	<b>30-Sep-18 (unaudited) £000</b>
Non-current	<b>9,052</b>	8,993	-
Current	<b>2,065</b>	632	-



**DUKE ROYALTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

<b>11,117</b>	9,625	-
---------------	-------	---

The Group's loans receivable comprise secured loans advanced to five entities (2018 – nil) in connection with the Group's royalty investments.

The loans comprise fixed rate loans of £8,760,000 which bear interest at rates of between 5% and 16% and one variable rate loan of £2,357,000 which bears interest at 14.5% over LIBOR. The total interest receivable during the period was £672,000 (period to 30 September 2018 – £nil).

The loans mature as follows:

	<b>30-Sep-19 (unaudited) £000</b>	31-Mar-19 (audited) £000	30-Sep-18 (unaudited) £000
In less than one year	<b>2,065</b>	632	-
In one to two years	-	4,241	-
In two to five years	<b>9,052</b>	4,752	-
	<b>11,117</b>	9,625	-

**9. Deferred tax**

	<b>30-Sep-19 (unaudited) £000</b>	31-Mar-19 (audited) £000	30-Sep-18 (unaudited) £000
<b>Deferred tax (liability)/asset</b>	<b>(680)</b>	<b>(565)</b>	<b>107</b>

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.

**10. Trade and other receivables**

	<b>30-Sep-19 (unaudited) £000</b>	31-Mar-19 (audited) £000	30-Sep-18 (unaudited) £000
Transaction costs reimbursed receivable	-	-	40
Prepayments and accrued income	<b>260</b>	178	58
Pre-royalty investment advances	-	-	614
	<b>260</b>	178	712

**DUKE ROYALTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

**11. Trade and other payables**

	<b>30-Sep-19 (unaudited) £000</b>	31-Mar-19 (audited) £000	30-Sep-18 (unaudited) £000
<b>Current</b>			
Trade payables	5	160	77
Consideration on business acquisition	-	321	-
Transaction costs	63	99	-
Accruals and deferred income	182	136	392
	<u>250</u>	<u>714</u>	<u>469</u>
<b>Non-current</b>			
Transaction costs	480	440	-
	<u>480</u>	<u>440</u>	<u>-</u>

**12. Financial liabilities at fair value through profit or loss**

	<b>30-Sep-19 (unaudited) £000</b>	31-Mar-19 (audited) £000	30-Sep-18 (unaudited) £000
<b>Royalty participation liability</b>			
Current	212	173	187
Non-current	1,172	1,193	1,214
	<u>1,384</u>	<u>1,366</u>	<u>1,401</u>

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

	<b>Period to 30-Sep-19 (unaudited) £000</b>	Year to 31-Mar-19 (audited) £000	Period to 30-Sep-18 (unaudited) £000
Realised	78	161	-
Change in realised	17	17	132
	<u>95</u>	<u>178</u>	<u>132</u>

**13. Borrowings**

	<b>30-Sep-19 (unaudited) £000</b>	31-Mar-19 (audited) £000	30-Sep-18 (unaudited) £000
<b>Secured loan</b>			
Current – accrued interest	257	326	-
Non-current	11,470	11,365	-
	<u>11,727</u>	<u>11,691</u>	<u>-</u>

The secured loan had an interest rate of 9.5% over LIBOR per annum. This rate was lowered to 7.25% over LIBOR per annum following a restructure of the facility, completed on 8 October

**DUKE ROYALTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

2019. The principal amount is repayable on 7 October 2024. The loan is secured by means of a fixed and floating charge over the assets of the Group.

**14. Share capital**

	<b>No. shares</b>	<b>£000</b>
<i>Authorised</i>		
Unlimited number of shares of no par value	-	-
<i>Allotted, called up and fully paid</i>		
At 1 April 2018	96,877,459	60,303
Shares issued for cash during the period	100,000,000	44,000
Share issuance costs	-	(2,385)
Shares issued to Employee Benefit Trust during the period	1,025,000	-
At 30 September 2018	197,902,459	101,918
Shares issued for cash during the period	-	-
Share issuance costs	-	(13)
Shares issued to Employee Benefit Trust during the period	1,665,000	-
Shares issued to directors and key advisers as remuneration	305,000	139
At 31 March 2019	199,872,459	102,044
Shares issued for cash during the period	-	-
Share issuance costs	-	-
Shares issued to Employee Benefit Trust during the period	-	-
<b>At 30 September 2019</b>	<b>199,872,459</b>	<b>102,044</b>

There is a single class of shares. There are no restrictions on the distribution of dividends and the repayment of capital with respect to externally held shares. The shares held by The Duke Royalty Employee Benefit Trust are treated as treasury shares. The rights to dividends and voting rights have been waived in respect of these shares.

**15. Equity-settled share-based payments**

The following table shows the movements in the warrant reserve during the year:

	<b>Warrants £000</b>
At 1 April 2018	125
Issued during the period	140
At 1 September 2018	265
Issue during the period	-
At 1 April 2019 and 30 September 2019	<b>265</b>

No warrants were issued during the period to 30 September 2019.

**DUKE ROYALTY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

---

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

	<b>Share options £000</b>	<b>LTIP £000</b>	<b>Total £000</b>
At 1 April 2018	124	6	130
LTIP awards	-	39	39
At 30 September 2018	<u>124</u>	<u>45</u>	<u>169</u>
LTIP awards	-	152	152
Share options granted	12	-	12
At 31 March 2019	<u>136</u>	<u>197</u>	<u>333</u>
LTIP awards	-	158	158
<b>At 30 September 2019</b>	<b><u>136</u></b>	<b><u>355</u></b>	<b><u>491</u></b>

No options were granted in respect of the Company's equity-settled share-based payment schemes during the period ended 30 September 2019. The charge to the Consolidated Statement of Comprehensive Income for the period ended 30 September 2019 in respect of all equity settled share-based payment schemes was £158,000 (period ended 30 September 2018: £39,000, year ended 31 March 2019: £203,000).

**16. 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

**DUKE ROYALTY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD ENDED 30 SEPTEMBER 2019****17. Related parties****Directors fees**

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

	<b>Period to 30-Sep-19 (unaudited) £000</b>	<b>Year to 31-Mar-19 (audited) £000</b>	<b>Period to 30-Sep-18 (unaudited) £000</b>
Short term remuneration	<b>211</b>	338	105
Share-based payments	<b>144</b>	213	39
	<b>355</b>	551	144

**Other related party transactions**

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

	<b>Period to 30-Sep-19 (unaudited) £000</b>	<b>Year to 31-Mar-19 (audited) £000</b>	<b>Period to 30-Sep-18 (unaudited) £000</b>
Abingdon Capital Corporation	<b>150</b>	248	98
Arlington Group Asset Management Limited	<b>50</b>	62	12
	<b>200</b>	310	110

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.

**Dividends**

The following dividends were paid to related parties

	<b>Period to 30-Sep-19 (unaudited) £000</b>	<b>Year to 31-Mar-19 (audited) £000</b>	<b>Period to 30-Sep-18 (unaudited) £000</b>
Directors <sup>1</sup>	<b>147</b>	270	125

<sup>1</sup> Includes dividends paid to Abinvest Corporation, a wholly owned subsidiary of Abingdon, and Arlington

**18. 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:

	<b>30-Sep-19</b>	31-Mar-19	30-Sep-18
	<b>Level 3</b>	Level 3	Level 3
	<b>(unaudited)</b>	(audited)	(unaudited)
	<b>£000</b>	£000	£000
<b>Financial assets</b>			
Financial assets at fair value through profit or loss			
- Royalty investments	<b>71,058</b>	70,054	44,783
- Equity investments	<b>1,211</b>	1,177	-
	<b>72,269</b>	71,231	44,783
<b>Financial liabilities</b>			
Financial liabilities at fair value through profit or loss			
- Royalty participation instruments	<b>1,384</b>	1,367	1,401
	<b>1,384</b>	1,367	1,401

## DUKE ROYALTY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE PERIOD ENDED 30 SEPTEMBER 2019

The following table presents the changes in level 3 items for the periods ended 30 September 2019, 31 March 2019 and 30 September 2018:

	Financial assets £000	Financial liabilities £000	Total £000
At 1 April 2018	23,569	(917)	22,652
Additions	20,392	(352)	20,040
Royalty income received	(1,792)	-	(1,792)
Net change in fair value	2,615	(132)	2,483
At 30 September 2018	44,784	(1,401)	43,383
Additions	11,108	-	11,108
Business combination	15,494	-	15,494
Royalty income received	(3,305)	-	(3,305)
Royalty participation liabilities paid	-	161	161
Proceeds from exercise of warrants	(88)	-	(88)
Net change in fair value	3,239	(126)	3,113
At 31 March 2019	71,232	(1,366)	69,865
Additions	250	-	250
Royalty income received	(4,397)	-	(4,397)
Royalty participation liabilities paid	-	78	78
Net change in fair value	5,184	(95)	5,089
At 30 September 2019	72,269	(1,384)	70,885

#### **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 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 12.4% to 18.8%.

***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 0.0% to 6.0% and the range of risk-adjusted discount rates is 13.5% to 18.8%.

**19. Events after the financial reporting date**

***Dividends***

On 18 October 2019 the Company paid a quarterly dividend of 0.75 pence per share.

***Issuance of ordinary shares***

On 31 October 2019 the Company issued 39,667,899 new Ordinary Shares at 44 pence each. A total of £16,526,000 was raised, net of issuance costs.

***Follow-on royalty investments***

On 31 October 2019 the Group announced a follow-on investment of £2.0 million into its royalty partner (Lynx UK) Limited.



## DUKE ROYALTY LIMITED

### COMPANY INFORMATION

---

<b>Directors</b>	Nigel Birrell (Chairman) Neil Johnson Charles Cannon Brookes	Justin Cochrane Mark Le Tissier Matthew Wrigley
<b>Secretary and administrator</b>	Trident Trust Company (Guernsey) Limited Trafalgar Court 4 <sup>th</sup> Floor, West Wing, St Peter Port Guernsey, GY1 3RL	
<b>Registered in Guernsey, number</b>	54697	
<b>Website address</b>	<a href="http://www.dukeroyalty.com">www.dukeroyalty.com</a>	
<b>Registered office</b>	Trafalgar Court 4 <sup>th</sup> Floor, West Wing, St Peter Port Guernsey, GY1 2JA	
<b>Independent auditor</b>	BDO Limited Place du Pre Rue de Pre St Peter Port Guernsey, GY1 3LL	
<b>Nominated advisor and broker</b>	Cenkos Securities plc 6-8 Tokenhouse Yard London, EC2R 7AS	
<b>Support service providers</b>	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
<b>Registrar and CREST agent</b>	Computershare Investor Services (Guernsey) Limited 3 <sup>rd</sup> Floor, Natwest House Le Truchot, St Peter Port Guernsey, GY1 2JP	
<b>Advocates to the Company as to Guernsey law</b>	MJ Hudson Hadsley House Lefebvre Street St Peter Port Guernsey, GY1 2JP	
<b>Investment Committee</b>	Neil Johnson John Romeo Jim Webster	Andrew Carragher Justin Cochrane