

# **Duke Royalty Limited**

Interim Report and Unaudited Financial Statements

for the period 1 April 2016 to 30 September 2016



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For the period ended 30 September 2016

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## Company Summary

For the period ended 30 September 2016

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### 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 Company was incorporated on 22 February 2012 and dealings on AIM commenced on 9 July 2012.

### Investment Policy

For the period ended 30 September 2016 the Company's investment 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 Company 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 had 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.

## Chairman's Report

For the period ended 30 September 2016

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Dear Shareholder

During the period under review, the Company reported a loss after taxation of GBP 603,783, which reflected the continued development and progress of the Company's late stage royalty pipeline.

In the Company's full year report released to the market on 25 July 2016, I referenced the fact that the Company was evaluating a number of late stage royalty opportunities and that the Company was considering its options to raise additional capital, either in the form of equity or debt, to execute its investing policy and acquire a portfolio of long term, stable, and diversified royalty streams.

By way of an update, I can confirm that Company is currently in active and advanced negotiations with a variety of potential funders with a view to successfully concluding its targeted initial funding round. Successful conclusion of the negotiations would provide the Company with the financial means and capability to conclude its inaugural royalty transactions. Shareholders should be aware that, subsequent to the sale of the legacy mining investments inherited from the previous management team, the Company has until 30th March 2017 to conclude a transaction in line with its investing policy in accordance with AIM Rule 15 or its ordinary shares may be suspended from trading on AIM. While there is no certainty that the required funds can be raised to implement its investing policy, given the late stage of the funding negotiations the Company remains confident that it will be able to conclude a transaction within this timeframe.

I look forward to being able to update shareholders of positive progress in due course.

**Nigel Birrell**

Chairman

## Directors

For the period ended 30 September 2016

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### Mr. Nigel Birrell (Chairman)

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

Mr. Birrell was until 2013 Group Director on the Executive Board at bwin.party digital entertainment plc, a global on-line gaming business, where he was responsible for all its mergers and acquisitions, business development and 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 which, at the time, created the largest online-gaming business in history. He has also led all its disposals including Ogame's sale to Amaya.

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

Mr. Birrell holds a LLB from the University of London (Queen Mary College) and qualified as a solicitor of the Supreme Court.

### Mr. Neil Johnson

Neil Johnson is an Executive Director and the Company's Chief Executive Officer with responsibility for the overall strategic direction and performance of the Company. 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 20 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 the London office of Canaccord where he held 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 as a sponsor for the London Stock Exchange. He spearheaded the firm's diversification into the technology industry, and led Canaccord's initiative to attract North American firms to list in London.

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

## **Directors (continued)**

For the period ended 30 September 2016

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### **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's liaison with UK institutions/advisors and has oversight of the Company's corporate governance and compliance with AIM Rules.

Mr. Cannon-Brookes has over 15 years investment experience. He is the Investment Director of FCA authorised and regulated Arlington Group Asset Management Limited having jointly acquired the business in October 2004. Through Arlington, Mr. Cannon-Brookes has been active in a variety of different investment management mandates and corporate finance transactions on the London markets. Prior to Arlington he worked for Arlington Group plc, an AIM quoted investment company where he managed its entire public equity portfolio. Mr. Cannon-Brookes has also worked for Jupiter Asset Management, ABN Amro and Barclays de Zoete Wedd. He has extensive fund management experience and has advised and sat on the board of a number of different funds, trusts and other operating public companies.

### **Mr. Jim Ryan**

Jim Ryan is a Non-Executive director of the Company and works with the Executive Directors on deal origination and structuring. He has extensive public company experience and expertise in the gaming and technology sectors. Mr. Ryan is Chairman of the Audit Committee.

Mr. Ryan joined Pala Interactive, LLC in July 2013 as Chief Executive Officer. Prior to joining Pala Interactive, LLC, Mr. Ryan served as a Co-Chief Executive Officer of bwin.party digital entertainment plc from March, 2011 to January, 2013. Prior to the merger of PartyGaming and bwin.party, he served as the Chief Executive Officer of PartyGaming plc from May, 2008 to March, 2011. He has also held executive positions with a number of online gaming companies which include Chief Executive Officer of St. Minver Limited, Chief Executive Officer of Excapsa Software Limited and the Chief Financial Officer of Cryptologic Software Limited. In addition to his role of Chief Executive Officer and director of Pala Interactive, LLC, Mr. Ryan also currently is a director of Gaming Realms plc and Intertain Group Ltd.

Mr. Ryan holds a degree in business from the Goodman School of Business at Brock University and is a Chartered Accountant and a Chartered Professional Accountant (Chartered Professional Accountants of Canada).

### **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.

## Interim Statement of Comprehensive Income

For the period ended 30 September 2016

|   |       | Period ended<br>30 September<br>2016<br><i>Unaudited</i> | Period ended<br>30 September<br>2015<br><i>Unaudited</i> |
|---|-------|--|--|
|   | Notes | £  | £  |
| <b>Income</b>   |       |  |  |
| Net capital loss on financial assets as fair value through profit or loss | 3     | -  | (978,308)  |
| Foreign currency gain   |       | 2  | -  |
| Investment income   | 3     | -  | -  |
| <b>Net investment gain</b>  | 3     | <u>2</u>   | <u>(978,308)</u>   |
| <b>Expenses</b>   |       |  |  |
| Support services fees   | 10    | (188,103)  | (356,708)  |
| Directors' fees   | 10    | (109,000)  | (78,715)   |
| Legal and professional fees   |       | (124,628)  | (55,635)   |
| Consultancy fees  |       | (38,125)   | (52,165)   |
| Restructuring costs   |       | (15,071)   | (42,425)   |
| Other expenses  | 4     | (23,222)   | (37,434)   |
| Administration fees   |       | (28,500)   | (17,722)   |
| Audit fees  |       | (15,500)   | (17,600)   |
| Travel & entertainment  | 10    | (73,700)   | (14,666)   |
| Registrar fees  |       | (5,941)  | (13,434)   |
| Broker fees   |       | -  | (10,894)   |
| Nomad fees  |       | (15,083)   | (10,000)   |
| Foreign currency loss   |       | -  | (3,030)  |
| Investment advisory fees  |       | (38,406)   | -  |
| <b>Total expenses</b>   |       | <u>(675,279)</u>   | <u>(710,428)</u>   |
| <b>Operating loss</b>   |       | <b>(675,277)</b>   | <b>(1,688,736)</b>                                       |
| Finance income  |       | 72,496   | 9  |
| Finance costs   | 8     | (1,002)  | (80,612)   |
| <b>Total comprehensive expense for the period</b>                         |       | <u><b>(603,783)</b></u>                                  | <u><b>(1,769,339)</b></u>                                |
| <b>Basic and diluted deficit per share (pence)</b>                        |       | <u><b>(7.66)</b></u>                                     | <u><b>(30.03)</b></u>                                    |

All activities derive from continuing operations.

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

The notes on pages 6 to 19 form an integral part of these Interim Financial Statements.

## Interim Statement of Changes in Equity

For the period ended 30 September 2016

|   | Notes | Shares<br>Issued<br>£ | Warrants<br>Issued<br>£ | Share<br>Option<br>Reserve<br>£ | Retained<br>Earnings<br>£ | Total<br>Equity<br>£ |
|---|-------|-----------------------|-------------------------|---------------------------------|---------------------------|----------------------|
| At 1 April 2016                               |       | 27,064,815            | 72,454                  | 124,412                         | (25,191,366)              | 2,070,315            |
| Total comprehensive expense<br>for the period |       | -                     | -                       | -                               | (603,783)                 | (603,783)            |
| <b>Transactions with owners</b>               |       |                       |                         |                                 |                           |                      |
| Shares issued                                 | 7     | -                     | -                       | -                               | -                         | -                    |
| Warrants cancelled                            | 7     | -                     | (72,454)                | -                               | -                         | (72,454)             |
| <b>Total transactions with owners</b>         |       | -                     | (72,454)                | -                               | -                         | (72,454)             |
| <b>At 30 September 2016</b>                   |       | <b>27,064,815</b>     | <b>-</b>                | <b>124,412</b>                  | <b>(25,795,149)</b>       | <b>1,394,078</b>     |
| At 1 April 2015                               |       | 24,208,640            | 72,454                  | -                               | (21,144,750)              | 3,136,344            |
| Total comprehensive expense<br>for the year   |       | -                     | -                       | -                               | (1,769,339)               | (1,769,339)          |
| <b>Transactions with owners</b>               |       |                       |                         |                                 |                           |                      |
| Shares issued                                 | 7     | 2,706,175             | -                       | -                               | -                         | 2,706,175            |
| Warrants cancelled                            | 7     | -                     | (72,454)                | -                               | -                         | (72,454)             |
| <b>Total transactions with owners</b>         |       | <b>2,706,175</b>      | <b>(72,454)</b>         | <b>-</b>                        | <b>-</b>                  | <b>2,633,722</b>     |
| <b>At 30 September 2015</b>                   |       | <b>26,914,815</b>     | <b>-</b>                | <b>-</b>                        | <b>(22,914,089)</b>       | <b>4,000,726</b>     |

The notes on pages 6 to 19 form an integral part of these Interim Financial Statements

# Interim Statement of Financial Position

As at 30 September 2016

|   | Notes | 30 September<br>2016<br><i>Unaudited</i><br>£ | 31 March<br>2016<br><i>Audited</i><br>£ |
|---|-------|---|---|
| <b>ASSETS</b>   |       |   |   |
| <b>Non-Current Assets</b>   |       |   |   |
| Investments at fair value through profit or loss                              | 3     | -   | -                                       |
| <b>Total non-current assets</b>   |       | -   | -                                       |
| <b>Current Assets</b>   |       |   |   |
| Trade and other receivables   | 8     | 42,870  | 519,737                                 |
| Cash and cash equivalents   |       | 1,382,211                                     | 1,625,749                               |
| <b>Total current assets</b>   |       | <b>1,425,081</b>                              | <b>2,145,486</b>                        |
| <b>Total Assets</b>   |       | <b>1,425,081</b>                              | <b>2,145,486</b>                        |
| <b>EQUITY AND LIABILITIES</b>   |       |   |   |
| <b>Equity</b>   |       |   |   |
| Shares issued   | 7     | 27,064,815                                    | 27,064,815                              |
| Warrants issued   | 7     | -   | 72,454                                  |
| Share option reserve  | 7     | 124,412                                       | -                                       |
| Retained losses   | 7     | (25,795,149)                                  | (25,191,366)                            |
| <b>Total Equity</b>   |       | <b>1,394,078</b>                              | <b>2,070,315</b>                        |
| <b>Current Liabilities</b>  |       |   |   |
| Trade and other payables  | 9     | 31,003  | 75,171                                  |
| <b>Total current liabilities</b>  |       | <b>31,003</b>                                 | <b>75,171</b>                           |
| <b>Total equity and liabilities</b>   |       | <b>1,425,081</b>                              | <b>2,145,486</b>                        |
| <b>Net asset value per Ordinary Share (excluding shares held in Treasury)</b> |       | <b>0.18</b>                                   | <b>0.27</b>                             |

The Consolidated Financial Statements on pages 6 to 19 were approved and authorised for issue by the Board of Directors on 11 November 2016 and were signed on its behalf by:

**Nigel Birrell**  
Director

**Mark Le Tissier**  
Director

The notes on pages 6 to 17 form an integral part of these Interim Financial Statements.

## Interim Statement of Cash Flows

For the period ended 30 September 2016

|  | Notes | Period ended<br>30 September<br>2016<br>£ | Period ended<br>30 September<br>2015<br>£ |
|--|-------|---|---|
| <b>Cash flows from operating activities</b>                |       |   |   |
| Proceeds from sale of investments                          | 3     | 516,535                                   | 764,326                                   |
| Interest and investment income                             |       | 42  | 9   |
| Operating expenses paid                                    |       | (760,115)                                 | (450,950)                                 |
| <b>Net cash inflow/(outflow) from operating activities</b> |       | <b>(243,538)</b>                          | <b>313,385</b>                            |
| <b>Cash flows from financing activities</b>                |       |   |   |
| Proceeds from issue of shares                              | 7     | -   | 2,256,175                                 |
| Payment of redemption of shares                            | 7     | -   | -   |
| Repayment of loan  |       | -   | (1,500,000)                               |
| Loan facility issue costs                                  |       | -   | (341,199)                                 |
| Escrow payments under loan agreement                       |       | -   | 257,080                                   |
| <b>Net cash inflow from financing activities</b>           |       | <b>-</b>                                  | <b>672,056</b>                            |
| <b>Net change in cash and cash equivalents</b>             |       | <b>(243,538)</b>                          | <b>985,441</b>                            |
| Cash and cash equivalents at beginning of period           |       | 1,625,749                                 | 517,597                                   |
| <b>Cash and cash equivalents at end of period</b>          |       | <b>1,382,211</b>                          | <b>1,503,038</b>                          |

The notes on pages 6 to 19 form an integral part of these Interim Financial Statements.

# Notes to Interim Financial Statements

For the period ended 30 September 2016

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## 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 was incorporated in Guernsey on 22 February 2012 and its shares were admitted to trading on the London Stock Exchange's AIM on 9 July 2012. The Company's registered office is shown on page 18.

Following a change in investment policy in June 2015, the Company's investment objective is to invest in a diversified portfolio of royalty finance and related opportunities.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

The Unaudited Condensed Financial Statements ("Interim Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting. The Interim Statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's Annual Report and Consolidated Financial Statements for the year ended 31 March 2016 (2016 "Annual Report"), which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable Guernsey law.

### b) New and amended standards and interpretations

The same accounting policies, presentation and methods of computation are followed in these Interim Statements as were followed in the preparation of the 2016 Annual Report.

At the date of authorisation of these Interim Statements, the following standards and interpretations, which will become relevant to the Company but have not been applied in these Consolidated Financial Statements, were in issue but not yet effective:

IFRS 9, "Financial Instruments – Classification and Measurement" (for accounting periods currently no sooner than 1 January 2018, though no effective date has been set by the ISAB).

IFRS 7, Financial Instruments Disclosures – Amendments regarding initial application of IFRS 9\* - effective for periods commencing on or after 1 January 2015.

\*still to be endorsed by the EU.

IFRS 15, Revenue from contracts with customers – effective for periods commencing on or after 1 January 2017.

## Notes to Interim Financial Statements (continued)

For the period ended 30 September 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Financial instruments

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

#### **Financial assets**

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics. All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the Company became party to the contractual requirements of the financial assets. The Company has not classified any of its financial assets as Held to Maturity or as Available for Sale. The Company's financial assets comprise receivables and investments held at fair value through profit or loss.

#### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise other receivables and cash and cash equivalents. They are initially recognised at fair value on acquisition, and subsequently carried at amortised cost using the effective interest rate method less provisions for impairment. The effect of discounting on these financial instruments is not considered to be material.

#### *Cash and cash equivalents*

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

#### *Financial assets at fair value*

##### *Classification*

The Company classifies its investments as "financial assets at fair value". These financial assets are designated by the Company at fair value through profit or loss at inception.

##### *Recognition*

Purchases and sales of investments are recognised on the trade date, the date on which the Company commits to purchase or sell the investment.

##### *Measurement*

Financial assets at fair value are initially recognised at cost, being the fair value of consideration given. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value' category are presented in the Statement of Comprehensive Income in the period in which they arise.

## Notes to Interim Financial Statements (continued)

For the period ended 30 September 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Financial instruments (continued)

##### *Fair value estimation*

Marketable (Listed) Securities – where an active market exists for the securities, the value is stated at the bid price on the last trading day in the period. Marketability discounts are not applied unless there is some contractual, governmental or other legally enforceable restriction preventing realisation at the reporting date.

Unlisted Investments – are carried at such fair value as the Directors consider appropriate given the performance of each investee company and after considering the financial position of the entity, latest news and developments.

##### *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).

##### *Derecognition of financial assets*

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

#### **Financial liabilities**

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

All financial liabilities are initially recognised at fair value. All purchases of financial liabilities are recorded on trade date, being the date on which the Company becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Company's financial liabilities approximate to their fair values.

The Company's financial liabilities consist of any financial liability measured at amortised cost.

##### *Financial liabilities measured at amortised cost*

These include loans and borrowings, payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

##### *Derecognition of financial liabilities*

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

## Notes to Interim Financial Statements (continued)

For the period ended 30 September 2016

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Financial instruments (continued)

##### *Capital*

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

The Company considers its capital to comprise its Ordinary Share Capital, Warrants and retained earnings.

##### *Equity instruments*

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

Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, is recognised as a deduction from equity shareholders' funds through the Company's reserves. If such shares are subsequently sold or re-issued to the market, any consideration received, net of any directly attributable incremental transactions costs, is recognised as an increase in equity shareholders' funds through the Share Capital account.

#### d) Income

Interest income is recognised on a time apportioned basis using the effective interest method. Investment income is recognised on an accrual basis in the Consolidated Statement of Comprehensive Income.

#### e) Expenses

Expenses are accounted for on an accrual basis.

#### f) Share based payments

The Company operates an equity settled Share Option Plan for its directors and key advisers. As the shares issued vest immediately the Company recognises the full expense within the Statement of Comprehensive Income with the corresponding amount recognised in a share option reserve.

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

## Notes to Interim Financial Statements (continued)

For the period ended 30 September 2016

### 3. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

For the period ended 30 September 2016 –  
Unaudited

|   | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|-------|
|   | £       | £       | £       | £     |
| Opening Cost  | -       | -       | -       | -     |
| Additions at cost   | -       | -       | -       | -     |
| Disposals proceeds  | -       | -       | -       | -     |
| Net realised loss on disposal of investments  | -       | -       | -       | -     |
| <b>Closing portfolio cost</b>   | -       | -       | -       | -     |
| Net accumulated unrealised loss on investments  | -       | -       | -       | -     |
| <b>Closing valuation</b>  | -       | -       | -       | -     |
| Net unrealised gain on investments  | -       | -       | -       | -     |
| Net realised loss on disposal of investments  | -       | -       | -       | -     |
| <b>Net capital gain on fair value of financial assets designated at fair value through profit or loss</b> | -       | -       | -       | -     |
| Investment income   | -       | -       | -       | -     |
| <b>Total gains on financial assets at fair value through profit or loss</b>                               | -       | -       | -       | -     |

For the year ended 31 March 2016 - Audited

|   | Level 1      | Level 2  | Level 3     | Total        |
|---|--------------|----------|-------------|--------------|
|   | £            | £        | £           | £            |
| Opening Cost  | 17,631,398   | 82,119   | 3,094,348   | 20,807,865   |
| Transfer to level 3   | (1,470,445)  | -        | 1,470,445   | -            |
| Cost change   | 161,355      | -        | -           | 161,335      |
| Disposals proceeds  | (1,599,574)  | (82,119) | -           | -            |
| Net realised loss on disposal of investments  | (14,722,734) | -        | -           | (14,722,734) |
| <b>Closing portfolio cost</b>   | -            | -        | 4,564,793   | 4,564,793    |
| Net accumulated unrealised loss on investments  | -            | -        | (4,564,793) | (4,564,793)  |
| <b>Closing valuation</b>  | -            | -        | -           | -            |
| Net unrealised gain/(loss) on investments   | 13,877,198   | 2,267    | (1,558,771) | 12,320,694   |
| Net realised loss on disposal of investments  | (14,722,734) | -        | -           | (14,722,734) |
| <b>Net capital loss on fair value of financial assets designated at fair value through profit or loss</b> | (845,536)    | 2,267    | (1,558,771) | (2,402,040)  |
| Investment income   | -            | -        | -           | -            |
| <b>Total gain/(losses) on financial assets at fair value through profit or loss</b>                       | (845,536)    | 2,267    | (1,558,771) | (2,402,040)  |

## Notes to Interim Financial Statements (continued)

For the period ended 30 September 2016

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### 3. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

#### Fair Value Hierarchy

Financial assets designated at fair value through profit or loss ("financial assets"), are analysed by using a fair value hierarchy that reflects the significance of inputs. The fair value hierarchy has the following levels:

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).

Valuation techniques used in the determination of fair values, including the key inputs used, are as follows:

| <u>Fair value hierarchy level</u> | <u>Valuation techniques</u>  |
|-----------------------------------|--|
| Level 1                           | Fair value is the quoted price.  |
| Level 2                           | The debenture was valued based on a precedent transaction in the year on the same investment for the same debenture. The fair value was deemed to be the price received of the precedent transaction and accordingly was included within Level 2.  |
| Level 3                           | <p>The fair value of investments in the two unlisted entities is derived by applying a discount rate, as deemed appropriate by the Board, to in one case the latest unaudited NAV and in the other case to the latest traded price prior to suspension.</p> <p>The significant unobservable input used in arriving at the fair value is the discount rate applied by the Board. The discount rate used is the best estimate of the measure of the impact of the illiquid nature of the investments together with the certain issues each investment is facing.</p> |

For financial instruments that are recognised at fair value on a recurring basis, the Board determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The amount of £516,535 represents cash received from unsettled trades relating to the previous accounting period.

During the year to 31 March 2016 there was a transfer from Level 1 to Level 3. The investment was previously listed with quoted prices on an active market. At the year end the investments did not have an active market and were therefore valued by the Board using the Company's valuation policy for unquoted investments. This change caused the Company to reclassify the investments from Level 1 to Level 3. There have been no transfers during the period ended 30 September 2016.

## Notes to Interim Financial Statements (continued)

For the period ended 30 September 2016

### 4. OTHER EXPENSES

|                    | Period ended<br>30 September<br>2016<br>Unaudited<br>£ | Period ended<br>30 September<br>2015<br>Unaudited<br>£ |
|--------------------|--|--|
| Marketing costs    | 6,307  | 19,332   |
| Sundry expenses    | 5,105  | 5,871  |
| Insurance premiums | 5,310  | 5,028  |
| Listing fees       | 6,500  | 4,322  |
| Custodian fees     | -  | 2,881  |
|                    | <u>23,222</u>  | <u>37,434</u>  |

### 5. TAXATION

The Company has been granted exemption from Guernsey taxation and is charged an annual exemption fee of £1,200.

### 6. DIVIDENDS

No dividend was declared or paid in respect of the period ended 30 September 2016 (period ended 30 September 2015: £nil).

### 7. SHARES ISSUED

|  | Number of<br>Warrants | Number of<br>subscription<br>shares | Number of<br>ordinary<br>Shares in<br>issue | £                 |
|--|-----------------------|-------------------------------------|---|-------------------|
| <i>Authorised</i>                          |                       |                                     |   |                   |
| Unlimited number of shares of no par value | -                     | -                                   | -   | -                 |
| <i>Allotted, called up and fully paid:</i> |                       |                                     |   |                   |
| As at 1 April 2016                         | 363,196               | -                                   | 7,877,459                                   | 27,137,269        |
| Warrants cancelled                         | (363,196)             | -                                   | -   | (72,454)          |
| As at 30 September 2016                    | -                     | -                                   | <u>7,877,459</u>                            | <u>27,064,815</u> |

No shares were issued during the period ended 30 September 2016.

The share option scheme was established to incentivise directors, staff and certain key advisers and consultants to deliver long-term value creation for shareholders. Options will be awarded at the sole discretion of the Board of the Company which also agreed not to grant options such that the total number of unexercised options represents more than 10 per cent of the Company's Ordinary Shares in issue from time to time. The Board also expects that the exercise price will be at a premium to the mid-market share price at the date of granting the options. Total number of options awarded to Directors, Consultants and advisors amount to 760,000, further information can be found in note 10. The options vest with immediate effect, have an exercise price of 75 pence and expire five years after the date of issuance.

## Notes to Interim Financial Statements (continued)

For the period ended 30 September 2016

### 8. TRADE AND OTHER RECEIVABLES

|                                | 30 September<br>2016<br>£ | 31 March<br>2016<br>£ |
|--------------------------------|---------------------------|-----------------------|
| Prepayments and accrued income | 42,870                    | 3,202                 |
| Unsettled trades               | -                         | 516,535               |
|                                | <u>42,870</u>             | <u>519,737</u>        |

### 9. TRADE AND OTHER PAYABLES

|                          | 30 September<br>2016<br>£ | 31 March<br>2016<br>£ |
|--------------------------|---------------------------|-----------------------|
| Other creditors          | 13,503                    | -                     |
| Audit fees               | 12,500                    | 25,000                |
| Directors fees           | -                         | 31,171                |
| Investment advisory fees | 5,000                     | 10,000                |
| Administration fees      | -                         | 9,000                 |
|                          | <u>31,003</u>             | <u>75,171</u>         |

### 10. RELATED PARTIES

Directors were entitled to the following remuneration during the period;

|                                     | Charge for<br>period to<br>30/09/2016<br>£ | Charge for<br>period to<br>30/09/2015<br>£ | Outstanding<br>at period end<br>30/09/2016<br>£ | Outstanding<br>at year end<br>31/03/2016<br>£ |
|-------------------------------------|--|--|---|---|
| Neil Johnson                        | 50,000                                     | 30,746                                     | -   | 8,755   |
| Charles Cannon-Brookes              | 35,000                                     | 20,377                                     | -   | 5,833   |
| Nigel Birrell                       | 12,000                                     | 6,921                                      | -   | 6,000   |
| James Ryan                          | 12,000                                     | 6,921                                      | -   | 6,000   |
| Mark Le Tissier                     | -  | -  | -   | -   |
| Robert King – resigned 3 March 2016 | -  | 13,750                                     | -   | 4,583   |
|                                     | <u>109,000</u>                             | <u>78,715</u>                              | <u>-</u>  | <u>31,171</u>                                 |

Total payments of £109,000 regarding Company Directors fees were made during the period to Messrs Johnson, Cannon-Brookes, Birrell and Ryan.

Directors were also reimbursed for £61,347 (30 September 2015: £14,666) for expenses incurred on business on behalf of the Company.

Mark Le Tissier, a Director of Trident Trust (Guernsey) Limited waived his entitlement to a fee for his directorship.

## Notes to Interim Financial Statements (continued)

For the period ended 30 September 2016

### 10. RELATED PARTIES (continued)

The Investment Committee assists the Company in analysing and recommending potential royalty transactions. Along with Neil Johnson the Investment Committee is made up of David Campbell, Andrew Carragher, Andrew Chadwick-Jones, Justin Cochrane, and Jim Webster. During the period £20,000 (30 September 2015: £nil) was paid to the committee members, of which £5,000 was outstanding at the end of the period. Only the two independent members (A Carragher and J Webster) earn a fee for their role on the Investment Committee. Those fees were paid as follows:

|             | Entitlement<br>per annum | Charge for<br>period to<br>30/09/2016<br>£ | Charge<br>for period<br>to<br>30/09/2015<br>£ | Outstanding<br>at year end<br>30/09/2016<br>£ | Outstanding<br>at year end<br>31/03/2016<br>£ |
|-------------|--------------------------|--|---|---|---|
| A Carragher | £20,000                  | 10,000                                     | -   | 5,000   | -   |
| J Webster   | £20,000                  | 10,000                                     | -   | -   | -   |
|             |                          | <u>20,000</u>                              | <u>-</u>                                      | <u>5,000</u>                                  | <u>-</u>                                      |

The related parties' interests in the share capital of the Company are as follows:

| Name  | Holding at<br>30 September<br>2015 | Additional<br>shareholdings<br>in period | Holding at<br>30 September<br>2016 | Percentage<br>of enlarged<br>share capital |
|---|------------------------------------|--|------------------------------------|--|
| Abinvest Corporation                        | 500,000                            | -  | 500,000                            | 6.34%                                      |
| N Johnson                                   | 400,000                            | -  | 400,000                            | 5.08%                                      |
| N Birrell                                   | 400,000                            | -  | 400,000                            | 5.08%                                      |
| J Ryan                                      | 400,000                            | -  | 400,000                            | 5.08%                                      |
| Richard Lockwood                            | 383,550                            | -  | 383,550                            | 4.87%                                      |
| J Cochrane                                  | 315,000                            | -  | 315,000                            | 4.00%                                      |
| Arlington Group Asset Management<br>Limited | 250,000                            | 45,000                                   | 295,000                            | 3.28%                                      |
| Charles Cannon-Brookes                      | 158,517                            | -  | 158,517                            | 2.01%                                      |
| Andrew Carragher                            | 150,000                            | -  | 150,000                            | 1.90%                                      |
| David Campbell                              | 106,000                            | -  | 106,000                            | 1.35%                                      |
| Andrew Chadwick-Jones                       | 106,000                            | -  | 106,000                            | 1.35%                                      |

Charles Cannon-Brookes is a Director and shareholder of Arlington Group Asset Management Limited which owns 295,000 Ordinary Shares and is therefore interested in 453,517 Ordinary Shares representing 5.76 per cent of the total voting rights.

Neil Johnson is a Director of Abinvest Corporation and Abingdon Capital Corporation. Abinvest Corporation is a wholly owned subsidiary of Abingdon Capital Corporation. He owns 500,000 Ordinary Shares through Abinvest Corporation and 10,000 Ordinary Shares through RBK&C Trust and therefore has an overall interest in the Ordinary Shares of the Company of 910,000 Ordinary Shares representing 11.55 per cent of the total voting rights.

## Notes to Interim Financial Statements (continued)

For the period ended 30 September 2016

### 10. RELATED PARTIES (continued)

Justin Cochrane, a current member of the Company's Healthcare Investment Committee, joined Abingdon Capital Corporation ("Abingdon") as Executive Vice President, Corporate Development on a full time basis. On 23 October 2015, the Board approved the issue of 250,000 new Ordinary Shares of 60 pence each in the Company to Mr Cochrane as a signing bonus, further cementing his alignment with shareholders. Mr Cochrane overall interest in the Ordinary Shares of the Company is 315,000 Ordinary Shares representing 4.00 per cent of the total voting rights.

As detailed in note 7 the Company has adopted a new share option scheme ("the Scheme") to incentivise Directors, staff and certain key advisers and consultants to deliver long-term value creation for shareholders. Awards have been approved for the following individuals, as follows:

| Name                     | Position | Number of options awarded |
|--------------------------|----------|---------------------------|
| Nigel Birrell            | Director | 85,000                    |
| Charles Cannon-Brookes   | Director | 85,000                    |
| Neil Johnson             | Director | 85,000                    |
| James Ryan               | Director | 85,000                    |
| Directors total          |          | <u>340,000</u>            |
| Consultants and advisors |          | <u>420,000</u>            |
| Total                    |          | <u><u>760,000</u></u>     |

The options have an exercise price of 75 pence and expire five years after the date of issuance.

Support Service Agreements with Abingdon Capital Corporation ("Abingdon") and Arlington Group Asset Management Limited ("Arlington") 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.

Abingdon is entitled to an annual service fee of £280,000 per annum and Arlington is entitled to an annual service fee of £95,000 per annum. In addition to the Service Fee, Abingdon shall have the right from time to time to be issued and allotted up to 1,500,000 ordinary shares of no par value in the capital of the Company following the conditions noted in section 8 of the Support Service Agreement.

The Directors are not aware of any ultimate controlling party.

### 11. CONTINGENT LIABILITIES

At 30 September 2016 there were no contingent liabilities (2015: £nil).

## Directors, Secretary and Advisers

For the period ended 30 September 2015

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### Directors

Nigel Birrell (*Chairman*)  
Neil Johnson  
Charles Cannon-Brookes  
James Ryan  
Mark Le Tissier

### Support Service Provider

Arlington Group Asset Management Limited  
15 Eldon Street  
London  
SW1Y 5LU

### Support Service Provider

Abingdon Capital Corporation  
85 Richmond Street, Suite 702  
Toronto, Ontario  
Canada  
M5H 2C9

### Secretary and Administrator

Trident Trust (Guernsey) Limited  
Trafalgar Court  
4<sup>th</sup> Floor  
West Wing  
Guernsey  
GY1 2JA

### Auditor to the Company

BDO Limited  
Place du Pre  
Rue de Pre  
St Peter Port  
Guernsey  
GY1 3LL

### Nominated Adviser

Peel Hunt LLP  
Moor House, 120 London Wall  
London  
EC2Y 5ET

### Brokers

Peel Hunt LLP  
Moor House, 120 London Wall  
London  
EC2Y 5ET

Ravenscroft Stockbroking & Investment  
Management  
Market Buildings  
Fountain Street  
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GY1 4JG

### Registered office

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GY1 2JA  
Tel. +44 1481 727571

### Website address

[www.dukeroyalty.com](http://www.dukeroyalty.com)

### Investment Committee

Neil Johnson  
David Campbell  
Andrew Carragher  
Andrew Chadwick-Jones  
Justin Cochrane  
Jim Webster

### Registrar and CREST Agent

Computershare Investor Services (Guernsey)  
Limited  
3<sup>rd</sup> Floor, NatWest house  
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### Advocates to the Company as to Guernsey Law

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