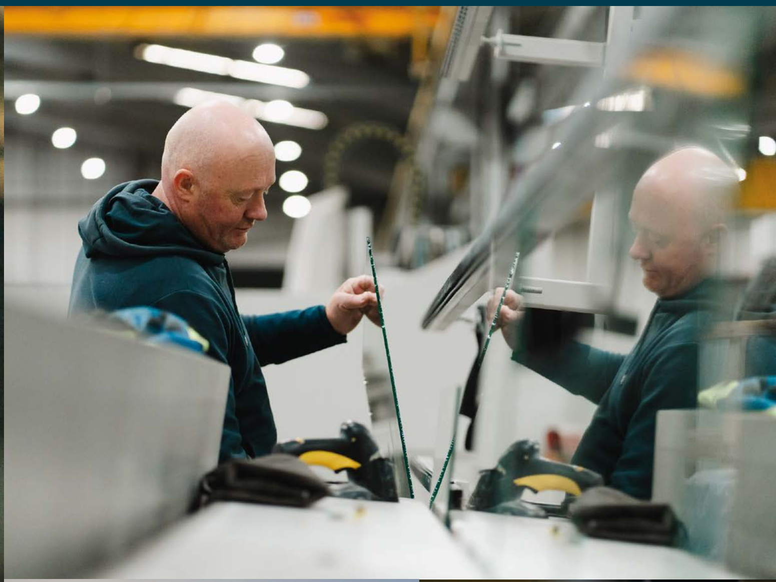
Receive Capital Retain Control

DUKE CAPITAL

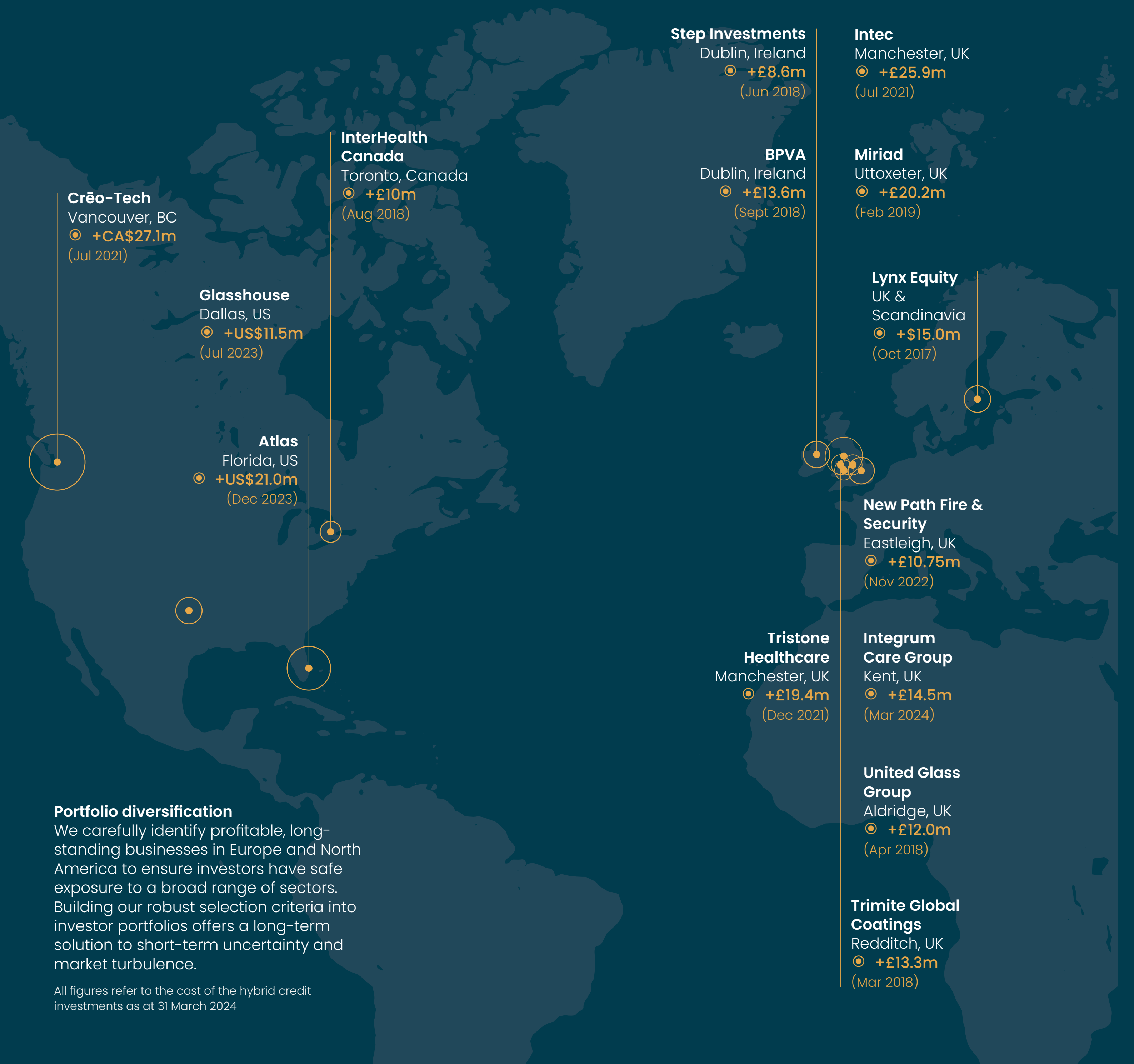
ANNUAL REPORT
& ACCOUNTS 2024



WELCOME

Duke Capital is a leading provider of hybrid capital solutions for SME business owners in the UK, Europe and North America, combining the best features of both equity and debt.

OUR HYBRID CREDIT PORTFOLIO



Portfolio diversification
We carefully identify profitable, long-standing businesses in Europe and North America to ensure investors have safe exposure to a broad range of sectors. Building our robust selection criteria into investor portfolios offers a long-term solution to short-term uncertainty and market turbulence.

All figures refer to the cost of the hybrid credit investments as at 31 March 2024

FINANCIAL HIGHLIGHTS

Record cash revenue[1]

+38%

£30.3m

(2023: £21.9m)

Recurring cash revenue[2]

+12%

£24.3m

(2023: £21.8m)

Free cash flow[3]

+40%

£17.9m

(2023: £12.8m)

Net income

-41%

£11.6m

(2023: 19.6m)

Adjusted earnings[4]

+61%

£20.0m

(2023: £12.5m)

Free cash flow per share

+35%

4.34p

(2023: 3.21p)

Dividend per share

2.80p

(2023: 2.80p)

1 Cash revenue refers to monthly distributions from capital partners, exit premiums and cash gains from the sale of equity investments

2 Recurring cash revenue excludes exit premiums and cash gains from the sale of equity investments

3 Free cash flow is defined as net cash inflows from operations plus cash gains from the sale of equity investments less net transaction costs and interest paid on borrowings

4 Adjusted earnings excludes fair value movements, share-based payments and net transaction costs

OPERATIONAL HIGHLIGHTS

Deployed over

£23.5m

of capital, into two new capital partners

Follow-on investments

£18.5m

of follow-on investments made into existing capital partners

Three exits

£23m

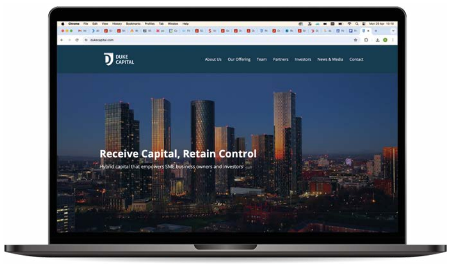
cash returned over the year

Repositioning

February

Strategic repositioning completed in February 2024

OVERVIEW



Visit our website at:
www.dukecapital.com

AT A GLANCE

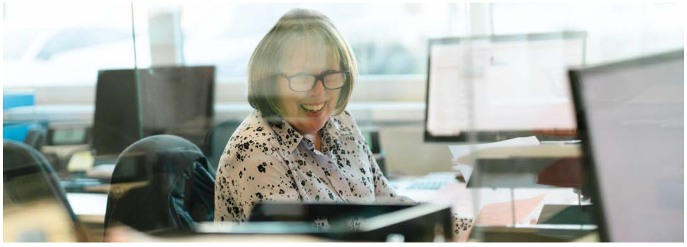
Evolving our positioning and becoming Duke Capital

We undertook a strategic review during the year, focused on ensuring that our unique offering is clearly communicated to business owners and stakeholders in a way which makes the features of our product more easily relatable versus other financing options. This will give us a greater opportunity to engage with more business owners who are used to thinking either 'debt' or 'equity'.

WHO WE ARE AND WHAT WE DO

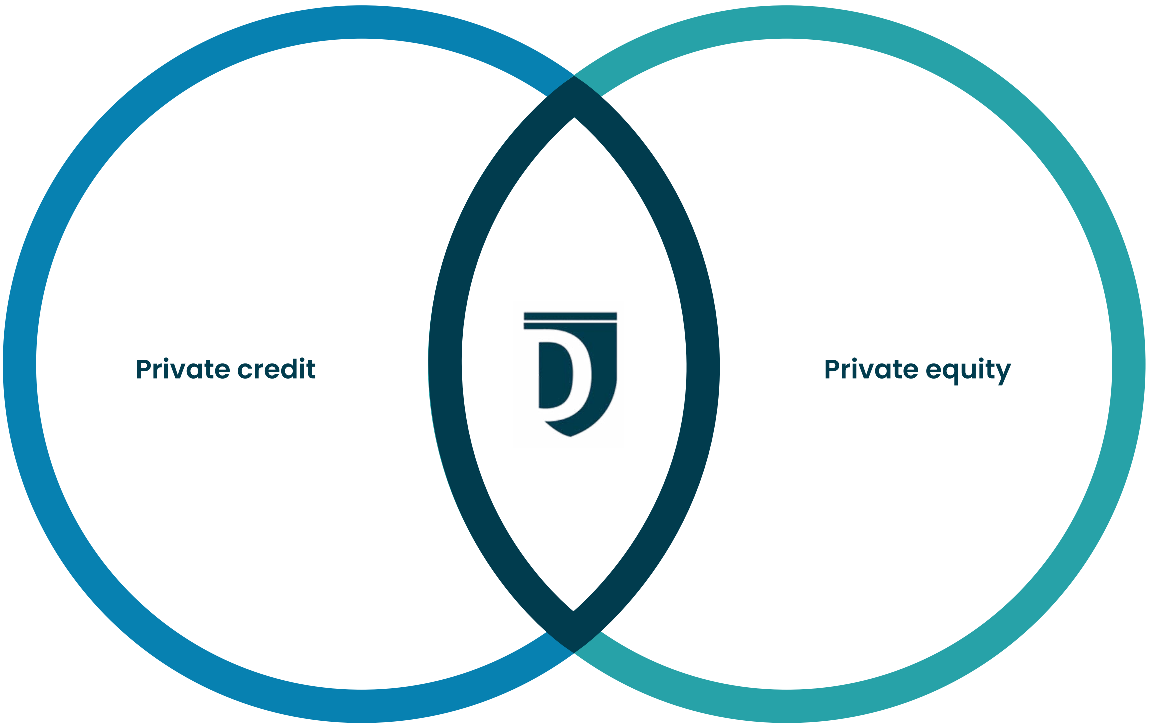
We are providers of hybrid capital that empowers SME business owners and investors alike.

As long-term strategic partners, we offer bespoke and flexible funding to help SMEs achieve their growth potential through non-control transactions, whilst generating attractive risk-adjusted returns for shareholders and investors.



BRINGING THE BEST OF BOTH WORLDS

Our hybrid capital product combines the best of both private equity and credit, without burdening businesses with the loss of control or refinancing risk of either. Despite the name change, our core product, investing policy and investment criteria are not changing, and we will continue to provide business owners with our unique 'corporate mortgage' debt product with equity-like attributes which align our success with the success of the business.



Ownership preservation

Control over any refinancing

A passive, long-term funding partner

Alignment of interests

Read more about our performance on **page 15**

PRIVATE CAPITAL MARKET DYNAMICS – THE RISE OF PRIVATE CREDIT

The global private credit market is a large, rapidly growing and evolving segment of the financial sector, which includes direct lending, mezzanine, high-yield debt and other alternative products. Direct lending products such as ours have become more widely accepted in the SME sector in the last decade.

2023 market size

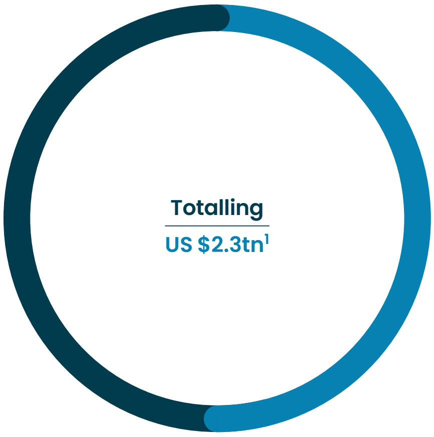
Direct lending

42%

Other private credit

58%

2027 market size



Direct lending

50%

Other private credit

50%

1 Blackrock: The Growth of Direct Lending, An investor Q&A

WHAT THIS MEANS FOR INVESTORS

The future of SME capital

Our innovative 'corporate mortgage' presents shareholders with a compelling way to invest in resilient and profitable privately-owned businesses, whilst protecting their principal.

Enhanced risk-return profile

We have a robust track record of delivering attractive risk-adjusted returns across market cycles and achieving above-average returns on exits. Recognising our investors' desire for capital preservation, we provide both income and capital gains with downside protection, allowing investors to reap the benefits of any outsized returns.

Led by an experienced team

Our management team and Investment Committee have more than 100 years of investing experience and include deal originators with deep relationships in the lower mid-market investment community.

Incentivised to succeed

Our minority interests in our partners' enterprise value ensure that we are committed to seeking the best possible outcome for the Company's long-term success.

BUSINESS MODEL & STRATEGY

OUR OFFERING

We offer an evergreen capital solution that is ideally suited to fund MBOs and buy-and-build strategies.

Our unique hybrid solution allows business owners to receive capital but retain control. We define hybrid capital as a financing solution that blends features of private equity and private credit products and is more flexible than traditional debt or equity alone.

STRATEGY POINTS

Amortisation

Light

over 30 years

Monthly payments

Fixed rate

from Company cash flow

Senior

Secured

Repayment

No bullet

Rigorous investment process

Our Investment Committee is made up of highly experienced investment and private credit professionals.

Each potential partner is assessed by the Committee, which is independent of Duke's senior management, against our investment criteria and our Responsible Investment (ESG) Policy.

Leading due diligence partners

Duke Capital works with world-class commercial, financial and legal due diligence partners to ensure the highest standards of due diligence are adhered to in the investment process.

Our core values

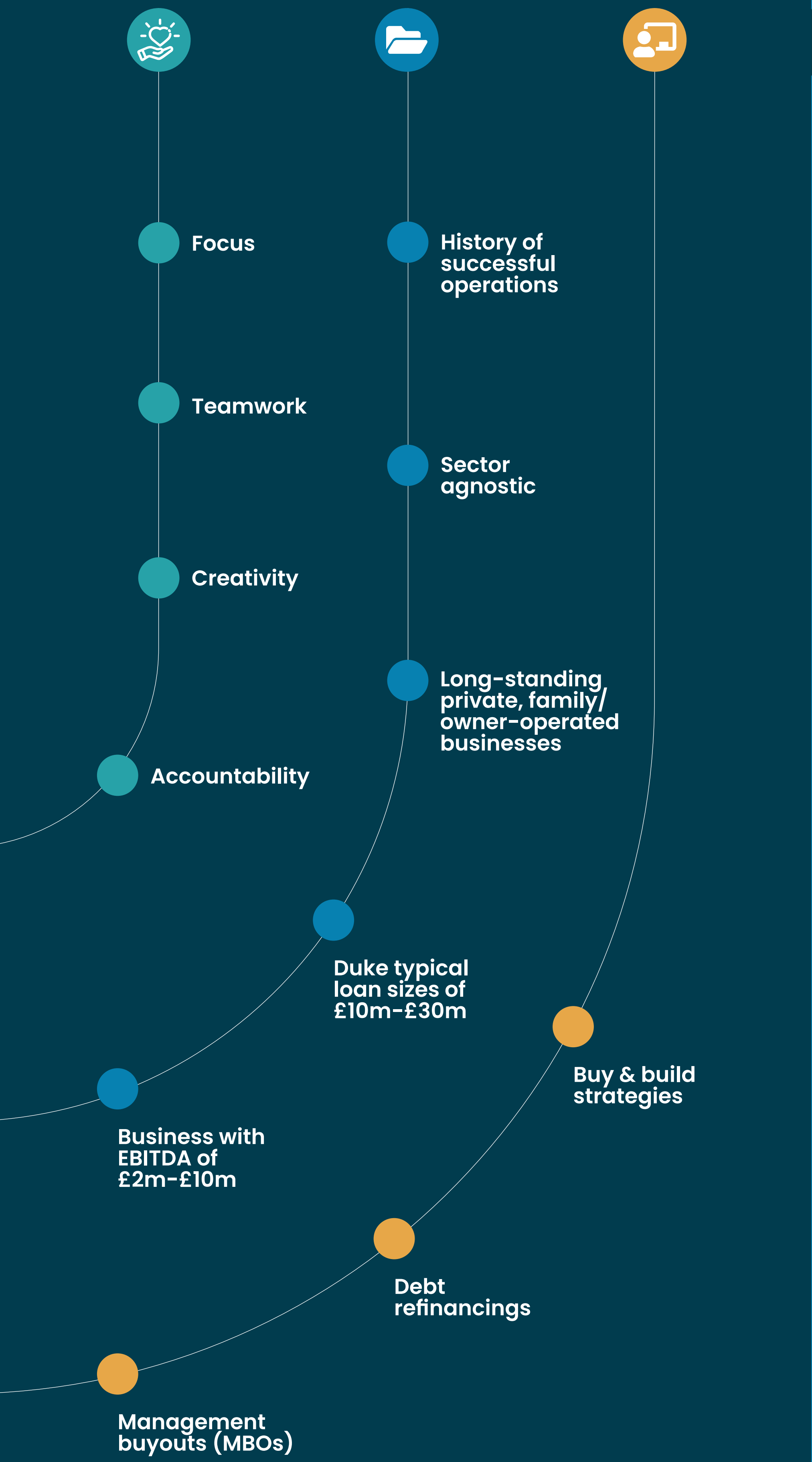
Transparency

Investment criteria

Management desire to continue with business

Use of proceeds

Shareholder restructuring



OUR OUTCOMES

Eliminating refinancing risk

Our long-dated, low-amortising debt offering empowers business owners to get off the refinancing treadmill, and should an owner choose to exit, they can trigger the timing of this sale on their own terms.

Innovative direct lender to the lower mid-market

Our bespoke approach is ideally positioned for the unique needs of an underserved segment of the SME market.

Strong partnerships

Our highly experienced team works closely and transparently with business owners to deliver a capital solution tailored to the organic growth incentives of each business.

CAPITAL PARTNERS

A timeline of our investments

Duke has deep and proven experience of investing across a range of sectors, geographies and transaction types. The table below showcases the sectors and transaction types of our current capital partners.

HYBRID RETURNS

Total capital invested

£257,000

Total cash returned

£98,000

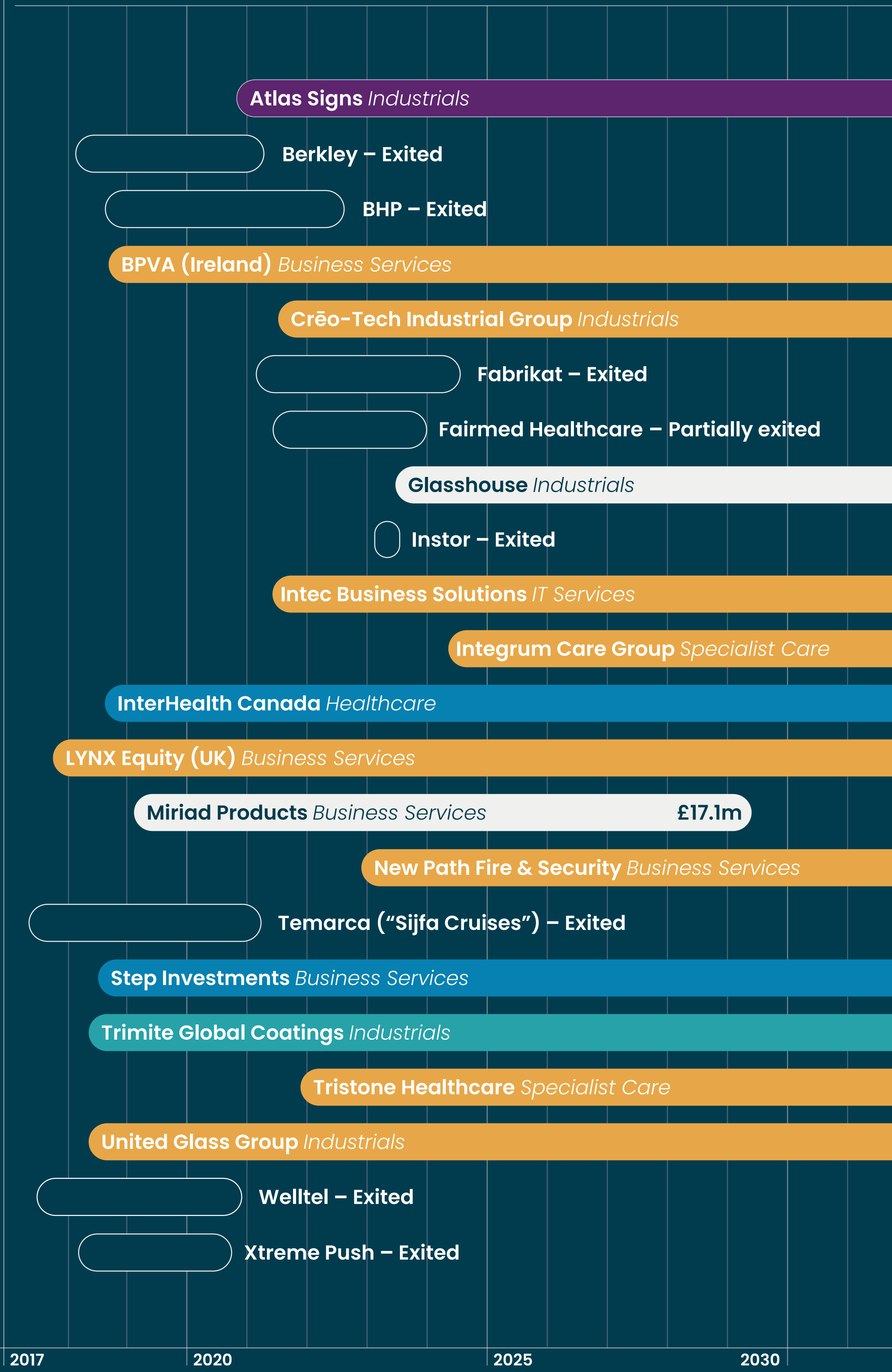
Current capital invested (£'000)

£214,000

Current portfolio fair value (£'000)

£232,000

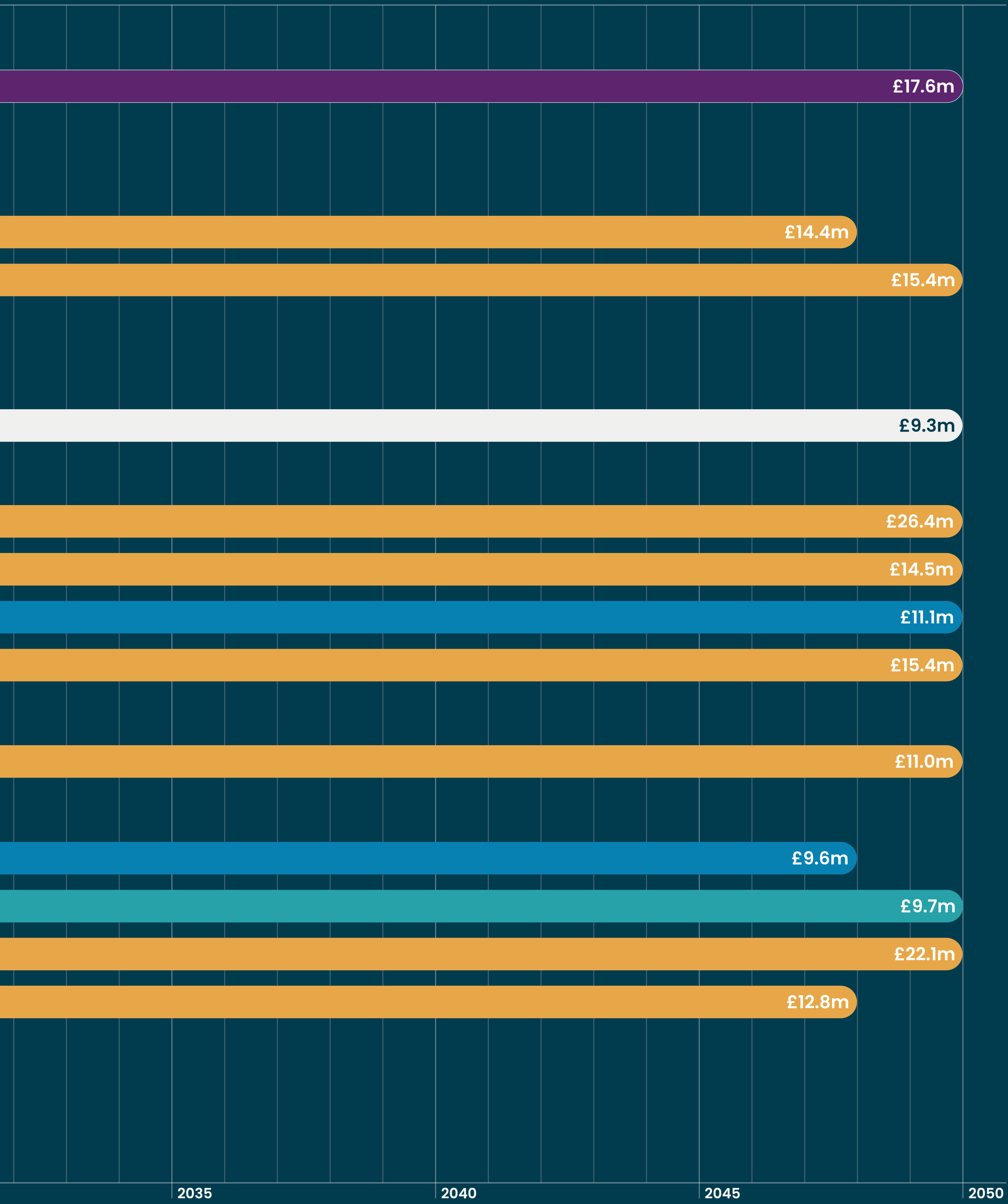
WHO WE WORK WITH



Use of capital

- Buy & build
- Debt refinancing
- Equity buyout
- Growth capital
- MBO/MBI
- Exited
- £m Total amount invested (to date)

All figures refer the fair value of the hybrid credit investments as at 31 March 2024


£17.6m
£14.4m
£15.4m
£9.3m
£26.4m
£14.5m
£11.1m
£15.4m
£11.0m
£9.6m
£9.7m
£22.1m
£12.8m
2035
2040
2045
2050

CASE STUDY

INVESTMENT STORY

Exit investment with Fabrikat

"Duke's funding was important to us, not only to buy the business but also to retain a majority shareholding within the business. We were looking for an opportunity to take the next step and go through the MBO process. However, we also had to ensure that our vision was shared by whoever was wanting to invest in us as a team. With this in mind, we went through quite a detailed process, pitching our plan to around 15 investment companies. Having reviewed all the offers, only one stood out and it was by a long way and that was Duke's offer.

Paul Allen, CFO and owner, Fabrikat

Duke's capital was used for a management buyout, which kept majority control of equity, board and future strategy in the hands of the existing management.

Original cash invested (£'000)

£6,200

Investment period

36 months

Delivered an internal rate of return of

36%

with further potential gains

CHAIRMAN'S STATEMENT

Driving change and creating value

With a solid portfolio of opportunities and strengthened liquidity from recent buyouts, we are poised to seize new growth opportunities.

The financial year to 31 March 2024 ("FY24") has been a busy year for Duke and we are very pleased with the strategic progress achieved during the period.

In my statement this time last year, I highlighted that, due to the macroeconomic trends we were observing, we expected to achieve a higher deployment rate in FY24, enabling us to consistently grow and deliver new records in terms of cash revenue and operating cash flow.

I am pleased to report that this has indeed been the case, demonstrating that while the macroeconomic environment has continued to present challenges, the nature of our long-term patient capital has enabled us to continue delivering for our investors and capital partners alike.

Our investors have continued to benefit from our high dividend yield and upside from the high-IRR buyouts achieved during the period, which have returned over £23 million of cash to the Company. In conjunction, our SME partners have been able to enjoy certainty in turbulent markets, and to focus on running their business without the worry of refinancing.

In addition, we firmly believe that the difficult market conditions have ultimately strengthened the market opportunity available to direct lenders such as Duke. This environment makes our long-dated, low-amortising debt products more attractive than ever before.

In fact, the appeal of our offering has continued to increase since our IPO in 2017 with the banks continuing to pull cash flow lending from the lower mid-market. This has prompted the increasingly underserved SME business community to look elsewhere for growth capital. Consequently, the private credit market, particularly direct lending, had to evolve and expand significantly for capital solutions such as Duke's unique product offering to become more widely accepted in the SME sector.

In light of the rapid evolution of our sector, our conversations with business owners highlighted that the term 'royalty' was no longer helpful given that over the past seven years traditional royalty companies in the mining, music and pharmaceutical sectors have proliferated.

As such, we took the decision to undertake a strategic review of our positioning in the marketplace during the period, aimed at ensuring that our unique offering is communicated to business owners and stakeholders in a way which provides greater clarity and improves comparison when evaluating a broad array of financing options.

This process led to our decision to rename our business Duke Capital and to reframe our direct lending offering as 'hybrid capital', reflecting the fact that our financing solution blends features of private equity and private credit products, and is more flexible than traditional debt or equity alone.

While our core product and investing policy and investment criteria remain the same, making the features of our product more easily relatable versus other financing options gives us a bigger opportunity to engage with more business owners who are used to thinking in either 'debt' or 'equity'. So far, it is very pleasing to be able to report that the universal reaction to the rebranding has been very positive.

Outlook

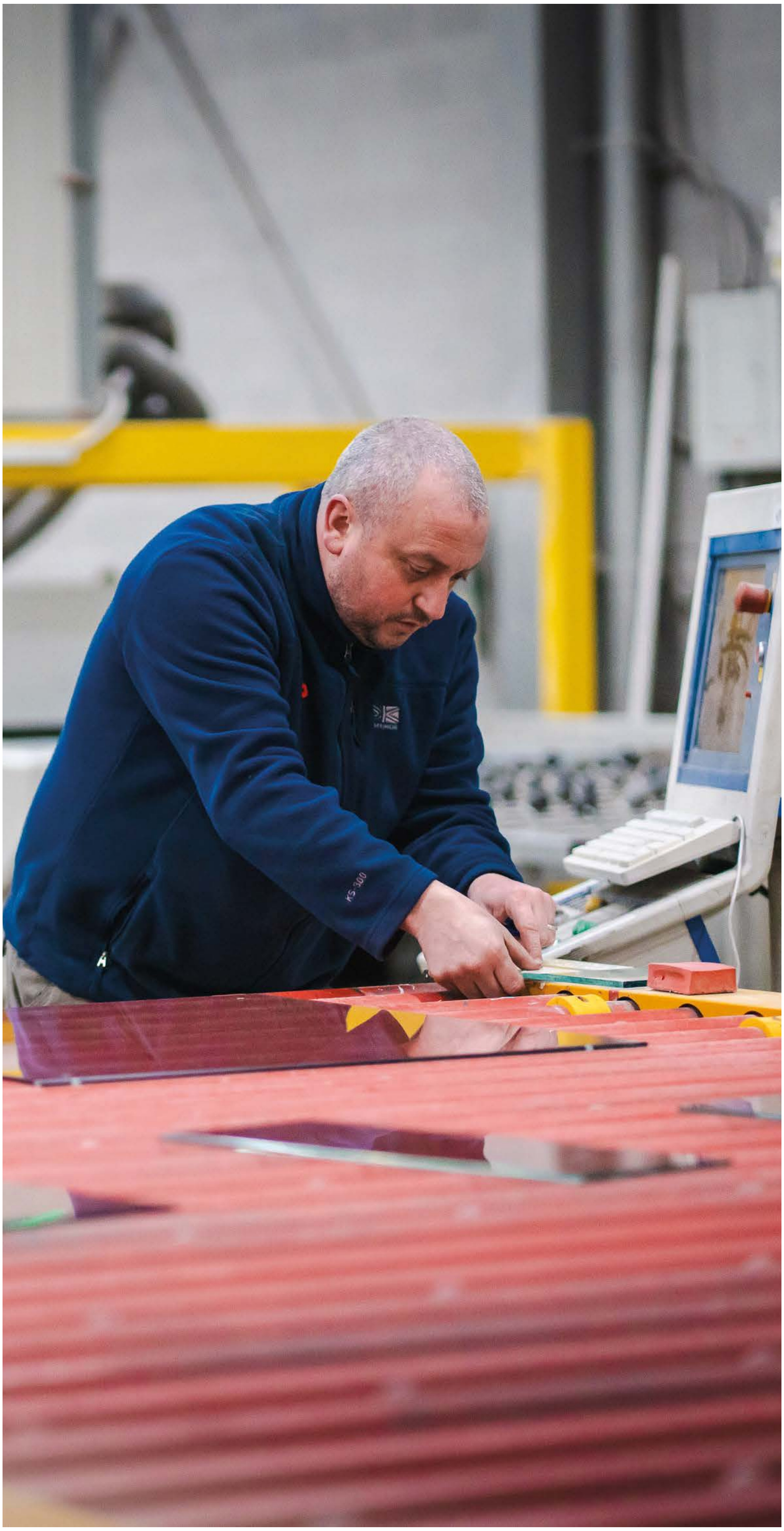
With a solid portfolio of opportunities and strengthened liquidity from recent buyouts, we are poised to seize new growth opportunities. Coupled with a clear message for the SME community, we are confident that we are in an ideal position to capitalise on a highly attractive market opportunity and as such, have enlarged our investment team with three new hires during the period.

This confidence will be boosted further when the economic backdrop improves and interest rates finally decrease, given the positive impact this will have on our bottom line as a result of lower interest costs on our Fairfax credit facility. An improved interest rate environment will also make Duke's strong dividend yield relatively more attractive compared to what is available to investors in the market and should boost the demand picture in the UK economy further.

I would like to take this opportunity to thank shareholders for their support during the period and look forward to keeping them updated during the months ahead.

Nigel Birrell
Chairman

26 June 2024



A VALUE-LED CULTURE

ESG principles are in line with our core values. Our core values provide the foundations to this approach and are integral to the implementation of our Responsible Investment Policy:

Transparency

We treat our partners and stakeholders with honesty, integrity, fairness and respect, contributing to the strength and longevity of our relationships. This extends to the transparency of our governance and investment process.

Accountability

We are accountable to each other, our stakeholders, our portfolio companies and the communities where we do business. We aim to be responsible investors and a good corporate citizen.

Creativity

We believe change is the only way forward and seek out different perspectives to meet business challenges and situations. Ours is a flexible financial solution designed to meet the evolving needs of small to mid-sized business owners.

Teamwork

We collaborate and support each other and our partners, as we recognise the value of diversity of thought in problem solving and innovation, and support diversity within our team.

Focus

We have a focused approach to investing. We aim to interact with all our portfolio companies in a focused and efficient manner, keeping things as simple as possible.

CHIEF EXECUTIVE OFFICER'S REVIEW

A strong, long-term platform for growth

Since listing in 2017, we have established a track record of delivering attractive risk-adjusted returns across market cycles and achieving above-average returns on exits.

During FY24, the Company has been focused on what we can control, while the macro-economic headwinds continue and fiscal policies are given time to produce the desired effects.

Therefore, we have redoubled our efforts on our capital partners' performance, maintained high standards for new partners, and reviewed Duke's competitive landscape and positioning in our market. I am pleased to say that FY24 has been rewarding, in both the Company's strategic progression and the team's delivery.

In contrast to FY23, where we exercised caution in our approach to new deployments in light of rapidly changing macroeconomic conditions, FY24 presented opportunities to deploy capital with favourable returns. Combined with three investment exits during the year, this led to record highs across a number of the Company's core KPIs.

We have been at the forefront of the UK direct lending movement for seven years now and, during this time, BlackRock estimates that direct lending globally has increased over six-fold to US$650 billion, making it the largest segment of the private credit market. As such, it has been fantastic to witness how the levels of understanding and acceptance of private credit from the SME community have increased since our IPO, providing us with a stronger opportunity than ever.

At the same time, as with any rapidly expanding market opportunity, the terminology and sub-sectors have evolved just as fast.

A strategic evolution of our message

In response to this, we took the decision to undertake a strategic review of our positioning in the market. This confirmed that Duke's core product has a strong and attractive market differentiation due to its long duration and low amortisation qualities, while our growing pipeline confirmed that these were credentials which resonate with business owners.

Our first realisation is that many competitors use SME to describe a wide range of company sizes, from start-ups to quite sizeable businesses. However, we have always focused on companies with positive EBITDA between £2 and £10 million. While they are SME businesses, they are also more specifically defined as the lower mid-market in the private capital world.

We have always preferred to partner with people who both owned and operated their businesses, as opposed to working with 'sponsors' or private equity owners. This focus has the benefits of having less competition to win deals, and having greater confidence in evaluating the partner's performance. Since our focus remains on having constructive engagement with management teams and receiving timely financial information from each of our capital partners, we would rather have a partnership with the people who go to work and create the profits every day.

On bringing together the insights that our team had gathered through their hundreds of conversations with business owners over the years, we decided that moving away from describing ourselves as a royalty business would ensure that we had a bigger opportunity to engage with more business owners who are used to thinking in either 'debt' or 'equity'. It was also evident to us that business owners were increasingly savvy about non-bank alternatives, which allowed us to simplify and clarify our solution for them. Having the term 'private credit' enter the mainstream ensured that our new positioning would be well received.

Therefore, as Nigel outlines, we have reframed our product as 'hybrid capital', which we define as a financing solution that blends the best features of private equity and private credit and is more flexible than traditional debt or equity alone. It was pleasing to involve the entire team with this messaging process, building in their feedback and the feedback of our combined network to unveil Duke Capital. The outcome of this process has emboldened the team's conversations, equipping them with a refined, pertinent message, and a new website which speaks directly to business owners and is aligned with the way they think about capital.

While our core product, investing policy and investment criteria are not changing – we still invest in long-standing, profitable, private businesses, providing an evergreen capital solution that is ideally suited to fund MBOs and buy-and-build strategies – a name change to Duke Capital made total sense. With these developments now delivered, we are confident that we can more easily convey the attributes of our financing solution to business owners and investors and build on our momentum.

At the same time, we also announced our decision to create additional flexibility to take equity ownership in our partners over 30% if and when situations necessitate or there is clear rationale to do so for our shareholders. While our investment approach remains the same – unlike private equity, we are not looking to take control of the business or force an exit – this will benefit investors by enabling Duke in certain circumstances to continue longer with our best-performing partners and ensure our capital growth is maximised. Our capital partners will continue to benefit from our unique 'corporate mortgage' debt product with equity-like attributes which align our success with the success of the business.

We have already taken advantage of this change, announcing in March 2024 that we had increased our equity stake in existing capital partner United Glass Group ("UGG") from 30.0% to 73.8%. This was facilitated through a £2.9 million secondary share purchase from existing shareholders and aligns with our vision to deepen our engagement with our high-performing portfolio companies. Indeed, we have been invested in UGG since 2018 and during this time the management team has proven itself to be a highly successful partner, driving solid growth in the business despite an array of macro-economic challenges along the way. Their long-standing track record and strong potential for future growth meant that it made perfect sense to increase our equity stake in the business.

Building on our track record of delivering above-average returns from exits

The past 12 months have seen us deliver three successful and profitable exits, bringing the total number of exits delivered since inception to eight. Our model allows investors to reap the benefits of any outsized returns and with each of them delivering above average IRRs, we are delighted with this result.

These exits also provided us with £23 million of additional liquidity for future deployment, as well as excellent case studies as to how our capital can empower business owners to grow their business without refinancing risk while retaining control of any refinancing timing.

In particular, Fabrikat is a real success story for Duke and a great example of how our capital is a perfect fit for individuals seeking to execute an MBO. Our capital allowed long-standing employees to step up into large equity ownership positions within a strong business.

INVESTMENT CASE

1.
Bringing the best of both worlds

2.
Enhanced risk-return profile

3.
Unique exposure to private markets

4.
Portfolio diversification

5.
Incentivised to succeed

6.
Experienced team

Read more about our investment case on our website: **www.dukecapital.com/investors**

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Building on our track record of delivering above-average returns from exits continued

With Duke's capital, the vendors were satisfied there was a fair price for the business, but more importantly they could leave the business in the hands of the next tier management. Now empowered, the employees-turned-majority owners delivered three years of exceptional financial results, and garnered attention from larger industry players. Now as majority owners, with Duke as a minority owner and board member, they sought our counsel with the negotiations, and a sale was consummated in March 2024, creating value for all stakeholders.

Executing on our robust pipeline

Over the 12 months under review, we secured two new partners and delivered four follow-on investments into existing capital partners, deploying £46 million in total and diversifying our revenue base. The first new capital partner is Glasshouse Products, LLC ("Glasshouse"), which was founded in 2002 and provides custom glass solutions, and the US$11.5 million in financing we provided has facilitated a management buyout. Notably, we backed the founder's son to buy back the business from a conglomerate who deemed it 'non-core', restoring the firm literally and figuratively to a family business. This perfectly illustrates the types of situation that we seek, and which would not fit banks and other large credit institutions' strict and rigid criteria.

In March, we also entered into a £14.5 million financing agreement (announced 2 April) with a newly formed entity to enable them to acquire Integrum Care - Clearbrook Limited trading as Integrum Care Group ("Integrum"). Integrum operates six elderly nursing care homes in Kent and East Sussex. At the same time, we became a 49% equity shareholder in the business, building strong alignment.

Because our capital is regularly used to deliver buy & build strategies for our partners, as at 31 March 2024, we had exposure to 71 underlying companies, owned by our 15 capital partners, across Europe and North America. In total, our current capital invested amounts to £214 million across 16 companies. The diversification of our portfolio reduces risk and aligns with our three core investment pillars: capital preservation, attractive dividend yield, and to provide upside upon exits. Ultimately, we ensure that our shareholders have safe exposure to a broad range of sectors through our investments in profitable, long-standing businesses. In doing so, our innovative 'corporate mortgage' offers unique exposure to private markets, providing exposure to resilient and profitable privately-owned businesses, while providing enhanced downside protection on our shareholders' principal.

Expanding our team and our origination reach

Our management team and Investment Committee have more than 100 years of investing experience and include deal originators with deep relationships in the lower mid-market investment community. During the period, we were pleased to welcome three new members of our investment team to support in delivering new investments. This was in light of the growth of the business, as well as the rapidly expanding market opportunity we continue to observe. The additional support is also paramount given that we have increased our geographic spread over recent years. We now have good origination in three G7 countries, the UK, Canada and the United States, and are therefore not bound by UK deals alone.

Finance review

Cash flow

The financial results for FY24 represent a strong operating performance and I am pleased to report that the Company's total cash revenue, being cash distributions from our capital partners, cash gains from the sale of equity investments and exit premiums, grew to a record £30.3 million during the financial year under review, a 38% increase over the £21.9 million generated in FY23.

The performance benefitted from three exits during the year (Instor, Fabrikat and Fairmed). However, the Company's recurring cash revenue, which relates to the annuity-like monthly cash revenue streams that Duke receives from its capital partners, also grew to £24.3 million in FY24, up from the £21.8 million in FY23.

Free cash flow, which management defines as its core KPI, also saw strong growth during FY24, increasing to £17.9 million, up from £12.8 million in FY23, a 40% increase. Free cash flow per share rose 34% from 3.21 pence per share to 4.34 pence per share. These material uplifts demonstrate the benefits to Duke when there are investment exits. While the Company's recurring free cash flow ensures the quarterly dividend is covered, the exit premiums and equity proceeds provide additional cash to reinvest back into the portfolio.

Income statement

Total income, which includes non-cash fair value movements on the Company's investment portfolio, fell to £25.6 million from £31.0 million in FY23, while profit after tax dropped to £11.6 million from £19.6 million in FY23. However, both FY24 and FY23 figures were impacted by material fair value movements with FY24 experiencing a £6.6 million fair value loss across the investment portfolio versus a £9.1 million gain in FY23. The table below seeks to present a truer reflection of the underlying performance of the business by stripping out these non-cash movements, as well as other non-core elements, to provide an adjusted earnings figure which represents a truer reflection of the underlying performance of the business.

Adjusted earnings of £20.0 million on FY24 represents a 61% increase over FY23, while adjusted earnings per share climbed from 3.13 pence per share in FY23 to 4.85 pence per share in FY24.

Income statement	**2024 £'000**	2023 £'000
Total reported comprehensive income for the year	**11,608**	19,592
Unrealised fair value losses/(gains)	**6,584**	(9,111)
Expected credit (gains)/losses	**(14)**	20
Share-based payments	**938**	969
Net transaction costs	**1,120**	686
Tax effect of the adjustments above	**(494)**	306
Adjusted earnings	**20,012**	12,463

Balance sheet

Liquidity in the business remained strong with cash on the balance sheet standing at £2.9 million at 31 March 2024. With £27 million remaining undrawn on Duke's facility with Fairfax, the Company had £30 million of available liquidity at financial year end.

The total value of the investment portfolio continued to grow in FY24, with fair value reaching £232 million, split across hybrid credit, term credit and equity investments.

Dividend

Duke maintained a 0.70 pence quarterly dividend throughout FY24, equating to an annualised dividend of 2.80 pence, in line with FY23. With free cash flow per share of 4.34 pence per share, the dividend remains well covered.

Balance sheet	31-Mar-21 £'000	31-Mar-22 £'000	31-Mar-23 £'000	31-Mar-24 £'000
Hybrid credit	85,3001	160,479	191,334	210,948
Term credit	4,949	4,172	4,652	5,382
Equity	3,495	10,820	13,529	15,904
Investment portfolio fair value	**93,745**	**175,471**	**209,514**	**232,243**

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Outlook – careful delivery on an exciting opportunity

Since listing in 2017, we have established a track record of delivering attractive risk-adjusted returns across market cycles and achieving above-average returns on exits. We have achieved this through careful selection of investment opportunities, partnering only with long-standing, profitable businesses which have demonstrated resilience in difficult markets.

This mantra remains true, and while we continue to apply an extra dose of caution as the macroeconomic headwinds continue to prevail, we are balancing this with ensuring we are on the front foot to execute on the increased number of prospective deals available to us in this higher interest rate environment.

Our ability to execute new deals is strengthened by our liquidity position, strengthened team, unique investment product and geographic reach. We have invested in new digital technologies to accelerate our operations and to assist with international deal origination.

While we navigate some of the hardest times in the UK small cap public markets for decades, our business prospects remain solid and we start FY25 with renewed optimism around Duke's position in the private capital marketplace with our unique hybrid capital product. The public markets are cyclical, and we believe that London remains a world class financial market. These factors contribute to our continued belief that over the market cycle our business model is attractive to public investors, both retail and institutional.

I would like to round off by thanking the team, our advisers, capital partners and our shareholders for their support during the period, and for their positive feedback to our strategic review. It has been highly rewarding to reflect closely on how we can leverage our business to have a positive impact on all of these stakeholders and we look forward to building on our track record during FY25.

Neil Johnson
Chief Executive Officer

26 June 2024


P1

BOARD OF DIRECTORS

An experienced Board

QCA CODE

The Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and as such the Company is committed to complying with the corporate governance obligations appropriate to the Company's size and nature of business.

As such, the Board has adopted the Quoted Companies Alliance Corporate Governance Code (the "Code"). The Company's compliance statement in respect of the Code can be found at: **www.dukecapital.com/investors-info/#governance**

MR. NIGEL BIRRELL

Chairman
Non-Executive Director

Nigel Birrell is a Non-Executive Director and Chairman of the Company and works with the Executive Directors on deal origination and overall strategy. He has extensive public company experience and expertise in the gaming, media, banking and insurance sectors.

Mr. Birrell has been the group CEO of Lottoland since 2014. Lottoland is the world's leading online lotto provider, headquartered in Gibraltar, regulated in multiple territories with a workforce of 500 people in 11 countries and with over 18 million registered customers across 15 territories. Prior to Lottoland, Mr. Birrell was Group Director on the Executive Board at bwin.party digital entertainment plc (now Entain), the then world's leading online gaming business where he was responsible for all its mergers and acquisitions, business development and managing its investment portfolio. Prior to bwin.party, Mr. Birrell was a main board director of the FTSE 250 media group HIT Entertainment PLC, leading its $1.1 billion disposal in 2005. He also served as CEO of Gullane plc during its integration with HIT. Prior to HIT, Mr. Birrell worked as a lawyer and an investment banker with both Dresdner Kleinwort Benson and later Donaldson, Lufkin & Jenrette (now Credit Suisse).

Currently, Mr. Birrell is also Non-Executive Chairman of Southern Rock Insurance Company Limited and the AIM listed financial services group STM Plc.

MR. NEIL JOHNSON

Chief Executive Officer
Executive Director

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

Mr. Johnson has over 30 years of experience in investment banking, merchant banking and research analysis in both the Canadian and UK capital markets. In 2012 he co-founded and became Chief Executive Officer of Difference Capital Financial, a Canadian publicly listed merchant bank. For the previous 19 years he worked for Canaccord Genuity, first in Canada and later at Canaccord London rising to the positions of Head of Corporate Finance (Europe), Global Head of Technology and a member of the Global Executive Committee. Mr. Johnson was instrumental in the firm becoming authorised as a nominated adviser for AIM and regulated in the UK and London Stock Exchange Main Market listings; he spearheaded the firm's diversification into the technology industry, and led Canaccord's initiative to attract North American firms to list in London.

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

MR. CHARLES CANNON BROOKES

Chief Investment Officer
Executive Director

Charles Cannon Brookes is CIO and Executive Director of the Company and works alongside the CEO on deal origination, due diligence and structuring. In addition, Mr. Cannon Brookes is Duke Capital's liaison with UK institutions.

Mr. Cannon Brookes has over 20 years' investment experience and has advised and sat on the boards of several different funds, trusts and other publicly traded investment companies. Prior to Duke, he owned and was the CIO of Arlington Group Asset Management Limited which acted as the UK-based, FCA-regulated investment management company to the Arlington Special Situations Fund.

Earlier in his career Mr. Cannon Brookes worked at Jupiter Asset Management, ABN Amro and Barclays de Zoete Wedd.

MS. MAREE WILMS

Non-Executive Director

Maree Wilms is a Non-Executive Director of the Company. She is responsible for oversight of the Company's corporate obligations in Guernsey.

Ms. Wilms, a resident of Guernsey, brings extensive corporate governance, fund management and structuring experience to the Group. She is co-founder and CEO of Zeta Asset Management ICC Limited ("Zeta"), a Guernsey domiciled entity specialising in the creation of regulated asset management companies in Guernsey and fund structures across offshore jurisdictions. In addition to her role at Zeta, Ms. Wilms is COO of South Africa Alpha Capital Management Limited, a fund advisory and structuring platform which has launched and advised more than 60 funds.

Ms. Wilms commenced her career at Adelphi Capital Limited, where she worked as a hedge fund analyst for nine years.

MR. MATTHEW WRIGLEY

Non-Executive Director

Matthew Wrigley is a Non-Executive Director of the Company and works with the Executive Directors on structuring and all legal matters relating to the Company.

Mr. Wrigley was General Counsel and Global Head of Compliance for MacarthurCook Limited, a specialist fund management company listed on the Australian Securities Exchange. Following his expatriation to Singapore, he served as Chief Operating Officer of the MacarthurCook Industrial REIT, an investment trust listed on the Singapore Securities Exchange. Mr. Wrigley joined AMP Capital Investors in Singapore in 2007 and held several roles, including fund manager for a private equity real estate fund invested in hotel projects across Vietnam.

Mr. Wrigley returned to Australia in 2010, with global law firm Baker McKenzie, where he was part of the market-leading Funds and Private Investment team. He relocated to Guernsey in 2013 and opened the Guernsey office of alternative asset advisory firm MJ Hudson in 2015, where he was Managing Partner until 2019, retiring before the firm's London IPO.

He now serves as a non-executive director on fund and general partner boards for the likes of iCON Infrastructure, Zeta Asset Management, Dominion Funds, Anfa VC and Yolo Group.

DIRECTORS' REPORT
For the year ended 31 March 2024

The Directors present their Annual Report and the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2024.

Status and principal activity
The Company is a company limited by shares, incorporated in Guernsey under the Companies (Guernsey) Law, 2008. Its shares are traded on the AIM market of the London Stock Exchange. The Company has the following wholly owned subsidiaries: Duke Royalty UK Limited and Duke Royalty US GH Holdings, Inc. (together the "Group"). During the year, the following subsidiaries were dissolved: Capital Step Holdings Limited, Capital Step Investments Limited, Capital Step Funding Limited and Capital Step Funding 2 Limited. The Company also controls the Duke Capital Employee Benefit Trust.

The Group's principal activity is that of investment in a diversified portfolio of hybrid credit finance and related opportunities.

Deployments of capital
During the year the Group focused on growing its investment portfolio, adding two new capital partners, while continuing to support its current partners. The core deployment highlights were as follows:

- US$11.5 million investment into Glasshouse Products, LLC ("Glasshouse"). Glasshouse is a long-established provider of custom glass solutions including the design, fabrication, sale and installation of glass architectural products. Glasshouse offers a vast suite of glass products, which includes outdoor architectural glazing and glass, staircases, glass walls, shelves, furniture, shower doors, mirrors and decorative glass. Glasshouse collaborates closely with contractors, interior designers and homeowners, catering to diverse customer end-markets. Glasshouse has long-standing customer relationships spanning the high-end residential and commercial real estate end-markets. With over 20 years of experience, Glasshouse is headquartered in Dallas, Texas and operates predominantly in the Dallas-Fort Worth and Austin markets, with an additional facility in Round Rock, Texas serving the Austin market.
- £14.5 million initial investment into Integrum Care – Clearbrook Limited trading as Integrum Care Group ("Integrum"). Integrum currently represents a family of six elderly care homes across the South East of England, employing over 475 people and catering to over 300 service users. The group focuses on nursing care within the elderly care industry, providing full residential care typically for residents with higher acuity needs. The homes are a mix of purpose-built and converted properties with long-standing operations, with some homes having supported their local communities for more than 50 years.
- Five material follow-on investments were made during the year as follows:
  - £1.8 million into Tristone Healthcare Limited ("Tristone"). Duke's investment facilitated Tristone's acquisition of South West Intervention Services Limited, trading as SWIS, a provider of bespoke learning packages to young people who may be at risk of exclusion from education, in Buckfastleigh, near Plymouth.
  - £1.9 million into New Path Fire and Security Limited ("New Path"). Duke's investment facilitated New Path's acquisition of BDI Security Limited ("BDI"), a provider of installation and maintenance services focused on CCTV and access control, ANPR (Automatic Number Plate Recognition) and barrier access to commercial customers.
  - An additional £3.9 million investment into New Path was also made to facilitate New Path's acquisition of Electrifire Ltd ("Electrifire") and VGI Management Ltd ("VGI"), both providers of fire and security installation and maintenance services to commercial customers.
  - CAD$8.6 million (£5.1 million) into Creō-Tech. Duke's investment was used to facilitate the refinancing of its existing senior lender.
  - £2.9 million into United Glass Group ("UGG"). Duke increased its equity stake in UGG from 30.0% to 73.8% through a secondary share purchase from existing shareholders.

Investment exits
As well as over £40 million of deployments, Duke also exited three investments during the year to 31 March 2024: Instor Solutions in May 2023, and Fairmed Healthcare and Fabrikat, both in February 2024. The total cash return was over £23 million.

Results and dividends
The Group's performance during the year is discussed in the Chairman's Statement and CEO's Review on pages 10 and 12 to 16 respectively. The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 34, which shows a profit of £11.6 million (year to 31 March 2023: £19.6 million) and basic earnings per share of 2.81 pence (year to 31 March 2023: 4.92 pence).

The Board considers free cash flow to be the most important measure of the Group's performance. An analysis of the Group's free cash flow is set out in the table below:

Results and dividends continued

	2024 £'000	2023 £'000
Receipts from hybrid credit investments	**27,267**	21,364
Receipts of interest from credit investments	**453**	339
Other operating receipts	**195**	176
Equity income	**2,374**	3
Payments for hybrid credit participation fees	**(130)**	(112)
Operating expenses paid	**(4,015)**	(3,306)
Net transaction and due diligence fees	**(1,344)**	(357)
Tax paid	**(673)**	(1,346)
Interest paid on borrowings	**(6,222)**	(3,976)
Free cash flow	**17,906**	12,784

Free cash flow, defined as operating cash flow plus cash gains from the sale of equity investments less interest paid on borrowings less net transaction costs, totalled £17.9 million (2023: £12.8 million), while free cash flow per share for the year was 4.34 pence per share (2023: 3.21 pence per share).

The Board also uses the non-IFRS measure of adjusted earnings to determine the Group's underlying operating 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, 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. It should be noted that adjusted earnings is specific to Duke and not comparable to other entities.

The Group's adjusted earnings for the year was £20.0 million (year to 31 March 2023: £12.5 million). This gives rise to adjusted earnings per share of 4.85 pence (year to 31 March 2023: 3.13 pence).

	2024 £'000	2023 £'000
Total comprehensive income for the year	**11,608**	19,592
Unrealised fair value losses/(gains)	**6,584**	(9,111)
Expected credit (gains)/losses	**(14)**	20
Share-based payments	**938**	969
Net transaction costs	**1,120**	686
Tax effect of the adjustments above	**(494)**	306
Adjusted earnings	**20,012**	12,463

At the year end the net assets attributable to the Ordinary Shareholders were £165.3 million (31 March 2023: £164.3 million).

During the year, the Company's quarterly dividend policy was continued and dividends of £11.5 million were paid during the financial year to 31 March 2024 (2023: £11.0 million). The Company's quarterly dividends were 0.70 pence per share paid in April 2023, July 2023, October 2023 and January 2024.

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law allows the Directors to prepare Consolidated Financial Statements for each financial year. The Directors have prepared the Consolidated Financial Statements in accordance with UK adopted international accounting standards.

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

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

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

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

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

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

Directors' interests

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

	Ordinary Shares 2024 No. 000s	Ordinary Shares 2023 No. 000s
N Birrell	**1,329**	1,329
N Johnson	**7,129**	5,629
C Cannon Brookes	**10,000**	8,168
M Wrigley	**28**	28
M Wilms	**–**	–

The Directors held the following aggregate interest in share options and Long-Term Incentive Plan ("LTIP") awards either directly or beneficially (further information relating to these awards can be found in note 18 to the Consolidated Financial Statements):

	Share options		**LTIP awards**	
	2024 No. 000s	2023 No. 000s	**2024 No. 000s**	2023 No. 000s
N Johnson	**–**	–	**2,729**	3,382
C Cannon Brookes	**–**	–	**2,457**	3,144

Directors' interests continued

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

	Basic fees 2024 £'000	**Share-based payments 2024 £'000**	**Annual bonus 2024 £'000**	**Total 2024 £'000**	Basic fees 2023 £'000	Shared-based payments 2023 £'000	Annual bonus 2023 £'000	Total 2023 £'000
Non-Executive								
N Birrell	**60**	**–**	**–**	**60**	40	–	–	40
M Wrigley	**45**	**–**	**–**	**45**	30	–	–	30
M Wilms	**45**	**–**	**–**	**45**	30	–	–	30
Executive								
N Johnson	**300**	**243**	**240**	**783**	240	248	240	728
C Cannon Brookes	**300**	**221**	**216**	**737**	216	216	216	648
	750	**464**	**456**	**1,670**	556	464	456	1,476

Shareholders' significant interests

At 31 May 2024 the Company had been notified of the following interests of shareholders in excess of 3%:

	Ordinary Shares held	% of Ordinary Share capital
Hargreaves Lansdown	57,393,972	15.62%
Interactive Investor	41,710,281	9.90%
M&G Investments	36,706,748	8.71%
Gresham House Asset Management	26,515,221	6.29%
Allianz Global Investors	23,462,458	5.57%
GLG Partners	21,168,110	5.02%
Directors	18,485,991	4.39%
Chelverton Asset Management	16,500,000	3.91%
AJ Bell	15,987,403	3.79%
Colombia Threadneedle Investments	12,849,075	3.05%

Relations with shareholders

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

The Notice of the Annual General Meeting included within the Annual Report and Consolidated Financial Statements is sent out at least 14 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board formally at the Company's Annual General Meeting. The Company Secretary and representatives from Arlington Group Asset Management Limited and Abingdon Capital Corporation are available to answer general queries.

Corporate governance

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

As such, the Board has adopted the Quoted Companies Alliance Corporate Governance Code (the "Code"). The Company's compliance statement in respect of the Code can be found at: **www.dukecapital.com/investors-info/#governance**.

As a Guernsey incorporated company, the Company is required to comply with the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission ("GFSC Code") introduced on 1 January 2012, amended November 2021 and July 2023.

DIRECTORS' RESPONSIBILITIES STATEMENT CONTINUED

The Board

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

The Board has engaged specific individuals and external companies to undertake the investment management, administrative and custodial activities of the Group and assist the Board with the selection, execution and monitoring of capital partners and investment performance. Clear, documented contractual arrangements are in place with these individuals and firms, which define the areas where the Board has delegated responsibility to them. It remains the responsibility of the Board to assess whether the outsourced activities are being performed adequately, to ensure that the Group has adequate resources and to establish procedures, including compliance plans, to be able to monitor the performance of third parties performing the outsourced activities. The Directors believe that the Board has a balance of skills and experience which enables it to perform these assessments, to provide effective strategic leadership and proper governance of the Group. The Board has considered non-financial areas of risk such as disaster recovery and staffing levels, both within the Group and service providers, and considers adequate arrangements to be in place.

The Group maintains insurance in respect of Directors' and officers' liability in relation to their acts on behalf of the Group. Suitable insurance is in place and has been renewed for the period until 30 November 2024.

Annual Report and Consolidated Financial Statements

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

Internal control and financial reporting

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

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

- Trident Trust Company (Guernsey) Limited ("Trident") was responsible for the provision of administration and company secretarial duties up to May 2023; from June 2023 onwards, IQ EQ Fund Services (Guernsey) Limited replaced Trident
- The duties of managing the Group's hybrid credit investments, administration/company secretarial and accounting are segregated. The procedures are designed to complement one another; and
- The Board reviews financial information and compliance reports produced by the Administrator on a regular basis.

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

Audit Committee

The Company's Audit Committee comprises Matthew Wrigley (Chairman), Nigel Birrell and Maree Wilms. The Audit Committee will meet as often as required and at least twice a year. The Audit Committee's main functions include, inter alia: reviewing the effectiveness of internal control systems and risk assessment, considering the need for an internal audit, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications. The Audit Committee will also monitor the integrity of the Consolidated Financial Statements of the Company including its annual and interim reports, preliminary announcements and any other formal announcement relating to financial performance.

The Audit Committee will be responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Audit Committee will consider the nature, scope and results of the auditors' work and reviews, and develop and implement policy on the supply of non-audit services that are to be provided by the external auditors. The Audit Committee will focus particularly on compliance with legal requirements, accounting standards and the relevant AIM Rules for Companies and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the Annual Report and Consolidated Financial Statements will remain with the Board. The identity of the Chairman of the Audit Committee will be reviewed on an annual basis and the membership of the Audit Committee and its terms of reference will be kept under review. The Audit Committee will have no links with the Company's external auditors.

Investment Committee

The Company's Investment Committee, which is made up of six members nominated by the Company, includes three independent members. The current members of the Investment Committee are Jim Webster, Chair of the Investment Committee; Justin Cochrane, Founder and CEO of Carbon Streaming Corporation; John Romeo, Managing Partner and Executive Committee and Risk Committee member at Oliver Wyman; Andrew Carragher, founder and Managing Partner of DW Healthcare Partners; Neil Johnson, Executive Director and Chief Executive Officer of Duke Capital; and Charles Cannon Brookes, Executive Director of Duke Capital and Chief Investment Officer.

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

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

Anti-bribery and corruption

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

Financial risk profile

The Group's main financial instruments comprise hybrid credit investments, secured credit investments, hybrid credit participation liabilities, senior secured loans and cash. The main purpose of these instruments is the investment of shareholders' funds. The most significant risks that these instruments are subject to are discussed in note 24 to the Consolidated Financial Statements.

Environment

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

Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

FY24 continued to present a challenging operating environment for Duke's capital partners. Despite this, Duke's strategic focus on providing long-term, secured lending to established and profitable owner-operated businesses has proven to be a safeguard against these economic challenges. Moreover, the very low amortisation payments of Duke's product in the early years have alleviated some of the short-term liquidity concerns of our hybrid credit partners, allowing them to focus on managing their businesses rather than having to refinance their debts during unfavourable times.

The Directors continue to closely monitor the impact of these macroeconomic headwinds on the Group's trading activities and cash flows, but do not consider that there will be any significant effect on the ability of the Group to continue in business and meet liabilities as they fall due.

Bearing in mind the nature of the Group's recurring revenue streams and after assessing the 12-month forecasts, combined with the available headroom in terms of the refinanced debt facility in place should it be required, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Independent auditor

The auditor, BDO Limited, has indicated its willingness to continue in office. Accordingly, a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 26 June 2024 and signed on behalf of the Board by:

Maree Wilms
Director

Matthew Wrigley
Director

ENVIRONMENTAL, SOCIAL & GOVERNANCE

For the year ended 31 March 2024

ESG considerations impact the way in which we manage the business, our investment decisions and our management of capital partner relationships. As fiduciaries we recognise that by following a broad set of policy commitments relating to ESG factors, we will better align ourselves and our investors with the broader objectives of society.

Duke's Responsible Investment Policy outlines the Company's commitment towards incorporating ESG considerations throughout the investment process. In framing this policy, Duke has sought to incorporate or align with recognised global standards which include, but are not limited to, the Principles for Responsible Investment and the UN Global Compact.

We incorporate ESG factors across the investment lifecycle, alongside more traditional financial and business performance considerations.

We will not invest with capital partners who:

- deny human rights;
- engage child or forced labour directly or within their supply chain;
- manufacture weapons that are designed primarily for destructive purposes e.g. antipersonnel mines, cluster weapons;
- are in the business of mineral, coal, or oil and gas extraction;
- produce products that are illegal under Guernsey, UK or relevant local laws;
- produce tobacco products;
- cause serious environmental damage;
- provide research, development or technical applications relating to electronic data; or
- provide programmes or solutions which support the above exclusions list.

Managing ESG in our capital partners

We apply an ESG assessment framework to understand the material risks and opportunities within our capital partners:

- Environmental – We require our capital partners to ensure that their businesses do not have any material environmental impacts.
- Social – We require our capital partners to be equal opportunities employers and provide learning and development opportunities for employees. We do not tolerate unfair, discriminatory, illegal or immoral work practices either in the capital partner or within the supply chain.
- Governance – We view corporate governance as the combination of processes and structures implemented by the Board in order to inform, direct, manage and monitor the activities of the organisation towards the achievement of its objectives.

Managing ESG internally within Duke and alignment with our core values

We will uphold the same standards internally within Duke Capital as we ask of our capital partners. We believe that this aligns our goals with our capital partners and our stakeholders and ensures that we are living our standards:

- Transparency: We focus on treating our partners and stakeholders with honesty, integrity, fairness and respect, contributing to strength and longevity of our relationships.
- Accountability: We are accountable to each other, our stakeholders, our capital partners and the communities where we do business. We aim to be responsible investors and a good corporate citizen.
- Creativity: We believe change is the only way forward and seek out different perspectives to meet business challenges and situations. Ours is a flexible financial solution designed to meet the evolving needs of small to mid-sized business owners.
- Focus: We aim to be a trusted partner for small to mid-sized businesses. We keep a focus on our approach to investing and our investment criteria. We are sensible and keep things as simple as possible for our capital partners.
- Teamwork: We collaborate and support each other and our partners, as we recognise the value of diversity of thought in problem solving and innovation, and support diversity within our team.

Social and corporate responsibility

Having a positive impact on the communities in which we invest and operate is of utmost importance to us. Our leadership team actively encourages the entire team to make a positive social impact.

Leading by example, our CEO, Neil Johnson, is the Founder and Chair of the UK Terry Fox Association, the UK affiliate of the Terry Fox Foundation, and Hugo Evans, our CFO, acts as Treasurer. The Association's mission is to bring communities and families affected by cancer together through Terry Fox Runs across the UK. Every year, the Duke team and their families come together to volunteer their time and support cancer research. In the past three years, the UK Terry Fox Association has raised over £200,000 for the UK charity, The Institute of Cancer Research ("ICR").

We have also extended our support to Home-Start UK, a network that assists needy families with young children during challenging times. In addition to our financial contributions, the Cannon Brookes family volunteers and advocates for the importance of a healthy and supportive family unit in the early years of life. Professional care workers provide emotional and financial support to single mothers and underprivileged families with young children. This makes a direct impact in the local UK neighbourhoods where Home-Start is active.

Regarding our operations, we require our capital partners to be equal opportunities employers and provide learning and development opportunities for employees. We do not tolerate unfair, discriminatory, illegal or immoral work practices either in our capital partners or within the supply chain.

For further information, visit: **www.dukecapital.com/about-us**

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 March 2024

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements of Duke Capital Limited ("the Parent Company") and its subsidiaries (the "Group"):

- give a true and fair view of the state of the Group's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the consolidated financial statements of the Group for the year ended 31 March 2024 which comprise the Consolidated Statement of Cash Flows, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and notes to the consolidated financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the consolidated financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining those charged with governance and Directors' paper and cash flow forecast in respect of going concern and challenging this, based on our knowledge of the Group, with both those charged with governance and management.
- Consideration of the cash available, the borrowings payable and forecast covenants compliance together with the expected annual income and running expenses of the Group and determining whether these assumptions were reasonable based on our knowledge of the Group.
- Performing our own sensitivity analysis of the headroom of the investment portfolio over the annual running expenses.
- Reviewing the minutes of meetings of those charged with governance and the RNS announcements for any events of conditions in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the consolidated financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2024	2023
Key audit matters	Valuation and ownership of hybrid credit finance investments	✓	✓
	Valuation and ownership of equity investments	✓	✓
Materiality	*Group consolidated financial statements as a whole* £3,574,000 (2023: £3,322,785) based on 1.5% (2023: 1.5%) of total assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the consolidated financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

An overview of the scope of our audit continued

The Group consists of the Parent Company and numerous subsidiaries. In line with ISA 600 we concluded that the most effective audit approach due to the same accounting processes and control environment to the Group was to audit the consolidated financial statements as if they were one entity, during which we have performed audit procedures on all key risk areas. The materiality applied was that calculated above, which had been based on the consolidated financial information.

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

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

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of Hybrid Credit Finance Investments (notes 2.10, 3, 9 and 23)	As the Group's Hybrid Credit Finance Instruments are classified at fair value through profit or loss, the instruments are required to be revalued to fair value at each reporting date. We focussed on the valuation and ownership as they are key drivers to the Group's net asset value. The valuation models are a highly subjective area as management makes judgements as to expected cash flows, revenue growth rates and discount rates to arrive at the fair value of the products. Any input inaccuracies or unreasonable bases used in the valuation judgements could result in a material misstatement of the Group statement of comprehensive income and the Group balance sheet and for this reason, we considered this to be a key audit matter.	We obtained management's valuation models for the Hybrid Credit Finance Instruments and: Assessed and challenged the reasonableness of management's inputs into the valuation models against our expectations by: • Agreeing the future cash flows in the valuation models to the forecasts. Gained an understanding of how the forecasts differed from either those expected on day 1 or those expected at the previous year end. • Assessing based on review of the underlying supporting management information and key performance indicators of the investees' performance, whether management's consideration of the investees' actual performance against that budgeted indicated a need to revise the cash flows. • Assessing the expected revenue growth rates used by management against independent sources i.e. growth rates used by brokers. • Considering the likelihood of a buy back occurring and where applicable, how this has been built into the valuation models. • Reviewing investee performance since the earliest date of time of investment or the prior year and challenging management regarding the discount rates used within the models. We obtained Hybrid Credit Finance Investment confirmations direct from the underlying investee companies to verify ownership of the investments held at year end. **Key observations** Based on the procedures performed we did not identify any indications to suggest that the judgements made in respect of the Hybrid Credit Finance Investments were unreasonable.

INDEPENDENT AUDITOR'S REPORT CONTINUED
For the year ended 31 March 2024

An overview of the scope of our audit continued

Key audit matters continued

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of equity investments (notes 2.10, 3, 11 and 23)	The Group makes investments in underlying investee companies that are unquoted entities. We focussed on the valuation and ownership as they are key drivers to the Group's net asset value. The valuation models are a highly subjective area as management makes judgements as to maintainable EBITDA and investment multiple applied to arrive at the fair value of the investments. Any input inaccuracies or unreasonable bases used in the valuation judgements could result in a material misstatement of the Group statement of comprehensive income and the Group statement of financial position. For this reason, we considered this to be a key audit matter.	We obtained management's valuation models for the equity investments and: Assessed and challenged the reasonableness of management's inputs into the valuation models against our expectations by: • Challenging management on the maintainable EBITDA focussing on the assumptions applied to the sustainability of the earning based on forecasts, year to date actual performance and historical performance. • Challenging management's investment multiple applied by comparing the multiple applied to comparable listed company multiples from external sources. • Assessing based on review of the underlying supporting management information and key performance indicators of the investees' performance, whether management's consideration of the investees' actual performance against that budgeted indicated a need to revise the cash flows. We obtained shareholding confirmations direct from the underlying investee companies to verify ownership of the investments held at year end. **Key observations** Based on our procedures we did not identify any indications to suggest that the judgements made in respect of the equity investments were unreasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the consolidated financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the consolidated financial statements as a whole.

Based on our professional judgement, we determined materiality for the consolidated financial statements as a whole and performance materiality as follows:

	Group consolidated financial statements	
	2024 £m	2023 £m
Materiality	**£3,574,000**	£3,322,785
Basis for determining materiality	**1.5% of total assets**	1.5% of total assets
Materiality	Due to it being an investment company with the objective of long-term capital growth with investment values being a key focus of users of the consolidated financial statements.	
Performance materiality	**£2,144,400**	£1,993,671
Basis for determining performance materiality	60% of materiality	
Rationale for the benchmark applied	This was determined using our professional judgement and took into account the complexity of the Group and our long-standing knowledge of the engagement together with significant judgements used in the key audit matters.	

Our application of materiality continued

Specific materiality

We also determined that for broker fees, legal fees, audit fees, directors' fees, administration fees, consultancy fees, investment committee fees, support fees, nomad fees, directors' travel and entertainment, staff costs, due diligence costs, transaction costs, recruitment costs, professional fees, incentive plan awards and expected credit loss provisions, a misstatement of less than materiality for the consolidated financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items to be £649,500 which is 5% of the total expenses of the Group (2023: £531,000 based on 5% of total expenses of the Group). We further applied a performance materiality level of 60% (2023: 60%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £178,700 (2023: £166,180). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the consolidated financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies (Guernsey) Law, 2008 reporting

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to its investment activities, and we considered the extent to which non-compliance might have a material effect on the Group's financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

For the year ended 31 March 2024

Auditor's responsibilities for the audit of the financial statements continued

Extent to which the audit was capable of detecting irregularities, including fraud continued

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group. We determined that the most significant frameworks which are directly relevant to specific assertions in the consolidated financial statements are those that relate to the reporting framework such as UK adopted International Accounting Standards and the Companies (Guernsey) Law, 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the consolidated financial statements (including the risk of management override of controls), and determined that the principal risks were related to revenue recognition in relation to the investment income from Hybrid Credit Finance Investments, revenue recognition in relation to loan interest from loans advanced and management bias and judgement involved in accounting estimates, specifically in relation to the expected credit loss provisions (the responses to which are detailed in our key audit matters above).

Audit procedures performed by the engagement team to respond to the risks identified included:

- Discussion with and enquiry of management and those charged with governance concerning known or suspected instances of non-compliance with laws and regulations and fraud;
- Obtaining an understanding of the internal control environment in place to prevent and detect irregularities;
- Reading minutes of meetings of those charged with governance, correspondence with the Guernsey Financial Services Commission, internal compliance reports, complaint registers and breach registers to identify and consider any known or suspected instances of non-compliance with laws and regulations and fraud;
- Recalculating loan interest income based on the underlying loan agreements and required accounting by UK adopted International Accounting Standards and comparing to that of management; and
- Recalculating the hybrid credit finance investment income based on the hybrid credit finance investment agreements and required accounting by UK adopted International Accounting Standards and comparing to that of management and challenging differences.

Our audit procedures were designed to respond to risks of material misstatement in the consolidated financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

The engagement director on the audit resulting in this independent auditor's opinion is Simon Hodgson.

Use of our report

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

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

26 June 2024

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2024

	Note	Year to 31-Mar-24 £'000	Year to 31-Mar-23 £'000
Cash flows from operating activities			
Receipts from royalty investments	9	**27,267**	21,364
Receipts of interest from term credit investments	10	**453**	339
Other operating receipts		**195**	176
Operating expenses paid		**(4,015)**	(3,306)
Payments for hybrid credit participation fees	12	**(130)**	(112)
Tax paid		**(673)**	(1,346)
Net cash inflow from operating activities		**23,097**	17,115
Cash flows from investing activities			
Hybrid credit investments advanced	9	**(42,012)**	(23,809)
Hybrid credit investments repaid	9	**17,636**	–
Term credit investments advanced	10	**(750)**	(2,500)
Term credit investments repaid	10	**-**	2,000
Equity investments purchased	11	**(3,799)**	(500)
Equity investments sold	11	**2,326**	–
Equity dividends received	11	**48**	3
Receipt of deferred consideration		**1,512**	–
Investment costs paid		**(1,344)**	(357)
Net cash outflow from investing activities		**(26,383)**	(25,163)
Cash flows from financing activities			
Proceeds from share issue	17	**-**	20,000
Share issue costs	17	**-**	(1,115)
Dividends paid	20	**(11,524)**	(10,979)
Proceeds from loans	15	**15,000**	71,250
Loans repaid	15	**-**	(61,450)
Interest paid	15	**(6,222)**	(3,976)
Other finance costs	15	**-**	(3,976)
Net cash (outflow)/inflow from financing activities		**(2,746)**	11,304
Net change in cash and cash equivalents		**(6,032)**	3,256
Cash and cash equivalents at beginning of year		**8,939**	5,707
Effect of foreign exchange on cash		**(11)**	(24)
Cash and cash equivalents at the end of year		**2,896**	8,939

The notes on pages 37 to 58 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	Note	Year to 31-Mar-24 £'000	Year to 31-Mar-23 £'000
Income			
Hybrid credit investment income	9	**23,014**	28,266
Term credit investment income	10	**453**	339
Equity investment income	11	**1,925**	2,212
Other operating income		**195**	176
Total income		**25,587**	30,993
Investment costs			
Transaction costs		**(475)**	(66)
Due diligence costs		**(645)**	(620)
Total investment costs		**(1,120)**	(686)
Operating costs			
Administration and personnel	5	**(3,072)**	(2,627)
Legal and professional		**(533)**	(456)
Other operating costs		**(370)**	(223)
Expected credit losses	10	**14**	(20)
Share-based payments	18	**(938)**	(969)
Total operating costs		**(4,899)**	(4,295)
Operating profit		**19,568**	26,012
Net foreign currency movement		**(22)**	66
Finance costs	6	**(7,255)**	(5,644)
Profit before tax		**12,291**	20,434
Taxation expense	7	**(683)**	(842)
Profit after tax		**11,608**	19,592
Basic earnings per share (pence)	8	**2.81**	4.92
Diluted earnings per share (pence)	8	**2.81**	4.92

All income is attributable to the holders of the Ordinary Shares of the Company. There is no other comprehensive income.

The notes on pages 37 to 58 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Note	**31-Mar-24 £'000**	31-Mar-23 £'000
Non-current assets			
Goodwill	16	**203**	203
Hybrid credit finance investments	9	**177,589**	158,540
Term credit investments	10	**5,382**	4,652
Equity investments	11	**15,904**	13,529
Trade and other receivables	13	**1,574**	-
Deferred tax	21	**408**	200
		201,060	177,124
Current assets			
Hybrid credit finance investments	9	**33,359**	32,793
Trade and other receivables	13	**843**	2,290
Cash and cash equivalents		**2,896**	8,939
Current tax asset		**155**	373
		37,253	44,395
Total assets		**238,313**	221,519
Current liabilities			
Hybrid credit debt liabilities	12	**170**	154
Trade and other payables	14	**461**	433
Borrowings	15	**632**	441
		1,263	1,028
Non-current liabilities			
Hybrid credit debt liabilities	12	**934**	988
Trade and other payables	14	**1,063**	1,314
Borrowings	15	**69,772**	53,930
		71,769	56,232
Net assets		**165,281**	164,259
Equity			
Share capital	17	**172,939**	172,939
Share-based payment reserve	18	**4,385**	3,447
Warrant reserve	18	**3,036**	3,036
Retained losses	19	**(15,079)**	(15,163)
Total equity		**165,281**	164,259

The Consolidated Financial Statements on pages 33 to 36 were approved and authorised for issue by the Board of Directors on 26 June 2024 and were signed on its behalf by:

Maree Wilms
Director

Matthew Wrigley
Director

The notes on pages 37 to 58 form an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 March 2024

	Notes	Shares issued £'000	Share-based payment reserve £'000	Warrant reserve £'000	Retained losses £'000	Total equity £'000
At 31 March 2022		153,974	2,478	265	(23,776)	132,941
Total comprehensive income for the year		–	–	–	19,592	19,592
Transactions with owners						
Shares issued for cash	17	20,000	-	-	-	20,000
Share issuance costs	17	(1,115)	-	-	-	(1,115)
Shares issued to key advisers as remuneration	17	80	-	-	-	80
Warrants issued		-	-	2,771		2,771
Share-based payments	18	-	969	-	-	969
Dividends	20	-	-	-	(10,979)	(10,979)
Total transactions with owners		18,965	969	2,771	(10,979)	11,726
At 31 March 2023		**172,939**	**3,447**	**3,036**	**(15,163)**	**164,259**
Total comprehensive income for the year					**11,608**	**11,608**
Transactions with owners						
Share-based payments	18	**-**	**938**	**-**	**-**	**938**
Dividends	20	**-**	**-**	**-**	**(11,524)**	**(11,524)**
Total transactions with owners		**-**	**938**	**-**	**(11,524)**	**(10,586)**
At 31 March 2023		**172,939**	**4,385**	**3,036**	**(15,079)**	**165,281**

The notes on pages 37 to 58 form an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2024

1. General information
Duke Capital Limited ("Duke Capital" or the "Company") is a company limited by shares, incorporated in Guernsey under the Companies (Guernsey) Law, 2008. Its shares are traded on the AIM market of the London Stock Exchange. The Company's registered office is shown on page 59.

Throughout the year, the "Group" comprised Duke Capital Limited and its wholly owned subsidiaries; Duke Royalty UK Limited, Duke Capital Employee Benefit Trust and Duke Royalty US GH Holdings, Inc. which was incorporated in the year. During the year Capital Step Holdings Limited, Capital Step Investments Limited, Capital Step Funding Limited and Capital Step Funding 2 Limited were dissolved.

The Group's investing policy is to invest in a diversified portfolio of hybrid credit finance and related opportunities.

2. Significant accounting policies
2.1 Basis of preparation
The Consolidated Financial Statements of the Group have been prepared in accordance with UK adopted international accounting standards, and applicable Guernsey law, and reflect the following policies, which have been adopted and applied consistently.

During the year, the Group adopted IFRS 10 Consolidated Financial Statements. IFRS 10 requires entities that meet the definition of an investment entity within the standard to account for those controlled entities within the Group's direct investment portfolio as held at fair value through profit or loss ("FVTPL") and to not be consolidated into the financial statements. The main purpose and activity of Duke Royalty US GH Holdings, Inc (incorporated in United States, July 2023) is to provide services that relate to the investment entity (Duke) activities and therefore it is held at FVTPL.

Subsidiaries that provide investment-related services or engage in permitted investment-related activities with investees continue to be consolidated unless they are also investment entities.

An investment entity is one which:

- obtains funds from investors for the purpose of providing them with investment management services
- invests funds solely for returns from capital appreciation/investment income; and
- measures and evaluates the performance of substantially all of its investment on a fair value basis

In accordance with IFRS 10 the Consolidated Financial Statements include the financial statements of the Company and service entities controlled by the Company made up to the reporting date. Control is achieved where the Company has the power over the potential investee as a result of voting or other rights, has rights to positive or negative variable returns from its involvement with the investee and has the ability to use its power over the investee to affect significantly the amount of its returns.

The following subsidiaries are deemed service entities and are consolidated in the Group financial statements:

- Duke Royalty UK Limited
- Duke Capital Employee Benefit Trust

Under IFRS 12 paragraph 19A, the following subsidiaries have been classified as investment entities under IFRS 10 and therefore not consolidated:

Subsidiary name	Place of business	% ownership
Duke Capital US GH Holdings, Inc.	USA	100%
United Glass Group	UK	73.8%

The Consolidated Financial Statements have been prepared on a going concern basis and under the historical cost basis, except for the following:

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

The Directors consider that the Group has adequate financial resources to enable it to continue operations for a period of no less than 12 months from the date of approval of the Consolidated Financial Statements. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Presentation of statement of cash flows
The Board considers cash flow to be the most important measure of the Group's performance and subsequently has presented its Consolidated Statement of Cash Flows before the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.

There have been no changes to the classification of any of the cash flows or to the overall cash movements.

Presentation of statement of comprehensive income
In order to better reflect the activities of a hybrid credit financing company, the Consolidated Statement of Comprehensive Income includes additional analysis, splitting the Group's income by investment type.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2024

2. Significant accounting policies continued

2.2 New accounting standards, interpretations and amendments from 1 January 2023 adopted by the Group

The new standards, amendments to standards and interpretations were effective for the current period, and with the exception of the Disclosure of Accounting Policies (Amendment to IAS 1) have not had a significant impact on the Consolidated Financial Statements. The Disclosure of Accounting Policies amendment generated a review of and reduction in the accounting policy disclosures so that only the material accounting policy information is now provided. Accounting policy information is material if, when considered together with other information included in an entity's Consolidated Financial Statements, it can reasonably be expected to influence decisions that the primary users of the Consolidated Financial Statements make on the basis of those Consolidated Financial Statements.

2.3 New standards, interpretations and amendments from 1 January 2024 adopted by the Group

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

2.4 Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

FY24 continued to present a challenging operating environment for Duke's capital partners. Despite this, Duke's strategic focus on providing long-term, secured lending to established and profitable owner-operated businesses has proven to be a safeguard against these economic challenges. Moreover, the very low amortisation payments of Duke's product in the early years have alleviated some of the short-term liquidity concerns of our hybrid credit partners, allowing them to focus on managing their businesses rather than having to refinance their debts during unfavourable times.

The Directors continue to closely monitor the impact of these macroeconomic headwinds on the Group's trading activities and cash flows, but do not consider that there will be any significant effect on the ability of the Group to continue in business and meet liabilities as they fall due.

Bearing in mind the nature of the Group's recurring revenue streams and after assessing the 12-month forecasts, combined with the available headroom in terms of the refinanced debt facility in place should it be required, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

2.5 Basis of consolidation

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

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

2.6 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, as a whole. The key measure of performance used by the Board to assess the Group's performance and to allocate resources is operating cash flow, as calculated under IFRS, and therefore no reconciliation is required between the measure of performance used by the Board and that contained in these Consolidated Financial Statements.

For management purposes, the Group's investment objective is to focus on one main operating segment, and is to invest in a diversified portfolio of hybrid credit finance and related opportunities. At the end of the period the Group has 15 investments into this segment and has derived income from them. Due to the Group's nature, it has no customers.

2.7 Foreign currency

Functional and presentation currency

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

2. Significant accounting policies continued

2.7 Foreign currency continued

Transactions and balances

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

Foreign exchange gains and losses relating to the financial assets and financial liabilities carried at fair value through profit or loss are presented in the Consolidated Statement of Comprehensive Income within 'hybrid credit investment', 'term credit investment income' and 'equity investment income'.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'net foreign currency movement'. This has been presented below operating costs as this best reflects the true nature of the balance.

2.8 Transaction costs

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include finders' fees, legal and due diligence fees and other fees paid to agents and advisers. Transaction costs, when incurred, are recognised immediately in profit or loss as an expense. Where transaction costs are in respect of loans, these are offset using the effective interest method.

2.9 Income tax

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

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

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

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

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

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

2.10 Financial instruments

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

a) Financial assets

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

- those to be measured subsequently at fair value through profit or loss ("FVTPL"); and
- those to be measured at amortised cost

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

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

Financial assets held at amortised cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2024

2. Significant accounting policies continued

2.10 Financial instruments continued

Expected Credit Loss ("ECL") allowance for financial assets measured at amortised cost

Impairment of financial assets is calculated using a forward-looking expected credit loss (ECL) model. ECLs are an unbiased probability weighted estimate of credit losses determined by evaluating a range of possible outcomes. They are measured in a manner that reflects the time value of money and uses reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. Assets held at fair value through profit or loss are not subject to impairment.

IFRS 9 establishes a three-stage approach for impairment of financial assets:

- Stage 1 – when a financial asset is first recognised, it is assigned to Stage 1. If there is no significant increase in credit risk from initial recognition, the financial asset remains in Stage 1. Stage 1 also includes financial assets where the credit risk improved and the financial asset has been reclassified back from Stage 2. For financial assets in Stage 1, a 12-month ECL is recognised.
- Stage 2 – when a financial asset has experienced a significant increase in credit risk since initial recognition, the asset is classified as Stage 2. Stage 2 also includes financial assets where the credit risk improved and the financial asset has been reclassified back from Stage 3. For financial assets in Stage 2, a lifetime ECL is recognised.
- Stage 3 – that where there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit-impaired, it is moved to Stage 3. For financial assets in Stage 3, a lifetime ECL is recognised and interest income is recognised on a net basis.

In relation to the above:

- Lifetime ECL is defined as ECLs that result from all possible default events over the expected behavioural life of a financial instrument
- 12-month ECL is defined as the portion of lifetime credit loss that will result if a default occurs in the 12 months after the reporting, weighted by the probability of that default occurring

The measurement of ECLs is primarily based on the product of the instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12-month PD") or over the remaining lifetime ("Lifetime PD") of the obligation
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12-month EAD") or over the remaining lifetime ("Lifetime EAD")
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure

The ECL is determined by estimating the PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL.

The measurement ECLs for each stage and the assessment of significant increases in credit risk consider economic information about past events and current conditions as well as reasonable and supportable forward-looking information. When determining whether the credit risk profile has materially increased, the Group specifically reviews the debt covenant positions of each company. If the debt service coverage ratio falls below zero and the Group does not have sufficient liquidity to cover 12 months of debt obligations, the investment will be deemed to be in default and a lifetime ECL allowance will be provided for.

As with any forecasts and economic assumptions, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Other forward-looking considerations, such as the impact of any regulatory, legislative or political changes, have also been considered, but no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

Financial assets at FVTPL

Hybrid credit investments are debt instruments classified at FVTPL under IFRS 9. The return on these investments is linked to a fluctuating revenue stream and thus, whilst the business model is to collect contractual cash flows, such cash flows are not solely payments of principal and interest. Such assets are recognised initially at fair value and remeasured at each reporting date. The change in fair value is recognised in profit or loss and is presented within 'hybrid credit investment income' in the Consolidated Statement of Comprehensive Income. The fair value of these financial instruments is determined using discounted cash flow analysis. Further details of the methods and assumptions used in determining the fair value can be found in note 23.

Investments in equity instruments are classified at FVTPL. The Group subsequently measures all equity investments at fair value and the change in fair value is recognised in profit or loss and is presented within the 'equity investment income' in the Consolidated Statement of Comprehensive Income. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established.

2. Significant accounting policies continued

2.10 Financial instruments continued

Derecognition of financial assets

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

b) Financial liabilities

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

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

Financial liabilities measured at amortised cost

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise hybrid credit participation liabilities. These liabilities arise under a contractual agreement between the Group and a strategic partner for the provision of services in connection with the Group's hybrid credit financing arrangements. Under this agreement services are provided in exchange for a percentage of gross hybrid credit investment income receivable. These instruments are classified at FVTPL on the basis that the liability is linked to the Group's hybrid credit investments. Such liabilities are recognised initially at fair value with the costs being recorded immediately in profit or loss as 'hybrid credit participation fees' and remeasured at each reporting date in order to avoid an accounting mismatch. The change in fair value is recognised in profit or loss and presented within 'hybrid credit investment income'. The fair value of these financial instruments is determined using discounted cash flow analysis. Further details of the methods and assumptions used in determining the fair value can be found in note 23.

Derecognition of financial liabilities

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

c) Equity instruments

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

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

2.11 Share-based payments

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

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

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

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

The Group also settles a portion of expenses by way of share-based payments. These expenses are settled based on the fair value of the service received as an expense with the corresponding amount increasing equity. All expenses recognised in the year in relation to the Group's Share Option and Long-Term Incentive Plan schemes are recognised through the share-based payment reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2024

2. Significant accounting policies continued

2.12 Reserves

Equity comprises the following:

- Share capital represents the nominal value of equity shares in issue

Other reserves comprises the following:

- Warrant reserve was created in connection with the issue of share warrants. Further warrants were issued during the year ended 31 March 2023. These allow the owner to subscribe for a fixed number of equity shares at a fixed price, and have therefore been classified as equity in accordance with IAS 32 paragraph 16.
- Share-based payment reserve represents equity-settled share-based employee remuneration as detailed in note 2.11
- Retained losses represents cumulative retained losses

3. Critical accounting estimates

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

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

Fair value of hybrid credit investments

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

Where the hybrid credit investment contains a buyback clause, the Directors have assessed the likelihood of this occurring. Where occurrence of the buyback is deemed likely, this is built into the discounted cash flow at the appropriate point.

These assumptions are reviewed semi-annually. The Directors believe that the applied valuation techniques and assumptions used are appropriate in determining the fair value of the hybrid credit investments and have made adjustments to the discount rates and estimated revenue growth where necessary. Further details of the carrying values, methods, assumptions and sensitivities used in determining the fair value can be found in note 23.

Fair value of hybrid credit participation liabilities

The payments falling due under the Group's contract for hybrid credit participation fees are directly linked to the Group's hybrid credit investments and thus the same assumptions have been applied in arriving at the fair value of these liabilities. The Directors have considered whether any increase in discount rate is required to represent the Group's credit risk as the payments are made by the Group rather than the investee and have concluded that none is required since payment under the contract is only due once the Group has received the gross amounts from the investee. Further details of the methods, assumptions and sensitivities used in determining the fair value can be found in note 23.

Fair value of equity investments

The Group's equity investments are not traded in an active market and thus the fair value of the instruments is determined using valuation techniques. The Group makes assumptions based on market conditions at the end of each reporting period. The key estimates that the Directors have made in arriving at the fair values are the price/earnings multiples to be applied to the investee entities' profits. These multiples have been estimated based on market information for similar types of companies. The carrying value of equity investments is disclosed in note 11. Further details of the methods, assumptions and sensitivities used in determining the fair value can be found in note 23.

4. Auditor's remuneration

	2024 £'000	2023 £'000
Audit of the Consolidated Financial Statements	**106**	105

5. Administration and personnel

The table below splits out administration and personnel costs.

	2024 £'000	2023 £'000
Support services administration fees	**633**	518
Directors' fees	**1,206**	1,012
Investment Committee fees	**108**	108
Personnel costs	**1,125**	989
	3,072	2,627

6. Finance costs

	2024 £'000	2023 £'000
Interest payable on borrowings	**6,413**	3,861
Non-utilisation fees	**–**	194
Deferred finance costs released to P&L	**842**	1,558
Other finance costs	**–**	31
	7,255	5,644

7. Income tax

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

	2024 £'000	2023 £'000
Current tax		
Income tax expense	**891**	886
Deferred tax		
Increase in deferred tax assets	**(208)**	(44)
Total deferred tax benefit	**(208)**	(44)
Income tax expense	**683**	842
Factors affecting income tax expense for the year		
Profit on ordinary activities before tax	**12,291**	20,434
Guernsey taxation at 0% (2023: 0%)	**–**	–
Overseas tax charges at effective rate of 5.55% (2023: 4.12%)	**683**	842
Income tax expense	**683**	842

8. Earnings per share

	2024	2023
Total comprehensive income (£'000)	**11,608**	19,592
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	**412,955**	397,991
Basic earnings per share (pence)	**2.81**	4.92

	2024	2023
Total comprehensive income (£'000)	**11,608**	19,592
Diluted weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	**412,955**	397,991
Diluted earnings per share (pence)	**2.81**	4.92

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the year ended 31 March 2024

8. Earnings per share continued

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, excluding treasury shares (see note 17).

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.

All share options, warrants and Long-Term Incentive Plan awards in issue are not dilutive at the year end as the exercise prices were above the average share price for the period. However, these could become dilutive in future periods.

Adjusted earnings per share

Adjusted earnings represent 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 hybrid credit participation fees, together with the tax effects thereon. Given the sensitivity of the inputs used to determine the fair value of its investments, the Group believes that adjusted earnings is a better reflection of its ongoing financial performance.

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.

	2024 £'000	2023 £'000
Total comprehensive income for the year	11,608	19,592
Unrealised fair value losses/(gains)	6,584	(9,111)
Expected credit (gains)/losses	(14)	20
Share-based payments	938	969
Transaction costs net of costs reimbursed	1,120	686
Tax effect of the adjustments above at Group effective rate	(494)	306
Adjusted earnings	**20,012**	12,462

	2024	2023
Adjusted earnings for the year (£'000)	20,012	12,462
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	412,955	397,991
Adjusted earnings per share (pence)	4.85	3.13

	2024	2023
Diluted adjusted earnings for the year (£'000)	20,012	12,462
Diluted weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	412,955	397,991
Diluted adjusted earnings per share (pence)	4.85	3.13

9. Hybrid credit investments

Hybrid credit investments are financial assets held at FVTPL that relate to the provision of hybrid credit capital to a diversified portfolio of companies.

	31-Mar-24 £'000	31-Mar-23 £'000
At 1 April	191,333	160,479
Additions	42,012	23,809
Exits	(17,636)	-
(Loss)/profit on financial assets at FVTPL	(4,761)	7,045
As at 31 March	**210,948**	191,333

Hybrid credit investments are comprised of:

	31-Mar-24 £'000	31-Mar-23 £'000
Non-current	177,589	158,540
Current	33,359	32,793
	210,948	191,333

9. Hybrid credit investments continued

Hybrid credit investment income on the face of the Consolidated Statement of Comprehensive Income comprises:

	2024 £'000	2023 £'000
Hybrid credit interest	23,689	21,364
Hybrid credit premiums	3,578	–
Total hybrid credit cash revenue	27,267	21,364
Hybrid credit equitised revenue	600	–
(Loss)/gain on hybrid credit assets at FVTPL	(4,761)	7,045
Loss on hybrid credit liabilities at FVTPL	(92)	(143)
Hybrid credit investment income	23,014	28,266

All financial assets held at FVTPL are mandatorily measured as such.

The Group's hybrid credit investment assets comprise hybrid credit financing agreements with 15 (31 March 2023: 15) investees. Under the terms of these agreements the Group advances funds in exchange for annualised hybrid credit 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.

10. Term credit investments

Term credit investments are financial assets held at amortised cost with the exception of the £2.2 million loan issued at 0% interest. The impact of discounting is immaterial to the Consolidated Financial Statements.

	31-Mar-24 £'000	31-Mar-23 £'000
At 1 April	4,652	4,172
Additions	750	2,500
Buybacks	–	(2,000)
ECL allowance	(20)	(20)
As at 31 March	5,382	4,652

The Group's term credit investments comprise secured loans advanced to two entities (2023: two) in connection with the Group's hybrid credit investments.

The loans comprise fixed rate loans of £5,382,000 (31 March 2023: £4,652,000) which bear interest at rates of between 0% and 5% (2023: 0% and 15%). The total interest receivable during the year was £453,000 (31 March 2023: £339,000).

The term credit investments mature as follows:

	31-Mar-24 £'000	31-Mar-23 £'000
In less than one year	–	–
In one to two years	5,382	4,652
In two to five years	–	–
	5,382	4,652

Term credit investment income on the face of the Consolidated Statement of Comprehensive Income comprises:

	2024 £'000	2023 £'000
Loan interest charged	453	339
	453	339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the year ended 31 March 2024

10. Term credit investments continued

ECL analysis

The measurement of ECLs is primarily based on the product of the instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Group analyses a range of factors to determine the credit risk of each investment. These include, but are not limited to:

- liquidity and cash flows of the underlying businesses
- security strength
- covenant cover; and
- balance sheet strength

If there is a material change in these factors, the weighting of either the PD, LGD or EAD increases, thereby increasing the ECL impairment.

The disclosure below presents the gross and net carrying value of the Group's credit investments by stage:

As at 31 March 2024	**Gross carrying amount £'000**	**Allowance for ECLs £'000**	**Net carrying amount £'000**
Stage 1	**5,402**	**(20)**	**5,382**
Stage 2	**–**	**–**	**–**
Stage 3	**–**	**–**	**–**
	5,402	**(20)**	**5,382**

As at 31 March 2023	Gross carrying amount £'000	Allowance for ECLs £'000	Net carrying amount £'000
Stage 1	4,692	(40)	4,652
Stage 2	–	–	–
Stage 3	–	–	–
	4,692	(40)	4,652

Under the ECL model introduced by IFRS 9, impairment provisions are driven by changes in credit risk of instruments, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial recognition.

The credit risk profile of the investments has not increased materially and they remain Stage 1 assets. Minor expected credit losses have been charged for the Stage 1 assets.

The following table analyses the Group's provision for ECLs by stage:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Carrying value at 1 April 2022	72	–	–	72
Expected credit losses on credit investments in year	22	–	–	22
Refinanced loans	(2)	–	–	(2)
Carrying value at 31 March 2023	92	–	–	92
Expected credit losses on credit investments in year	**20**	**–**	**–**	**20**
Expected credit losses on other receivables in year	**(34)**	**–**	**–**	**(34)**
Carrying value at 31 March 2024	**78**	**–**	**–**	**78**

11. Equity investments

Equity investments are financial assets held at FVTPL.

	31-Mar-24 £'000	31-Mar-23 £'000
At 1 April	**13,529**	10,820
Additions - cash	**3,799**	500
Additions - equitised revenue	**600**	-
Disposals	**(3)**	-
Proceeds on sale	**(2,323)**	-
Proceeds on sale - deferred	**(1,574)**	-
Gain on equity assets at FVTPL	**1,877**	2,209
As at 31 March	**15,904**	13,529

During the year, Fabrikat was sold for total proceeds of £3.9 million. This includes a realised gain of £1.6 million and aggregated unrealised gains of £2.3 million since the investment was purchased for £3,000, for a total realised gain of £3.9 million.

The Group's net equity investments comprise unlisted shares in 13 capital partners (31 March 2023: 11).

The Group has zero (31 March 2023: two) unlisted investments in mining entities from its previous investment objectives.

Equity investment income on the face of the Consolidated Statement of Comprehensive Income comprises:

	2024 £'000	2023 £'000
Unrealised gain on equity assets at FVTPL	**325**	2,209
Realised gain on equity assets at FVTPL	**1,551**	-
Dividend income	**48**	3
	1,925	2,212

12. Hybrid credit debt liabilities

Hybrid credit debt liabilities are financial liabilities held at fair value through profit or loss.

	31-Mar-24 £'000	31-Mar-23 £'000
At 1 April	**1,142**	1,111
Payments made	**(130)**	(112)
Gain on hybrid credit debt liabilities at fair value through profit or loss	**92**	143
As at 31 March	**1,104**	1,142

Hybrid credit debt liabilities are comprised of:

	31-Mar-24 £'000	31-Mar-23 £'000
Non-current	**934**	988
Current	**170**	154
	1,104	1,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2024

13. Trade and other receivables

	31-Mar-24 £'000	31-Mar-23 £'000
Current		
Prepayments and accrued income	101	59
Other receivables	742	2,231
	843	2,290
Non-current		
Other receivables	1,574	-
	2,417	2,290

14. Trade and other payables

	31-Mar-24 £'000	31-Mar-23 £'000
Current		
Trade payables	13	
Transaction costs	342	
Accruals and deferred income	106	
	461	
Non-current		
Transaction costs	1,063	1,314
	1,524	1,747

15. Borrowings

	31-Mar-24 £'000	31-Mar-23 £'000
Current – accrued interest	632	441
Non-current	69,772	53,930
	70,404	54,371

In January 2023, the Group entered into a new credit facility agreement with Fairfax Financial Holdings Limited and certain of its subsidiaries ("Fairfax") and issued Fairfax 41,615,134 warrants. Refer to note 18 for details. The facility term is up to £100 million to replace Duke's existing £55 million term and revolving facilities. The credit facility has a five-year term, expiring in January 2028 with a bullet repayment on expiry and no amortisation payments during the five-year term. Furthermore, the interest rate is equal to SONIA plus 5.00% per annum, which represents a 225bps improvement on Duke's previous rate of SONIA plus 7.25%.

At 31 March 2024, £27,000,000 was undrawn on the facility (31 March 2023: £42,000,000).

At 31 March 2024, £2,125,000 (31 March 2023: £2,679,000) of unamortised warrant costs remained outstanding.

At 31 March 2024, £1,103,241 (31 March 2023: £1,391,000) of unamortised legal costs and fees remained outstanding.

The table below sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2024 and prior year.

	Interest payable £'000	Borrowings £'000
At 1 April 2023	441	53,930
Cash movements		
Loan advanced	-	15,000
Loan repaid	-	-
Deferred finance costs paid	-	-
Interest paid	(6,222)	-
Non-cash movements		
Deferred finance costs released to P&L	-	842
Interest charged	6,413	-
At 31 March 2024	632	69,772

15. Borrowings continued

	Interest payable £'000	Borrowings £'000
At 1 April 2022	362	47,740
Cash movements		
Loan advanced	–	71,250
Loan repaid	–	(61,450)
Deferred finance costs paid	–	(2,347)
Interest paid	(3,976)	–
Non-cash movements		
Deferred finance costs released to P&L – old credit facility	–	1,416
Deferred finance costs released to P&L – new credit facility	–	92
Issue of warrants	–	(2,771)
Interest charged	4,055	–
At 31 March 2023	441	53,930

16. Goodwill

	Goodwill £'000
Opening and closing net book value at 1 April 2022, 31 March 2023 and 31 March 2024	**203**

The goodwill has not been assessed for impairment on the basis of materiality.

17. Share capital

Allotted, called up and fully paid	External shares No.	Treasury shares No.	Total shares No.	£'000
At 1 April 2022	348,614	10,190	358,804	153,974
Shares issued for cash during the year	57,143	–	57,143	20,000
Share issuance costs	–	–	–	(1,115)
PSA shares vested during year	1,800	(1,800)	–	–
Shares issued to Employee Benefit Trust during the year	–	1,382	1,382	–
Shares issued to key advisers as remuneration	205	–	205	80
At 31 March 2023	407,762	9,772	417,534	172,939

Allotted, called up and fully paid	External shares No.	Treasury shares No.	Total shares No.	£'000
At 31 March 2023	**407,762**	**9,772**	**417,534**	**172,939**
Shares issued for cash during the year	**–**	**–**	**–**	**–**
Share issuance costs	**–**	**–**	**–**	**–**
PSA shares vested during year	**7,665**	**(7,665)**	**–**	**–**
Shares issued to Employee Benefit Trust during the year	**–**	**–**	**–**	**–**
Shares issued to Directors and key advisers as remuneration	**–**	**–**	**–**	**–**
At 31 March 2024	**415,427**	**2,107**	**417,534**	**172,939**

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 Capital Employee Benefit Trust are treated as treasury shares. The rights to dividends and voting rights have been waived in respect of these shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2024

18. Equity-settled share-based payments

Warrant reserve

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

	Warrants	
	No. (000)	£'000
At 1 April 2023	43,990	3,036
Issued during the year	–	–
Lapsed during the year	–	–
At 31 March 2024	**43,990**	**3,036**

The warrants expire in January 2028 and have an exercise price of 45 pence. As per IFRS 2, the warrants have been valued using the Black Scholes model. A total expense of £2,771,000 has been capitalised and will be amortised over the life of the warrants. In the year to 31 March 2024, an expense of £554,000 (2023: £92,000) was recognised through finance costs in relation to the warrants.

At 31 March 2024, 43,990,000 (31 March 2023: 43,990,000) warrants were outstanding and exercisable at a weighted average exercise price of 45 pence (31 March 2023: 45 pence). The weighted average remaining contractual life of the warrants outstanding was 3.45 years (31 March 2023: 4.56 years).

Share-based payment reserve

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

	Share options £'000	LTIP £'000	Total £'000
At 1 April 2022	136	2,342	2,478
LTIP awards	–	969	969
At 31 March 2023	136	3,311	3,447
LTIP awards	**–**	**938**	**938**
At 31 March 2024	**136**	**4,249**	**4,385**

Share option scheme

The Group operates a share option scheme ("the Scheme"). The Scheme was established to incentivise Directors, staff and key advisers and consultants to deliver long-term value creation for shareholders.

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

In October 2023, the 200,000 options outstanding and exercisable at 31 March 2023 lapsed. Therefore there were nil options outstanding and exercisable at 31 March 2024.

	Share options No. (000)
At 1 April 2022 and 31 March 2023	**200**
Lapsed during the year	**200**
At 31 March 2024	**–**

18. Equity-settled share-based payments continued

Long-Term Incentive Plan

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

The fair value of the LTIP awards consists of (a) the fair value of the TSR portion; and (b) the fair value of the TCAD per share portion. Since no consideration is paid for the awards, the fair value of the awards is based on the share price at the date of grant, as adjusted for the probability of the likely vesting of the performance conditions. Since the performance condition in respect of the TSR portion is a market condition, the probability of vesting is not revisited following the date of grant. The probability of vesting of the TCAD per share portion, containing a non-market condition, is reassessed at each reporting date. The resulting fair values are recorded on a straight-line basis over the vesting period of the awards.

On 1 October 2020, 6,665,000 PSAs were granted to Directors and key personnel with a fair value of £1,093,478. An expense of £364,493 was recognised in administration and personnel costs in the Consolidated Statement of Comprehensive Income.

On 3 January 2021, 1,000,000 PSAs were granted to Directors and key personnel with a fair value of £164,063. An expense of £54,688 was recognised in administration and personnel costs in the Consolidated Statement of Comprehensive Income.

On 1 October 2021, 2,108,000 PSAs were granted to Directors and key personnel with a fair value of £671,926. An expense of £223,771 was recognised in administration and personnel costs in the Consolidated Statement of Comprehensive Income.

On 1 October 2022, 3,954,700 PSAs were granted to Directors and key personnel with a fair value of £840,376. An expense of £139,935 was recognised in administration and personnel costs in the Consolidated Statement of Comprehensive Income.

On 28 July 2023, 3,662,900 PSAs were granted to Directors and key personnel with a fair value of £892,834. An expense of £223,209 was recognised in administration and personnel costs in the Consolidated Statement of Comprehensive Income.

At 31 March 2024, 9,725,600 (31 March 2023: 13,727,000) PSAs were outstanding. The weighted average remaining vesting period of these awards outstanding was 1.3 years (2023: 1.2 years).

19. Distributable reserves

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

20. Dividends

The following interim dividends have been recorded in the periods to 31 March 2023 and 31 March 2024:

Record date	Payment date	Dividend share pence/share	Dividends payable £'000
25 March 2022	12 April 2022	0.70	2,440
1 July 2022	12 July 2022	0.70	2,842
30 September 2022	12 October 2022	0.70	2,842
23 December 2022	12 January 2023	0.70	2,855
Dividends paid for the period ended 31 March 2023			10,979
31 March 2023	**12 April 2023**	**0.70**	**2,854**
23 June 2023	**12 July 2023**	**0.70**	**2,854**
29 September 2023	**12 October 2023**	**0.70**	**2,908**
29 December 2023	**12 January 2024**	**0.70**	**2,908**
Dividends paid for the period ended 31 March 2024			**11,524**

A further quarterly dividend was paid post year end; refer to note 25 for details.

Rights to dividends have been waived in respect of shares held by the Group's Employee Benefit Trust (see note 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2024

21. Deferred tax

The temporary differences for deferred tax are attributable to:

	Hybrid credit	Equity investment £'000s	Tax losses £'000s	Total £'000s
1 April 2022	156	-	-	156
Credited to profit & loss	44	-	-	44
At 31 March 2023	200	-	-	200
Charged to profit & loss	(3)	-	211	208
At 31 March 2024	**197**	**-**	**211**	**408**

A deferred tax asset has been recognised as it is expected that future available taxable profits will be available which the Group can use against the current year tax losses.

22. Related parties

Directors' fees

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

	Base fees 2024 £'000	**Share-based payments 2024 £'000**	**Annual bonus 2024 £'000**	**Total 2024 £'000**	Basic fees 2023 £000	Share-based payments 2023 £000	Annual bonus 2023 £000	Total 2023 £000
Non-Executive								
N Birrell	**60**	**-**	**-**	**60**	40	-	-	40
M Wrigley	**45**	**-**	**-**	**45**	30	-	-	30
M Wilms	**45**	**-**	**-**	**45**	30	-	-	30
Executive								
N Johnson	**300**	**243**	**240**	**783**	240	248	240	728
C Cannon Brookes	**300**	**221**	**216**	**737**	216	216	216	648
	750	**464**	**456**	**1,670**	556	464	456	1,476

Fees relating to Charles Cannon Brookes are paid to Arlington Group Asset Management Limited.

Directors' fees include the following expenses relating to awards granted under the Group's Long-Term Incentive Plan (see note 18):

	2024 £'000	2023 £'000
N Johnson	**243**	248
C Cannon Brookes	**221**	216
	464	464

At 31 March 2024, no Directors' fees were outstanding (2023: no fees outstanding).

Investment Committee fees

The Group's Investment Committee assists in analysing and recommending potential hybrid credit transactions and its members are considered to be key management along with the Directors.

The following fees were payable to the members of the Investment Committee during the year:

	2024 £'000	2023 £'000
A Carragher	**20**	20
J Romeo	**20**	20
J Cochrane	**20**	20
J Webster	**59**	113
	119	173

22. Related parties continued

Investment Committee fees include the following expenses relating to awards granted under the Group's Long-Term Incentive Plan (see note 18):

	2024 £'000	2023 £'000
J Webster	11	37

Support services administration fees

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

	2024 £'000	2023 £'000
Abingdon Capital Corporation	533	425
Arlington Group Asset Management Limited	100	93
	633	518

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, office rental and assisting the Board with the selection, execution and monitoring of capital partners and investment performance. Abingdon fees also includes fees relating to remuneration of staff residing in North America.

Share options and LTIP awards

The Group's related parties, either directly or beneficially, held share options issued under the Group's share option scheme and Long-Term Incentive Plan as follows:

	Share options		LTIP awards	
	2024 No.	2023 No.	2024 No.	2023 No.
N Johnson	–	–	2,729	3,382
C Cannon Brookes	–	–	2,457	3,144
J Webster	–	–	–	375
	–	–	5,186	6,901

Dividends

The following dividends were paid to related parties:

	2024 £'000	2023 £'000
N Johnson[1]	179	142
C Cannon Brookes[2]	257	212
N Birrell	37	35
M Wrigley	1	1
J Webster	18	9
J Cochrane	28	28
A Carragher	15	15
J Romeo	5	4
	540	446

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

2 Includes dividends paid to Arlington Group Asset Management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2024

23. 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:

	31-Mar-24 Level 3 £'000	31-Mar-23 Level 3 £'000
Financial assets		
Financial assets at FVTPL		
- Hybrid credit investments	**210,948**	191,333
- Equity investments	**15,904**	13,529
	226,852	204,862
Financial liabilities		
Financial liabilities at FVTPL		
- Hybrid credit debt liabilities	**1,104**	1,142
	1,104	1,142

The following table presents the changes in level 3 items for the years ended 31 March 2024 and 31 March 2023:

	Financial assets £'000	Financial liabilities £'000	Total £'000
At 1 April 2022	171,299	(1,111)	170,188
Additions	24,309	-	24,309
Hybrid credit income received	(28,266)	-	(28,266)
Hybrid credit participation liabilities paid	-	112	112
Net change in fair value	37,520	(143)	37,377
At 31 March 2023	204,862	(1,142)	203,720
Additions	**46,410**	**-**	**46,410**
Repayment	**(21,532)**	**-**	**(21,532)**
Hybrid credit income received	**(23,014)**	**-**	**(23,014)**
Hybrid credit participation liabilities paid	**-**	**130**	**130**
Net change in fair value	**20,126**	**(92)**	**20,034**
At 31 March 2024	**226,852**	**(1,104)**	**225,748**

23. Fair value measurements continued

Valuation techniques used to determine fair values

The fair value of the Group's hybrid credit financial instruments is determined using discounted cash flow analysis and all the resulting fair value estimates are included in level 3. The fair value of the equity instruments is determined applying an EBITDA multiple to the underlying business' forward-looking EBITDA. All 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 hybrid credit investments and hybrid credit participation liabilities

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

Discount rates for financial assets and financial liabilities

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

EBITDA multiples

These multiples are based on comparable market transactions.

Forward-looking EBITDA

These are estimated based on the projected underlying performance of the hybrid credit investee companies together.

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:

Hybrid credit investments

The unobservable inputs are the annual adjustment factor and the discount rate. The range of annual adjustment factors used is -6.0% to 6.0% (2023: -6.0% to 6.0%) and the range of risk-adjusted discount rates is 14.7% to 17.7% (2023: 14.7% to 17.7%).

An increase in the annual revenue growth rates (subject to the collars set under the terms of the hybrid credit financing agreements) of 5% would increase the fair value by £1,160,000 (2023: £929,000).

A reduction in the discount rate of 25 basis points would increase the fair value by £2,369,000 (2023: £2,289,000).

A decrease in the annual revenue growth rates (subject to the collars set under the terms of the hybrid credit financing agreements) of 5% would decrease the fair value by £1,362,000 (2023: £1,263,000).

An increase in the discount rate of 25 basis points would decrease the fair value by £2,616,000 (2023: £2,230,000).

Equity investments

The unobservable inputs are the EBITDA multiples and forward-looking EBITDA. The range of EBITDA multiples used is 4.2x to 8.0x (2023: 5.3x to 10.0x).

An increase in the EBITDA multiple of 25 basis points would increase fair value by £1,687,000 (2023: £1,378,000).

A decrease in the EBITDA multiple of 25 basis points would decrease fair value by £1,971,000 (2023: £1,378,000).

An increase in the forward-looking EBITDA of 5% would increase the fair value by £2,086,000 (2023: £1,575,000).

A decrease in the forward-looking EBITDA of 5% would decrease fair value by £2,406,000 (2023: £1,575,000).

Hybrid credit participation instruments

The unobservable inputs are the annual adjustment factor and the discount rate used in the fair value calculation of the hybrid credit investments. The range of annual adjustment factors used is –6.0% to 6.0% (2023: 0.4% to 6.0%) and the range of risk-adjusted discount rates is 16.3% to 17.7% (2023: 16.3% to 17.3%).

An increase in the annual adjustment factor (subject to the collars set under the terms of the hybrid credit financing agreements) of 5% would increase the fair value of the liability by £5,000 (2023: £5,000).

A reduction in the discount rate of 25 basis points would increase the fair value of the liability by £12,000 (2023: £9,000).

A decrease in the annual adjustment factor (subject to the collars set under the terms of the hybrid credit financing agreements) of 5% would decrease the fair value of the liability by £4,000 (2023: £9,000).

An increase in the discount rate of 25 basis points would decrease the fair value of the liability by £12,000 (2023: £14,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2024

24. Financial risk management

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

Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises are as follows:

	31-Mar-24 £'000	31-Mar-23 £'000
Financial assets held at FVTPL		
Hybrid credit investments	**210,948**	191,333
Equity investments	**15,904**	13,529
Total financial assets held at FVTPL	**226,852**	204,862
Financial assets held at amortised cost		
Term credit investments	**5,382**	4,652
Cash and cash equivalents	**2,896**	8,939
Trade and other receivables	**2,316**	2,290
Total financial assets held at amortised cost	**10,594**	15,881
Total financial assets	**237,446**	220,743
Financial liabilities held at amortised cost		
Bank borrowings	**(70,404)**	(54,371)
Trade and other payables	**(1,524)**	(1,747)
Total financial liabilities held at amortised cost	**(71,928)**	(56,118)
Financial liabilities held at FVTPL	**(1,104)**	(1,142)
Total financial liabilities	**(73,032)**	(57,260)

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

Market risk

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

Foreign exchange risk

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

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

The Board monitors foreign exchange risk on a regular basis. The Group's exposure to this risk is outlined below.

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

	31-Mar-24 Euro £'000	31-Mar-24 US Dollar £'000	31-Mar-24 CAD Dollar £'000	31-Mar-23 Euro £'000	31-Mar-23 US Dollar £'000	31-Mar-23 CAD Dollar £'000
Hybrid credit investment	**4,625**	**26,901**	**15,380**	9,779	27,330	11,304
Equity investments	**8,278**	**650**	**-**	6,760	-	1,377
Cash and cash equivalents	**81**	**34**	**273**	-	81	54
Trade and other receivables	**741**	**-**	**-**	2,231	-	-
Transaction costs payable	**-**	**(1,405)**	**-**	-	(1,629)	-
	13,725	**26,180**	**15,653**	18,770	25,782	12,735

24. Financial risk management continued

Market risk continued

Foreign exchange risk continued

If Sterling strengthens by 5% against the Euro, the net Euro-denominated assets would reduce by £654,000 (2023: £844,000). Conversely, if Sterling weakens by 5% the assets would increase by £722,000 (2023: £932,000).

If Sterling strengthens by 5% against the US Dollar, the net US Dollar-denominated assets would reduce by £1,247,000 (2023: £1,228,000). Conversely, if Sterling weakens by 5% the assets would increase by £1,378,000 (2023: £1,357,000).

If Sterling strengthens by 5% against the Canadian Dollar, the net Canadian Dollar-denominated assets would reduce by £745,000 (2023: £606,000). Conversely, if Sterling weakens by 5% the assets would increase by £824,000 (2023: £670,000).

Interest rate risk

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

The Group's main interest rate risks arise in relation to its hybrid credit investments, which are carried at fair value through profit or loss, and its borrowings, which are subject to an interest charge of one-month UK SONIA +5.00%. The Group's hybrid credit investments have a fair value at the reporting date of £210,948,000 (31 March 2023: £191,333,000). A sensitivity analysis in respect of these assets is presented in note 23.

The Group's borrowings at the reporting date are £69,772,000 (31 March 2023: £53,930,000); see note 15. A movement in the rate of SONIA of 100bps impacts loan interest payable by £697,000 (31 March 2023: £539,000).

Other price risk

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

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

A sensitivity analysis in respect of the annual adjustment factors applied to the hybrid credit investments is presented in note 23.

Credit risk

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

The Group's maximum exposure to credit risk is as follows:

	31-Mar-24 £'000	31-Mar-23 £'000
Hybrid credit investments	**210,948**	191,333
Term credit investments	**5,382**	4,652
Cash and cash equivalents	**2,896**	8,939
Trade and other receivables	**2,316**	2,290
	221,542	207,214

Hybrid credit investments

The hybrid credit investments relate to the Group's 15 hybrid credit financing agreements. At the reporting date, there was £7,492,000 of hybrid credit cash payments outstanding (31 March 2023: £4,423,000) from five capital partners (31 March 2023: three). Of this, £58,000 (31 March 2023: £nil) was received in the month post year end. Payment plans are being agreed to recover the £7,434,000 from all five capital partners over the next five years.

The Group monitors the creditworthiness of the investee companies on an ongoing basis and receives regular financial reports from each investee company. These reports are reviewed by the Board on a semi-annual basis. The credit risk relating to these investments is taken into account in calculating the fair value of the instruments.

The Group also has security in respect of the hybrid credit investments which can be called upon if the counterparty is in default under the terms of the agreement.

Term credit investments

The Group's term credit investments are held at amortised cost. All loans have been reviewed by the Directors. The Board considered the credit risk, both at issue and at the year end, and has determined that there have been no significant movements. Consequently, any loss allowance is limited to 12 months' expected losses and such allowances are considered to be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 March 2024

24. Financial risk management continued

Hybrid credit investments continued

Cash and cash equivalents

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

Moody's credit rating	31-Mar-24 £'000	31-Mar-23 £'000
A1	2,896	6,681
Baa1	-	2,220
Baa2	-	38
	2,896	8,939

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

Liquidity risk

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

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

At the year end the Group had access to an undrawn borrowing facility of £27,000,000 (2023: £42,000,000); see note 15.

The table below analyses the Group's hybrid credit investments and financial liabilities into relevant maturity groupings based on their undiscounted contractual maturities.

As at 31 March 2024	Less than one year £'000	One to five years £'000	Over five years £'000	Total £'000
Hybrid credit investments	33,898	136,474	769,167	939,539
Hybrid credit liabilities	153	925	2,535	3,613
Trade and other payables	(402)	(790)	(333)	(1,525)
Borrowings	(632)	(69,772)	-	(70,404)
	33,017	66,837	771,369	871,223

As at 31 March 2023	Less than one year £'000	One to five years £'000	Over five years £'000	Total £'000
Hybrid credit investments	25,967	149,279	747,951	923,197
Hybrid credit liabilities	121	571	3,540	4,232
Trade and other payables	(433)	(882)	(431)	(1,746)
Borrowings	(441)	(53,930)	-	(54,371)
	25,214	95,038	751,060	871,312

Capital management

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

25. Events after the financial reporting date

Dividends

On 12 April 2024 the Company paid a quarterly dividend of 0.70 pence per share.

New hybrid credit investments

On 3 May 2024, the Group announced a £4,000,000 follow-on investment into BPVA (Ireland) Limited.

COMPANY INFORMATION

Directors	Nigel Birrell (Chairman) Neil Johnson Charles Cannon Brookes Matthew Wrigley Maree Wilms	
Secretary and Administrator	IQ EQ Fund Services (Guernsey) Limited Ground Floor, Cambridge House Le Truchot St Peter Port Guernsey GY1 1WD	
Registered in Guernsey, number	54697	
Website address	**www.dukecapital.com**	
Registered office	Ground Floor, Cambridge House Le Truchot, St Peter Port Guernsey, GY1 1WD	
Independent auditor	BDO Limited Place du Pre, Rue de Pre St Peter Port Guernsey, GY1 3LL	
Co-brokers	Cavendish Financial plc One Bartholomew Close London, EC1A 7BL	Canaccord Genuity Limited 88 Wood Street London, EC2V 7QR
Nominated adviser	Cavendish Financial plc One Bartholomew Close London, EC1A 7BL	
Support service providers	Arlington Group Asset Management Ltd 47/48 Piccadilly London, W1J 0DT	Abingdon Capital Corporation 4 King Street W., Suite 401 Toronto, Ontario Canada, M5H 1B6
Registrar and CREST agent	Computershare Investor Services (Guernsey) Limited 3rd Floor, Natwest House Le Truchot, St Peter Port Guernsey, GY1 2JP	
Advocates to the Company as to Guernsey law	Appleby (Guernsey) LLP Hirzel Court Hirzel Street St Peter Port Guernsey, GY1 3BN	
Investment Committee	Jim Webster (Chairman) Neil Johnson Charles Cannon Brookes	Andrew Carragher Justin Cochrane John Romeo

Design and Production
www.carrkamasa.co.uk

MIX
Paper | Supporting responsible forestry
FSC® C022913
FSC www.fsc.org

DUKE CAPITAL

Grand Floor,
Cambridge House,
Le Truchot,
St Peter Port,
Guernsey,
GY1 1WD

www.dukecapital.com