



ANNUAL REPORT

for the year ended 31 March 2020



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Duke Royalty Limited ("Duke Royalty" or the "Company") is a Guernsey registered investment holding company incorporated with limited liability.

Its shares are traded on the AIM market of the London Stock Exchange ("AIM").

The "Group" is defined as the Company, its subsidiaries Duke Royalty UK Limited, Capital Step Holdings Limited, Capital Step Funding Limited, Capital Step Investments Limited and Capital Step Funding 2 Limited and The Duke Royalty Employee Benefit Trust.

Company registration number: 54697

Mission statement

Duke Royalty provides profitable, well-established SMEs with a long-term and flexible source of growth capital.

The Company and its experienced team is bringing a tried and tested alternative capital solution from North America to the UK and Europe.

Duke Royalty's investments provide robust, stable and long-term returns to its shareholders.

The long-term and diverse nature of these investments, alongside the flexible nature of royalty financing, means we are confident of our model heading into a post-Covid-19 future.

Duke Royalty has **deep and proven experience** investing across a range of sectors, geographies and transaction types.

Highlights

Cash distributions from royalty partners

+91%

2020: £10.2m
2019: £5.4m

Net cash inflow from operating activities

+65%

2020: £6.8m
2019: £4.1m

Dividend per share

2.95p

2019: 2.80p

Additional equity raised in October 2019

£17.5m

Revolving credit facility increased, on improved terms, to

£30m

Further capital deployed into existing royalty partners resulting in a more balanced portfolio

£20.4m





Our solution: **Royalty finance**

Receive **capital**, retain **control**...

We provide capital to profitable, long-term businesses where our returns do not require an 'exit event' or lump sum repayment, therefore truly aligning us to our royalty partners.

Royalty financing is a long-term contractual interest which generates a consistent monthly cash flow stream, akin to a 'corporate mortgage' and sometimes referred to as 'revenue-based financing'.

In providing our partners with a lump sum of capital with a term of 25-40 years and no bullet repayment, we allow business owners to retain control with minimal or no dilution and without re-financing risk. Since the agreement is structured to ensure our return is generated through the cash flow of the business, it enables management to focus on growth instead of what is known as the 'refinancing treadmill.'

The distribution payable to Duke is reset annually, subject to a ceiling and a floor, according to the revenue performance of our partners.

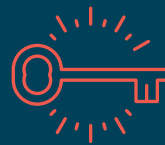
Royalty financing is a proven, flexible financing option used successfully by North American companies for decades as an alternative to equity and debt financing.

Benefits over equity



Control over any refinancing

Unlike private equity, the owners are in control of the timing of a refinancing event or exit



Ownership preservation

We provide a minimally-dilutive solution allowing business owners to retain control



A passive, long term partner

No pressure for an exit or liquidity event, no focus on short-term profit maximisation. We provide capital in return for a predictable and manageable monthly cash return which fluctuates with revenues over a term of 25+ years

Benefits over debt



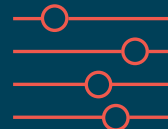
No refinancing risk

The business controls the timing of the refinancing event



Covenant light capital

Royalty finance is less restrictive and less intrusive than debt. It can subordinate to senior debt and requires no personal guarantees



Variable payment structure

Distributions fluctuate with revenue, there is no repayment of principal at the end of the royalty's life and the term is extended over decades



Follow-on financing

We are a partner to businesses and our listing on the London Stock Exchange means that we can provide an ongoing source of capital which can be made available in situations where traditional forms of debt are difficult to obtain



Royalty partners

Duke has deep and proven experience investing across a range of sectors, geographies and transaction types. The graphic below showcases the geographical regions and sectors of our current royalty partners, as well as providing the unaudited pro-forma fair values of each. The unaudited pro-forma fair value reflects the audited fair value of each investment at the balance sheet date adjusted for the cost of follow on investments made post year end.



Case study

Royalty partner Miriad Products

EQUITY RESTRUCTURING

- Duke Royalty delivered £10.0 million of capital to Miriad Products, the UK's largest privately-owned recreational vehicle parts wholesale company, in February 2019
- The royalty finance agreement enabled the existing owners to partially realise their investment in Miriad in line with its strategy to foster a new ownership structure
- This made equity available to build the Board and to incentivise a strong second tier team to grow the business

“Duke’s capital was a perfect fit for our objectives. Being owners for 20 years, the nature and flexibility of Duke’s capital means we can continue to be involved in the future of the business, while receiving value for what we have built to date. Duke provides us with a key stepping stone in our long-term succession planning, and enables us to offer the right sort of incentivisation to attract new members to our shareholder team.”

Michael Ham
Group Managing Director of Miriad

Miriad has been established for over 40 years in the recreational vehicle and leisure industry, supplying and distributing to retailers and OEMs across the UK and Europe.



Chairman's statement

"I am pleased to report that cash received from the Company's royalty and loan investments in FY20 totalled £10.2 million, which represented an increase of 91% from FY19's £5.4 million."

NIGEL BIRRELL, Chairman



FY20 represented a period of considerable progress for Duke Royalty, with cash flow from operations increasing materially year on year on the back of further deployments of capital into the Company's diverse royalty portfolio. The operational team was also strengthened with the appointment of a full time Finance Director. The Company now has a team of professionals in place that can manage its growth for the foreseeable future.

The health and wellbeing of our employees and stakeholders is the priority for the Company at this time. In response to the initial outbreak of Covid-19, Duke implemented its business continuity plan prior to the UK government's official request for employees to work from home where possible. From an operational standpoint, the continuity plan is proving effective and the Company is well placed to continue to undertake its activities while its employees work remotely. I will come back to our Covid-19 response later in my statement and Neil Johnson provides more detail in his CEO Statement.

As a reminder to shareholders of the material events that occurred during the year under review, in May 2019 Duke Royalty reached agreement with Royalty Partners Welltel (Ireland) Limited ("Welltel"), Step Investments ("Step"), and Xtremepush Limited ("XP"), to modify the terms of existing agreements by extending out the maturity dates of the loans that were acquired as part of the February 2019 acquisition of Capital Step. Several additional follow-on investments were also made into the Company's existing 12 Royalty Partners over the course of FY20, the most material of which were the investments made into Welltel, Lynx Equity UK Ltd ("Lynx UK") and Bakhchysarai (Ireland) Limited ("BIL"). It should be noted that all three of these companies are conducting buy and build strategies in their respective sectors and it is pleasing that each has now conducted several follow-on transactions with Duke's capital. Importantly, they have publicly commented that Duke's long dated and aligned capital is the perfect fit for their business models.

To focus on these specific follow-on deals, in May 2019 Duke invested £1.4 million into Welltel to settle all outstanding deferred consideration payments in relation to Welltel's two previous acquisitions of ATS and Eyrco. Then, in January 2020 a further £2.0 million was invested into Welltel to provide it with the funds to acquire Invistech Limited, a long established and profitable IT managed service and telecommunications business. I am pleased to report that subsequent to FY20, Duke has made two additional investments into Welltel, the first in June 2020 for £2.3 million to acquire Globalnet Solutions Limited, trading as Novi ("Novi") and the second in August 2020 to acquire Intellicom Ireland Limited ("Intellicom"). This Intellicom follow-on financing represented the fifth tranche of capital invested by Duke in Welltel since 2017. Based on the increased total investment of £13.5 million, Welltel now represents the largest investment in the Duke portfolio. As a result of taking Duke's capital, Welltel has grown to be one of the largest technology service providers in Ireland, with over 3,500 enterprise clients and in 2019 was named in the Deloitte "Fast 50" (Ireland) for the sixth consecutive year, as well as the "Fast 500" (EMEA) for the first time.

In November 2019, Duke invested £2.0 million to fund Lynx UK's acquisition of Danish manufacturer, Sundby Trapper ("Sundby"). Sundby is a manufacturer of specialised steel staircases and related products in Denmark and throughout the Nordic region and was founded in 1964. In March 2020, Duke invested a further £1.0 million into Lynx UK to fund the acquisition of Danish manufacturer, Arkas A/S ("Arkas"). Arkas is a manufacturer of bespoke garage doors and single doors for commercial and residential applications that was founded in 1986. The Arkas acquisition represented Lynx UK's sixth acquisition within the UK and Europe and takes Duke's exposure into Lynx to £13.0 million, thereby making Lynx the second largest investment in the Duke portfolio.

In January 2020, Duke invested £7.7 million as a follow-on contribution into BIL. BIL is the investment holding

Net cash inflow from operations

£6.8m

+65% (2019: £4.1m)

Adjusted earnings

£5.2m

+74% (2019: £3.0m)

Dividend per share

2.95p

+5.4% (2019: 2.80p)

company created to execute a buy and build strategy of synergistic companies within the Irish/UK recruitment sector, which commenced with the management buyout of Brightwater Selection (Ireland) Limited ("Brightwater"). Duke's new capital supported BIL's second acquisition, PharmEng Limited ("PE Global"), which is one of the leading Healthcare and Life Sciences Recruiters in Ireland with a growing presence in the UK. The deal took Duke's exposure in BIL to £9.4 million.

On the financing side, in October 2019 Duke successfully completed an equity fundraising of approximately £17.5 million via the issue and allotment of 39,667,899 new ordinary shares at 44 pence per share. Subsequent to this equity raise, in November 2019 the Company paid down the outstanding balance of its legacy revolving credit facility ("New Credit Facility") with Honeycomb Investment Trust from £11.65 million to zero. This allowed Duke to take advantage of enhanced terms which it had negotiated with Honeycomb under a new facility which involved a reduction in the interest rate from one-month UK LIBOR + 9.5% to one-month UK LIBOR + 7.25%.

Regarding the dividend, the aggregate FY20 cash dividend pay-out was 2.95p per share, which represented an increase of 5% from the previous year's cash dividend of 2.80p per share. As at the end of FY20, Duke had paid out over £12.7 million in dividends to shareholders and intends to continue to pay out a share of its operating cash flow to shareholders in future periods. However, post year end and in light of the exceptional stresses and challenges presented by the Covid-19 pandemic, the Company felt it would be prudent to retain cash as much as possible to support its portfolio in the short term. Management thereby elected to pay shareholders a scrip dividend instead of its normal cash dividend. In line with previous public announcements, Duke announced the payment of a scrip dividend of 0.5p per share for Q1 FY21 and has confirmed the same 0.5p scrip pay-out will be made for Q2 FY21.

As regards the financial performance in FY20, the Group saw cash flows from its operating activities increase significantly. I am pleased to report that cash received from the Company's royalty and loan investments in FY20 totalled £10.2 million, which represented an increase of 91% from FY19's £5.4 million. This year on year increase reflected additional capital deployment into the Company's royalty portfolio, positive adjustment factors achieved on existing investments as well as the positive financial effects of the acquisition of Capital Step. Net cash inflow from operating activities, which takes Duke's operating costs and tax paid into account, also rose significantly to £6.8 million in FY20, an increase of 65% versus the £4.1 million generated in FY19.

Due to the nature of IFRS 9 reporting, the Group's royalty investments are classified at fair value through profit or loss which leads to non-cash movements in the fair values of every investment at each reporting date. As a direct result of the Covid-19 pandemic and the likely negative impact on short term operating performance and revenue generation of the Company's Royalty Partners, the Company made total non-cash write-downs of £15.6m against its investment portfolio. These write-downs were the main factor in the Company reporting a total comprehensive loss for the period of £8.9 million in FY20 versus a profit of £1.8 million for FY19. To assist shareholders in accurately analysing the Company's true operating performance, Duke publishes a non-IFRS measure of 'Adjusted Earnings,' which represents the Group's underlying operating performance from core activities. Adjusted Earnings for the year FY20 totalled £5.2 million, a 74% increase over FY19. A detailed breakdown and reconciliation of the calculation of Adjusted Earnings can be found in note 7 to the Consolidated Financial Statements.



Chairman's statement continued

It was pleasing to note that Q1 FY21 cash revenue, being cash distributions from its Royalty Partners and cash gains from sales of equity assets, still totalled over £2.0 million.

As I am sure all shareholders are aware, the Covid-19 pandemic emerged very near the end of the FY20 period and has since had a dramatic global effect on many businesses and sectors. Duke has been working closely with its Royalty Partners over the past six months, post FY20, to fully understand the impact of Covid-19 on their businesses and to ensure that they are provided with the necessary support to trade through this challenging period. By design, Duke's long-term capital is structured to be aligned with its Royalty Partners, their owners and managers through the ups and downs of economic cycles. And whilst short term impacts to Duke's portfolio are inevitable during the pandemic, I am pleased with the ongoing resilience demonstrated by the Group's portfolio as a whole.

We have seen a range of effects of the pandemic on the financial results of our Royalty Partners. Since April 2020, the Company has focused its efforts on ensuring that those Royalty Partners most impacted by the Covid-19 pandemic have been given the financial flexibility to manage their cash flow challenges, while also backing those Royalty Partners who are benefitting in the current climate. In certain circumstances, forbearance agreements were structured to cover the six-month period ending September 2020. Rather than surrendering this revenue, these agreements mean Duke's forgone cash distributions for the first six months of the pandemic have been either accrued, capitalised or equitised.

Despite the expected reduction in cash revenue generated from the Company's royalty partners as a result of entering into these forbearance agreements, it was pleasing to note that Q1 FY21 cash revenue, being cash distributions from its Royalty Partners and cash gains from sales of equity

assets, still totalled over £2.0 million. In addition, Duke recently reported that the cash revenue that it expects to receive from its Royalty Partners in Q2 FY21 will exceed £2.4 million and that it expects to see a continuing positive trend of increasing quarterly cash revenues for the period Q3 FY21.

Although it is clear that the macroeconomic environment is still volatile and uncertain, and that this is expected to continue for the foreseeable future, I would like to re-emphasise to investors that Duke continues to be a high margin and profitable business with a low fixed cost base and is therefore well-placed to trade through this challenging period. The Company's liquidity position remains strong and I look forward to being able to report on a more normalised trading environment shortly at which time we can reinstate official Company forecasts. Moreover, I firmly believe that the recent challenging operating environment has strengthened the relationship that Duke has with its current Royalty Partners and has provided confirmation that Duke is a long term and supportive capital provider the benefits of which should be felt in future periods.

As always, I am appreciative of the ongoing support of our shareholders and am pleased to report the Chairman's statement for FY20. I look forward to being able to report on the Group's ongoing progress and development in future periods.

NIGEL BIRRELL
Chairman

16 September 2020

Case study

Royalty partner Bakhchysarai

MANAGEMENT BUYOUT AND ACQUISITION

- Duke Royalty delivered £1.9 million of capital to Bakhchysarai (Ireland) Limited (BIL) to fund the management buyout of Brightwater Selection
- The management buyout, completed in September 2018, was led by industry veteran and incumbent Managing Director Barbara McGrath
- Duke also helped BIL complete its second acquisition in January 2020 with funding of £7.7 million when it acquired PE Global, one of the leading Healthcare and Life Sciences Recruiters in Ireland

“From our first meeting, Duke Royalty understood our objectives and felt like the perfect funding solution to support our ambitious growth plans. The team’s attention to detail and clear communication meant that we felt very supported from beginning to end. I would have no hesitation in recommending their innovative funding solutions to other companies seeking capital.”

Barbara McGrath
Managing Director of Brightwater

Brightwater Selection specialises in the recruitment of professionals across professional services, technical services and executive for permanent, contract, temporary and interim management roles.



Chief Executive Officer's statement



I hope that you and your family are keeping safe as the world continues to adjust to the 'new normal' in our personal and business lives. This year, I wanted to address the Covid-19 pandemic, our company's response, and how we believe the post-

pandemic environment will accelerate the company's leading position in the UK alternative financing marketplace.

Before this however, it would be remiss of me not to mention the position of increased strength and robustness that the Company entered this extraordinary situation in, having made significant progress during FY20 in scaling our business. I would like to congratulate the team for working hard to achieve every objective that we set out to deliver on during the period under review. With operating cash flow enhanced by 65%, improved terms delivered on our revolving credit facility and a more diverse and balanced portfolio of royalties, we have been able to tackle the challenges facing nearly every business on the back of the pandemic in a flexible and supportive way, ultimately building trust with all our key stakeholder groups. We believe that this will hold us in very good stead for the medium to long term.

Our response to the Covid-19 pandemic, due to the Company's high profitability and small staff headcount, was prudent but not panicked. Once we had ensured the safety of our staff, our focus was to ensure we had the information we needed to assess the short-term impact of the pandemic. Our leadership experience through previous crises gave us confidence to not to make rash decisions. In fact, our view was picked up and published in a City newspaper, where we outlined our strategy of enacting a three-month battle plan for the business community at-large, arguing that they should weather the storm by focusing on cash preservation in the short term, without making large-scale, irreversible strategic decisions.

We are pleased to report that the Company, whilst implementing a cost-down plan reducing all non-essential expenditures, did not furlough or lay off any of our eight staff. Rather, we redeployed our efforts to supporting our Royalty Partners through this extraordinary period by helping them in their own three-month battle plans. The Company's commitment both to the internal employees and our wider portfolio companies has proven to bring many benefits to the human wellbeing and financial stability of our business. We feel that our strategy will benefit all the Company's stakeholders, and the results will be seen in the fullness of time.

The pandemic has required business owners of all sizes to access more capital and/or ask for forbearance from their lenders. While governments around the world took drastic steps to support small and medium sized businesses from the effects of the pandemic, the traditional banking system is simply not flexible enough to react swiftly, leaving many businesses having to look for alternative sources of capital. Duke Royalty's perspective is what is in the best interest of the company in the long-term, not the short-term. Because our capital is not repayable within five years, like almost any other form of debt in the marketplace, our response to crises can be flexible to ensure long-term preservation of value for both Duke Royalty's position and the business owner.

Looking forward, we believe that the pandemic will reinforce to business owners that the benefits to long-term capital partners can mean keeping control of their company. In times of short-term uncertainty, which we are undoubtedly in now, business owners look for long-term stability in their businesses. In a stressed business climate, traditional debt channels tighten and equity terms become unpalatable for many owner-operators, which is why we believe Duke Royalty's long-term capital will appeal to a wider and wider spectrum of owners as it becomes better known in the UK and Europe.

In the North American market, royalty financing has been proven in a number of previous periods of short-term economic uncertainty. Time and time again the resilience of the financing solution proves to be a benefit to both the royalty provider and business owner. Royalty company shareholders, while by no means escaping from the downturn of capital markets, have traditionally fared well over time because of the down-side protection the royalty form of financing affords them by being above equity in the capital table.

No one has been unaffected by the global pandemic and Duke Royalty and its portfolio is no exception. We took proactive steps to insulate the effects of the pandemic early in the outbreak and have been working to preserve value for our shareholders throughout. We firmly believe the steps we took and continue to make have given the best result possible, and as the world adjusts to the new normal, the results of our efforts will be clear. We also firmly believe the opportunity for our long-term form of financing is growing and Duke Royalty will be able to capitalise on its leadership position in providing corporate royalty finance to UK and European companies.

NEIL JOHNSON
Chief Executive Officer

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Directors



NIGEL BIRRELL, (CHAIRMAN)

Nigel Birrell is a Non-Executive Director and Chairman of the Company and works with the Executive Directors on deal origination and 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 Gibraltar-based gaming group Lottoland since 2014. Prior to Lottoland, Mr. Birrell was Group Director on the Executive Board at bwin.party digital entertainment plc (now GVC), the then world's leading online gaming business. He also served as a main board director of the FTSE 250 media group HIT Entertainment PLC and as CEO of Gullane plc during its integration with HIT. Prior to HIT, Mr. Birrell worked as an investment banker with both Dresdner Kleinwort Benson and later Donaldson, Lufkin & Jenrette (now Credit Suisse).

Mr. Birrell is also currently Non-Executive Chairman of Southern Rock Insurance Company Limited as well as chairing both its audit and remuneration committee and its risk compliance and investment committee.



NEIL JOHNSON

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

Mr. Johnson has more than 25 years of experience in investment banking, merchant banking and research analysis in both the Canadian and UK capital markets. In 2012 he co-founded and became Chief Executive Officer of Difference Capital Financial, a Canadian publicly listed merchant bank. For the previous 19 years he worked for Canaccord Genuity, first in Canada and later at Canaccord London rising to the positions of Head of Corporate Finance (Europe), Global Head of Technology, and a member of the Global Executive Committee.



CHARLES CANNON BROOKES

Charlie Cannon Brookes is an Executive Director of the Company and works alongside the CEO on deal origination, due diligence and structuring. In addition, Mr. Cannon Brookes is Duke Royalty's liaison with UK institutions/advisors.

Mr. Cannon Brookes has over 20 years investment experience. He is a Director of FCA authorised and regulated Arlington Group Asset Management Limited having jointly acquired the business in October 2004. Through Arlington, Mr. Cannon Brookes has been active in a variety of different investment management mandates and corporate finance transactions. In addition, he has successfully led a number of IPO and RTO transactions on the London markets.

**MARK LE TISSIER**

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

Mr. Le Tissier is the European Regional Director of Trident Trust with oversight over five offices, as well as the Managing Director of Trident Trust Company (Guernsey) Limited and has worked for Trident for over 20 years. He has extensive board-level experience and has an in-depth knowledge of Guernsey and other jurisdictions' corporate and investment regulations. Mr. Le Tissier is a Trust & Estate Practitioner who has also completed the IOD Programme in company direction and is resident in Guernsey.

**MATTHEW WRIGLEY**

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

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



Directors' report

The Directors present their Annual Report and the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2020.

Status and activity

The Company is an investment holding company incorporated on 22 February 2012 with limited liability in Guernsey under the Companies (Guernsey) Law, 2008. The Company has the following wholly owned subsidiaries: Duke Royalty UK Limited, Capital Step Holdings Limited and Capital Step Investments Limited. Capital Step Holdings Limited and Capital Step Investments Limited own the entire issued share capital of Capital Step Funding Limited and Capital Step Funding 2 Limited, respectively. All of these subsidiaries are registered in England and Wales. The Company also controls The Duke Royalty Employee Benefit Trust.

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

Equity issuance

On 31 October 2019, the Company announced that 39,668,000 new Ordinary Shares had been successfully placed or subscribed for at a price of 44 pence per share. This raised gross proceeds of approximately £17.5 million. Importantly, it also brought a number of new institutions onto the register, as well as support from a number of existing institutions.

Deployments of capital

During the year the Group focused on supporting its existing royalty partners. The core deployment highlights were as follows:

- £7.7 million ("the Financing") into existing royalty partner Bakhchysarai (Ireland) Limited ("BIL"). BIL is the investment holding company created to execute a buy and build strategy of synergistic companies within the Irish/UK recruitment sector, which commenced with the management buyout of Brightwater Selection (Ireland) Limited. Duke's new capital supported BIL's second acquisition, PharmEng Limited ("PE Global"), which is one of the leading Healthcare and Life Sciences Recruiters in Ireland with a growing presence in the UK.
- £3.4 million follow-on investment into Welltel (Ireland) Limited ("Welltel") in two tranches. As part

of the second tranche of the investment, the entire facility was refinanced on Duke's typical investment terms. The proceeds were used to acquire Invistech Limited, a long established and profitable IT managed service and telecommunications business. Invistech provides strategic geographical diversification and the opportunity to cross sell to Invistech's 450 SME customer base in southern Ireland.

- £3.0 million into Lynx Equity (UK) Ltd. ("Lynx UK") split across two separate tranches. The first tranche of £2.0 million was to finance the acquisition of Sundby Trapper, a Danish manufacturer of specialised steel staircases and related products in Denmark and throughout the Nordic region. The second tranche of £1.0m was to finance the acquisition of Arkas A/S ("Arkas"), a private, profitable manufacturer of bespoke garage doors and single doors for commercial and residential applications.

Since the year end, Duke has made two further follow on investments into Welltel as follows:

- A follow-on investment of £2.3 million to finance the acquisition of Globalnet Solutions Limited, trading as Novi ("Novi"). Novi is a well-regarded brand in the Irish technology market and a leading provider of proactive IT and cyber security services, including support and managed services, Cloud and Infrastructure, Data Protection and Recovery, Professional Services and other technologies that support the modernise and transform agenda.
- A further £3.0 million to finance the acquisition of Intellicom Ireland Limited ("Intellicom"). Intellicom specialises in the supply, installation and support of IP telephony solutions to over 350 corporate clients across Ireland, with a long track record of profitability. Intellicom's inter-connect capabilities presents attractive synergy opportunities to the enlarged Welltel group, whilst its strong corporate customer base provides high levels of contracted, recurring revenue, with very low historical customer churn and a long track record of profitability. This investment makes Welltel the largest single investment in Duke's portfolio.

COVID-19

Since April, the Company has focused its efforts on ensuring that its Royalty Partners most impacted by the Covid-19 pandemic have been given the financial flexibility to manage the challenges they are experiencing in relation to cash flow, while also backing those Royalty Partners who are benefitting in the current climate. In certain circumstances, forbearance agreements have been structured to cover the six-month period ending September 2020. Rather than surrendering its revenue, these agreements mean Duke's forgone cash distributions for the first six months of the pandemic have been either accrued, capitalised or equitised.

Debt facility

In October 2019, Duke Royalty UK Limited entered into a new £30 million revolving facility agreement with its existing debt provider, Honeycomb Investment Trust plc (the "New Credit Facility"), on improved terms. The previous facility, acquired as part of the Capital Step acquisition, was extinguished and replaced by the New Credit Facility, which has a five-year term expiring in October 2024 with straight line amortisation beginning in year four. It also has an interest rate equal to one-month UK LIBOR + 7.25% per annum, which represents an improvement of 225bps on the previous rate of one-month UK LIBOR + 9.50%.

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

Results and dividends

The Group's performance during the year is discussed in the Chairman's Statement on page 6. The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 31, which shows a loss for the year of £8.9 million and basic loss per share of (4.16) pence.

The loss for the year includes £15.6 million of write-downs across the investment portfolio. £12.6 million of these write-downs were in relation to the royalty and equity investment portfolio, refer to notes 8 and 10, and were caused by a revision to the growth rates as a result of Covid-19. The remaining £2.9 million write down was an expected credit loss provision made against the loan investment in Temarca, further details of which can be found in Note 9.

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

	2020 £000	2019 £000
Receipts from royalty investments	8,977	5,097
Receipts of interest from loan investments	1,268	257
Receipts from transaction costs reimbursed	90	308
Other interest income received	-	1
Payments for royalty participation fees	(168)	(161)
Operating expenses paid	(2,811)	(1,392)
Tax paid	(573)	-
Net cash inflow from operating activities	6,783	4,110

Operating cash flow per share for the year was 3.17 pence (2019 – 2.52 pence).



Directors' report continued

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, including royalty participation fees, together with the tax effects thereon.

Valuation and other non-cash movements such as those outlined are not considered by management in assessing

the level of profit and cash generation of the Group. Additionally, IFRS 9 requires transaction-related costs to be expensed immediately whilst the income benefit is over the life of the asset. As such, an adjusted earnings measure is used which reflects the underlying contribution from the Group's core activities during the year.

The Group's adjusted earnings for the year was £5,216,000 (2019 – £2,992,000). This gives rise to adjusted earnings per share of 2.44 pence (2019 – 1.83 pence).

	2020 £000	2019 £000
Total comprehensive income for the period	(8,898)	1,797
Unrealised fair value movements	12,641	(652)
Impairment loss on financial assets	2,947	-
Gain on warrants	-	(88)
Share-based payments	409	483
Transactions costs net	543	1,161
Royalty participation fees	-	432
Tax effect of the adjustments above	(2,426)	(141)
Adjusted earnings	5,216	2,992

At the year end the net assets attributable to the Ordinary Shareholders were £74,040,000 (31 March 2019: £72,108,000).

During the year, the Company's quarterly dividend policy was continued and dividends of £6,014,000 were paid during the financial year to 31 March 2020 (2019: £4,017,000). The Company's quarterly dividend was 0.7 pence per share paid in April and July 2019. Two further dividends of 0.75 pence per share were paid in October 2019 and January 2020. Subsequent to year end and despite the economic uncertainty surrounding Covid-19, the Company continued to pay quarterly dividends, paying a cash dividend of 0.75 pence per share in April 2020 and a further scrip dividend of 0.50 pence per share in July 2020.

Shareholder information

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

Annual General Meeting

The Annual General Meeting is to be held on 21 October 2020 at 2pm at 4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA. The notice and form of Proxy can be found on the Group's website.

Case study

Royalty partner United Glass Group

DEBT REFINANCING

- Duke provided United Glass Group*, one of the UK's leading independent glass merchants and processor groups, with initial funding of £6.5 million in April 2018
- The royalty finance agreement allowed management to refinance most of its outstanding debt and one of its subsidiaries, BGF
- It also facilitated the buyout of the remaining equity stake of a key operating subsidiary that it did not already own
- An additional £1.0 million of capital was delivered to the royalty partner by Duke in 2018 to acquire the freehold of a key operational premises

"The main attraction for choosing Duke Royalty as our financing partner was the long-term participating nature of its capital. At United Glass Group, we have a clear plan to grow both organically and via acquisition and we are happy to have removed the debt on our balance sheet and to have gained a supportive and aligned financing partner for the long term."

Mark Harrison
Group Managing Director of United Glass Group

United Glass Group is one of the UK's leading independent glass merchants and processors.

*formerly Brownhills Glass Group



Directors' responsibilities statement

For the year ended 31 March 2020

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 International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and

- prepare the Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Directors' interests

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

	ORDINARY SHARES 2020 Number 000	ORDINARY SHARES 2019 Number 000
N Birrell	845	845
N Johnson	3,650	3,507
C Cannon Brookes	5,557	5,400
J Cochrane	815	740
M Le Tissier	-	-
M Wrigley	27	27

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 16 to the Consolidated Financial Statements):

	SHARE OPTIONS 2020 Number 000	SHARE OPTIONS 2019 Number 000	LTIP AWARDS 2020 Number 000	LTIP AWARDS 2019 Number 000
Neil Johnson	85	85	2,200	1,350
Charles Cannon Brookes	85	85	1,550	950
Nigel Birrell	85	85	-	-
Justin Cochrane	70	70	175	175

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

	BASIC FEES 2020 £000	SHARE BASED PAYMENTS 2020 £000	ANNUAL BONUS 2020 £000	TOTAL 2020 £000	BASIC FEES 2019 £000	SHARE BASED PAYMENTS 2019 £000	TOTAL 2019 £000
Non-Executive							
N Birrell	26	-	-	26	24	20	44
J Cochrane*	35	17	-	52	35	17	52
M Wrigley	24	-	-	24	24	12	36
M LeTissier	-	-	-	-	-	-	-
Executive							
N Johnson	200	190	200	590	150	95	245
C Cannon Brookes	160	134	140	434	105	67	172
	445	341	340	1,126	338	211	549

* Resigned 11 March 2020



Directors' responsibilities statement continued

Directors' authority to buy back shares

A Shareholder resolution, which took effect upon Admission to AIM, has been passed granting the Board authority to make market purchases of up to 14.99 per cent of the Ordinary Shares in issue during any 12-month period. Any repurchase of Ordinary Shares will be made in accordance with the Articles of Association of the Company and the Companies (Guernsey) Law, 2008, as amended, and within guidelines established from time to time by the Board and will be at the absolute discretion of the Board, and not at the option of the Shareholders.

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

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

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

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

Shareholders' significant interests

At 1 September 2020 the following interests of shareholders in excess of 3% have been notified to the Company:

	ORDINARY SHARES	% OF ORDINARY SHARE CAPITAL
Canaccord Genuity Wealth Group	39,581,100	16.05%
Hargreaves Lansdown	23,902,824	9.87%
AXA Framlington Investment Managers	19,800,000	8.18%
GLG Partners	14,186,054	5.86%
Interactive Investor (EO)	10,932,063	4.51%
Premier Miton Investors	9,100,000	3.76%
Downing	8,702,000	3.59%
BMO Global Asset Management	7,933,439	3.28%

Case study

Royalty partner Welltel

ACQUISITION CAPITAL

- Duke has been Ireland-headquartered Welltel's funding partner of choice for five acquisitions and has provided £13.5 million of acquisition capital since 2017
- This has facilitated Welltel's buy and build strategy which, together with organic growth, has led it to become one of the largest technology service providers in Ireland
- Welltel was named in the Deloitte "Fast 50" (Ireland) in 2019 for the sixth consecutive year, as well as the "Fast 500" (EMEA) for the first time

"We are very pleased to have Duke Royalty as a long-term, supportive financing partner as we look forward to the next stage of our growth journey and continue to strengthen our customer value proposition. Whilst remaining focused on our organic growth, we are actively seeking further acquisitions as part of our long-term growth strategy, as we continue to enhance our service offerings and integrate new people, products and technical skills."

John Quinn
Chairman of Welltel

Welltel has grown to be one of the largest technology service providers in Ireland, with over 3,500 enterprise clients.



Directors' responsibilities statement continued

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 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.

In response to the changes to AIM Rule 26 requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code, 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.dukeroyalty.com/investors/corporate-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.

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 Group. The Board is responsible for the appointment and monitoring of all service providers to the Company.

The Board has engaged specific individuals and external companies to undertake the administrative and custodial activities of the Group and assist the Board with the selection, execution and monitoring of royalty partners and royalty 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 2020.

Annual Report and Financial Statements

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

Internal control and financial reporting

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

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

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

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

Audit Committee

The Company's Audit Committee comprises Matthew Wrigley (Chairman), Nigel Birrell and Mark Le Tissier. The Audit Committee 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 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 accounts will remain with the Board. The identity of the Chairman of the Audit Committee will be reviewed on an annual basis and the membership of the Audit Committee and its terms of reference will be kept under review. The Audit Committee will have no links with the Company's external auditors.

Investment Committee

The Company's Investment Committee, which is made up of members nominated by the Company, includes three independent members. The current members of the Investment Committee are Neil Johnson, Executive Director and Chief Executive Officer of Duke Royalty; Jim Webster, Chief Investment Officer of Duke Royalty; Justin Cochrane, President and Chief Operating Officer of Cobalt 27 Capital Corp; John Romeo, Managing Partner and Executive Committee and Risk Committee member at Oliver Wyman and Andrew Carragher, a founder and Managing Partner of DW Healthcare Partners, a private equity firm founded in 2002 with \$1.4 billion under management.

The Investment Committee is responsible for reviewing the pipeline of all proposed opportunities; assisting and



Directors' responsibilities statement continued

advising on royalty terms; identifying and managing potential conflicts of interests; assessing the individual capital requirements for each potential opportunity; making recommendations to the Board and reviewing the performance and outlook of the portfolio.

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

Anti-bribery and corruption

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

Financial risk profile

The Group's main financial instruments comprise royalty investments, secured loan investments, royalty 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 21 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. After making enquiries and bearing in mind the nature of the Group's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

The COVID-19 pandemic has caused extensive disruptions to businesses and economic activities globally including impacting the royalty partners. The deal team are in constant contact with the royalty partners and in certain circumstances, forbearance agreements have been structured to cover the six-month period ending September 2020. Rather than surrendering this revenue, these agreements mean Duke's forgone cash distributions for the first six months of the pandemic have been either accrued, capitalised or equitised.

The cash flow needs of the Group has been assessed taking account of the reduced cash flows from royalty payments, the need for further funding for any of the existing royalty partners and the ongoing working capital needs of the business against the current cash and liquidity of the group. Despite the forbearance agreements previously discussed, the Group was able to report cash distributions from royalties and loans in Q1 FY21 which should surpass the annual operating budget.

Furthermore, there is adequate headroom in terms of the uncalled loan facility in place should it be required.

For this reason, the Directors continue to adopt the going concern basis in preparing the 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 16 September 2020 and signed on behalf of the Board by:

MARK LE TISSIER
Director

MATTHEW WRIGLEY
Director

Finance

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Independent auditor's report

Opinion

We have audited the consolidated financial statements of Duke Royalty Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards, as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

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

our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Key audit matters

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

KEY AUDIT MATTER	AUDIT RESPONSE
<p>Measurement and Existence of Royalty Instruments (notes 2.13, 3, 10 and 21)</p> <p>As the Group's Royalty Instruments are classified at fair value through profit or loss, the instruments are required to be revalued to fair value at each reporting date.</p> <p>The valuation models are a highly subjective area as management makes judgements as to expected cash flows, risk free rates, revenue growth rates and discount rates to arrive at the fair value of the products.</p> <p>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 for this reason we considered this to be a key audit matter.</p>	<p>We obtained management's valuation models for the Royalty Instruments and: Assessed and challenged the reasonableness of management's inputs into the valuation models against our expectations by:</p> <p>A) Agreeing the future cash flows to the forecasts. Gained an understanding of how the forecasts differed from either that expected on day 1 or the previous year end.</p> <p>B) 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 budgeted indicated a need to revise the cash flows.</p> <p>C) Assessing the expected growth rates used by the client against growth rates expected by brokers. These reports being independently obtained.</p> <p>D) 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.</p> <p>Key observations</p> <p>Based on the procedures performed we are satisfied that the measurement and existence testing on royalty instruments has been performed appropriately.</p>
<p>Measurement of Loans advanced and IFRS 9 (notes 2.13, 3 and 8)</p> <p>The group's activities include advancing loans to a selection of their royalty partners. The amounts advanced represent a material balance in the financial statements and IFRS 9 requires losses to be recognised on an expected, forward looking basis, reflecting the group's view of potential future economic events.</p> <p>As a result, the group's IFRS 9 methodology incorporates a number of estimates to determine the expected credit loss provisions.</p> <p>The judgement and focus around forward looking information have increased following the Covid-19 pandemic. As such we considered this to be a key audit matter.</p>	<p>Analysis was obtained from management in relation to the loans and the expected credit loss methodology applied. This included updates to the existing methodology for changes required due to the Covid-19 pandemic, for example increasing the probability of default and also the consequential loss.</p> <p>We review the paper prepared by management in terms of the IFRS 9 measurement and classification of the loans and concluded that the approach was in line with the standards.</p> <p>We then tested the methodology used in determining the amortised cost amount and recognition of any impairment loss. assessing the appropriateness of staging criteria assumptions and adherence to IFRS 9 requirements.</p> <p>This included:</p> <ul style="list-style-type: none"> evaluating the reasonableness of economic scenarios applied by reviewing broker industry reports on the expected market growth and assumptions used in the forecasts by back-testing against actual results; testing the integrity of the data used in the models by verifying the models to source inputs and checking the mathematical accuracy thereon; challenging the methodology for the forward-looking impact of Covid-19, together with all adjustments made by management for increased probability of default and consequential loss based on revised projections as a result of COVID19 this were the same models as were used for the royalty valuation models. <p>Key observations</p> <p>Based on the procedures performed we are satisfied that the testing on the measurement of loans advanced under IFRS 9 has been performed appropriately.</p>



Independent auditor's report continued

Our application of materiality

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

Based on our professional judgment, we determined materiality for the financial statements as a whole to be £1,350,000 (2018: £1,300,000), which is based on a level of 1.5% of total assets (2019: 1.5%). We considered total assets to be the most appropriate benchmark due to the Group being an investment company with the objective of long-term capital growth.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the Group has been set at £810,000 (2019: £780,000) which is 60% of materiality (2019:60%).

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to sensitive fees including: broker fees, legal fees, audit fees, directors' fees administration fees, consultancy fees, investment committee fees, support fees, nomad fees and directors' travel and entertainment. We have also applied this lower level of materiality to receipts received under the royalty instrument agreements and loan agreements due to this being a focal point for investors given the stated dividend policy of the Group. We determined materiality for these areas to be £292,000. This has been calculated based on 5% of total expenses.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £67,500 (£14,600 for items audited to our lower materiality above). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit taking into account the nature of the Group's investments, involvement of the group's service providers, 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 service providers. We assessed the control environment in place within the Group to the extent that it was relevant to our audit. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

As the components of the group had the same risks and control environment and financial reporting system which is under the control of the centralised Duke finance team the audit as approached from a perspective to audit the group as if one entity. We have performed procedures on all key risks of key components under disaggregated component materiality. The audit of the components were all audited by BDO Guernsey to form the group audit opinion.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Duke Royalty Limited (the "parent company"), 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

16 September 2020



Consolidated statement of cash flows

For the year ended 31 March 2020

	NOTE	YEAR TO 31 MARCH 2020 (AUDITED) £000	YEAR TO 31 MARCH 2019 (AUDITED) £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from royalty investments		8,977	5,097
Receipts of interest from loan investments		1,268	257
Receipts from transaction costs reimbursed		90	308
Other interest income received		-	1
Payments for royalty participation fees		(168)	(161)
Operating expenses paid		(2,811)	(1,392)
Tax paid		(573)	-
Net cash inflow from operating activities		6,783	4,110
CASH FLOWS FROM INVESTING ACTIVITIES			
Royalty investments advanced		(17,751)	(25,033)
Loan investments advanced		(2,661)	(3,057)
Payment for acquisition of subsidiaries, net of cash acquired	24	(321)	(4,274)
Investments costs paid		(548)	(624)
Business combinations costs		-	(268)
Proceeds from disposal of equity instruments		-	89
Net cash outflow from investing activities		(21,281)	(33,167)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		17,454	44,010
Share issue costs		(1,048)	(2,398)
Dividends paid		(6,013)	(4,023)
Proceeds from loans		16,250	3,500
Loan repaid		(11,650)	(9,109)
Interest paid		(1,425)	(172)
Other finance costs paid		(534)	-
Net cash inflow from financing activities		13,034	31,808
Net change in cash and cash equivalents		(1,464)	2,751
Cash and cash equivalents at beginning of year		5,894	3,165
Effect of foreign exchange on cash		51	(22)
Cash and cash equivalents at the end of year		4,481	5,894

The notes on pages 34 to 64 form an integral part of these Consolidated Financial Statements.

Consolidated statement of comprehensive income

For the year ended 31 March 2020

	NOTE	YEAR TO 31 MARCH 2020 (AUDITED) £000	YEAR TO 31 MARCH 2019 (AUDITED) £000
INCOME			
Royalty investment net income	8	(2,994)	5,611
Loan investment net income	9	1,235	256
Impairment loss on loan investments	9	(2,947)	-
Equity investment net income	10	(670)	65
Other operating income		90	209
Net foreign currency gains / (losses)		246	(42)
Total income		(5,040)	6,099
INVESTMENT EXPENSES			
Transaction costs		(448)	(983)
Due diligence costs		(95)	(526)
Royalty participation fees		-	(432)
		(543)	(1,941)
OPERATING EXPENSES			
Administration and personnel		(1,725)	(651)
Legal and professional		(584)	(509)
Other operating expenses		(471)	(203)
Share based payments		(409)	(483)
Total operating costs		(3,189)	(1,846)
Operating (loss) / profit		(8,772)	2,312
Finance costs		(1,607)	(396)
(Loss) / Profit for the period before tax		(10,379)	1,916
Taxation credit / (expense)	6	1,481	(119)
Total comprehensive (loss) / income for the period		(8,898)	1,797
Basic (loss) / earnings per share (pence)	7	(4.16)	1.10
Diluted (loss) / earnings per share (pence)	7	(4.16)	1.10

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

The notes on pages 34 to 64 form an integral part of these Consolidated Financial Statements.



Consolidated statement of financial position

As at 31 March 2020

	NOTE	31 MARCH 2020 £000	31 MARCH 2019 £000
NON-CURRENT ASSETS			
Goodwill	15	203	203
Royalty finance investments	8	59,435	61,989
Loan investments	9	4,418	8,993
Equity investments	10	507	1,178
Deferred tax asset	20	675	-
		65,238	72,363
CURRENT ASSETS			
Royalty finance investments	8	16,124	8,065
Loan investments	9	5,099	632
Trade and other receivables	12	142	178
Cash and cash equivalents		4,481	5,894
Current tax asset		567	-
		26,413	14,769
Total assets		91,651	87,132
CURRENT LIABILITIES			
Royalty debt liabilities	11	133	173
Trade and other payables	13	318	714
Borrowings	14	172	326
Current tax liability		-	248
		623	1,461
NON-CURRENT LIABILITIES			
Royalty debt liabilities	11	1,040	1,193
Trade and other payables	13	431	440
Borrowings	14	15,517	11,365
Deferred tax liability	20	-	565
		16,988	13,563
Net assets		74,040	72,108
EQUITY			
Shares issued	16	118,479	102,044
Share based payment reserve	17	742	333
Warrant reserve	17	265	265
Retained losses	18	(45,446)	(30,534)
Total equity		74,040	72,108

The Consolidated Financial Statements on pages 30 to 64 were approved and authorised for issue by the Board of Directors on 16 September 2020 and were signed on its behalf by:

MARK LE TISSIER
Director

MATTHEW WRIGLEY
Director

The notes on pages 34 to 64 form an integral part of these Consolidated Financial Statements.

Consolidated statement of changes in equity

For the year ended 31 March 2020

	NOTE	SHARES ISSUED £000	SHARE- BASED PAYMENT RESERVE £000	WARRANT RESERVE £000	RETAINED LOSSES £000	TOTAL EQUITY £000
At 1 April 2018		60,303	130	125	(28,314)	32,244
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	-	1,797	1,797
Transactions with owners						
Shares issued for cash	16	44,000	-	-	-	44,000
Share issuance costs	16	(2,398)	-	-	-	(2,398)
Share based payments	16,17	139	203	-	-	342
Warrants issued		-	-	140	-	140
Dividends	17	-	-	-	(4,017)	(4,017)
Total transactions with owners		41,741	203	140	(4,017)	38,067
At 31 March 2019		102,044	333	265	(30,534)	72,108
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		-	-	-	(8,898)	(8,898)
Transactions with owners						
Shares issued for cash	16	17,454	-	-	-	17,454
Share issuance costs	16	(1,059)	-	-	-	(1,059)
Share based payments	16,17	40	409	-	-	449
Dividends	19	-	-	-	(6,014)	(6,014)
Total transactions with owners		16,345	409	-	(6,014)	10,830
At 31 March 2020		118,479	742	265	(45,446)	74,040

The notes on pages 34 to 64 form an integral part of these Consolidated Financial Statements.



Notes to the consolidated financial statements

For the year ended 31 March 2020

1 General Information

Duke Royalty Limited (“Duke Royalty” or the “Company”) is a closed-ended investment company with limited liability formed under the Companies (Guernsey) Law, 2008. The Company is domiciled in Guernsey. Its shares are traded on the AIM market of the London Stock Exchange. The Company’s registered office is shown on page 65.

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

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

2 Significant accounting policies

2.1 Basis of preparation

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

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

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

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 reporting date. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Presentation of statement of cash flows

The Board considers operating cash flow to be the most important measure of the Group’s performance and subsequently has presented its

Statement of Cash Flows before the Statement of Comprehensive Income and Statement of Financial Position.

Presentation of statement of comprehensive income

In order to better reflect the activities of a royalty financing company, the statement of comprehensive income has been amended to include additional analysis, splitting the Group’s income by investment type.

2.2 New and amended standards adopted by the Group

The following accounting standards and their amendments were effective from 1 January 2019:

- IFRS 16 Leases
- IAS 28 Investments in associates and joint ventures (long term interests in associates or joint ventures)
- IFRIC Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS 2015-2017 Cycle

The directors view none of the new and amended standards as having material effect.

2.3 New standards and interpretations not yet adopted

At the date of authorisation of these Consolidated Financial Statements, certain standards and interpretations were in issue but not yet effective and have not been applied in these Consolidated Financial Statements. The Directors do not expect that the adoption of these standards and interpretations will have a material impact on the 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. After making enquiries and bearing in mind the nature of the Company’s business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Covid-19 pandemic has caused extensive disruptions to businesses and economic activities globally including impacting the royalty partners. The deal team are in constant contact with the

2 Significant accounting policies (continued)

royalty partners and in certain circumstances, forbearance agreements have been structured to cover the six-month period ending September 2020. Rather than surrendering this revenue, these agreements mean Duke's forgone cash distributions for the first six months of the pandemic have been either accrued, capitalised or equitised.

The cash flow needs of the Group has been assessed taking account of the reduced cash flows from royalty payments, the need for further funding for any of the existing royalty partners and the ongoing working capital needs of the business against the current cash and liquidity of the group. Despite the forbearance agreements previously discussed, the Group was able to report cash distributions from royalties and loans in Q1 FY21 which should surpass the annual operating budget.

Furthermore, there is adequate headroom in terms of the uncalled loan facility in place should it be required.

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.

The "Group" is defined as the Company, its subsidiaries Duke Royalty UK Limited, Capital Step Holdings Limited, Capital Step Investments Limited, Capital Step Funding Limited and Capital Step Funding 2 Limited and The Duke Royalty Employee Benefit Trust.

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, which is to invest in a diversified portfolio of royalty finance and related opportunities. At the end of the period the Group has 12 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 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.

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 cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'Net foreign currency gains / (losses)'.

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



Notes to the consolidated financial statements continued

2 Significant accounting policies (continued)

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 Transaction costs reimbursed

Income relating to transaction costs reimbursed comprises one off fees charged to investee companies as a reimbursement of certain costs incurred by the Group in connection with the related investments (see note 2.8). Where transaction costs are received in respect of loans, the costs are offset using the effective interest rate method. The Group recognises transaction costs reimbursed when the costs have been incurred by the Group and the transaction to which they relate has completed.

2.10 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.

2.11 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

2 Significant accounting policies (continued)

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the acquirer's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.12 Goodwill

Goodwill is measured as described in note 2.11. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of the entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business

combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2.13 Dividends

Dividends are recognised as a liability in the Group's financial statements in the period in which they become obligations of the Group.

2.14 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 loans receivable, trade and other receivables and cash and cash equivalents.

Notes to the consolidated financial statements continued

2 Significant accounting policies (continued)

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

Impairment of financial assets is calculated using a forward looking 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 and 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 of ECLs for each stage and the assessment of significant increases in credit risk considers 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 0 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

2 Significant accounting policies (continued)

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.

Cash and cash equivalents

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

Financial assets at FVTPL

Royalty 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 'royalty 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 22.

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.

Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either (i) when the Group has transferred substantially all the risks and rewards of ownership; or (ii) when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or (iii) when the contractual right to receive cash flow

has expired. Any gain or loss on derecognition is taken to other income/expenses in the Consolidated Statement of Comprehensive Income as appropriate.

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 royalty participation liabilities. These liabilities arise under a contractual agreement between the Group and a strategic partner for the provision of services in connection with the Group's royalty financing arrangements. Under this agreement services are provided in exchange for a percentage of gross royalties' receivable. These instruments are classified at FVTPL on the basis that the liability is linked to the Group's royalty investments. Such liabilities are recognised initially at fair value with the costs being recorded immediately in profit or loss as 'royalty participation fees' and remeasured at each reporting date in order to avoid an accounting mismatch. The change in fair value is recognised in profit or loss and presented within 'royalty 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 22.

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.

Notes to the consolidated financial statements continued

2 Significant accounting policies (continued)

c. Capital

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

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

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

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

- including any market performance conditions (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.

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

3 Critical accounting judgements and estimates

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

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

Fair value of royalty investments

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

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

These assumptions are reviewed semi-annually. The Directors believe that the applied valuation techniques and assumptions used are appropriate in determining the fair value of the royalty investments and have

3 Critical accounting judgements and estimates (continued)

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 22.

The Covid-19 pandemic has and will continue to have a significant effect on the global economy, such that many leading economic organisations, including the international Monetary Fund, have withdrawn economic forecasts beyond 2021. Duke's royalty investments are long-dated financial instruments, often with a life span of between 25 and 30 years. As such, the main input factors that affect the fair value are currently subject to a significant level of judgement and estimation, especially with uncertainty around the impact of second waves, social Distancing requirements and Government stimulus. Therefore the actual outcomes may be significantly different to those projected.

Fair value of royalty participation liabilities

The payments falling due under the Group's contract for royalty participation fees are directly linked to the Group's royalty investments and thus the same assumptions have been applied in arriving at the fair value of these liabilities. The Directors have considered whether any increase in discount rate is required to represent the Group's credit risk as the payments are made by the Group rather than the investee and have concluded that none is required since payment under the contract is only due once the Group has received the gross amounts from the investee. Further details of the carrying values, methods, assumptions and sensitivities used in determining the fair value can be found in note 22.

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 uses its judgement to select methods and make assumptions based on market conditions at the end of each reporting period. The key judgements 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 are disclosed in Note 10. No sensitivity has been performed given the immaterial nature of the investments.

Loan impairment provisions

The calculation and measurement of ECLs requires significant judgement and represents a key source of estimation uncertainty. The Group reviews and updates the key judgements semi-annually. These include but are not limited to:

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

The carrying value of loan investments is disclosed in Note 9.



Notes to the consolidated financial statements continued

4 Auditor's remuneration

	2020 £000	2019 £000
Audit of the Consolidated Financial Statements	108	64

The charge to 31 March 2020 includes underaccrued fees in relation to the prior year audit of £33,000.

5. Finance costs

	2020 £000	2019 £000
Interest payable on borrowings	(1,062)	(291)
Non-utilisation fees	(209)	-
Deferred finance costs released to P&L	(336)	(105)
	(1,607)	(396)

6 Income tax

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

	2020 £000	2019 £000
Current tax		
Income tax (credit) / expense	(241)	243
Deferred tax		
Increase in deferred tax assets	(430)	(103)
Decrease in deferred tax liabilities	(876)	(21)
Change in rate of deferred tax from 17% to 19%	66	-
Total deferred tax benefit	(1,240)	(124)
Income tax (credit) / expense	(1,481)	119
Factors affecting income tax expense for the year		
(Loss) / profit on ordinary activities before tax	(10,550)	1,916
Tax using the Group effective tax rate of 14.67% (2019 - 10.53%)	(1,547)	202
Utilisation of tax losses not previously recognised	-	(97)
Differential in tax rate	66	14
Income tax (credit) / expense	(1,481)	119

7 (Deficit) / earnings per share

	2020	2019
Total comprehensive (loss) / income (£000)	(8,898)	1,797
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	213,792	163,129
Basic (deficit) / earnings per share (pence)	(4.16)	1.10

	2020	2019
Total comprehensive (loss) / income (£000)	(8,898)	1,797
Weighted average number of Ordinary Shares in issue, diluted for warrants in issue (000s)	213,792	163,244
Diluted (deficit) / earnings per share (pence)	(4.16)	1.10

Basic earnings per share is calculated by dividing total comprehensive (loss) / income for the period by the weighted average number of shares in issue throughout the period, excluding treasury shares (see Note 16).

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.

While 2,000,000 warrants issued in the year ended 31 March 2018 remain 'in the money', they are not considered dilutive given the Group made a loss during the year (refer to Note 17). All other share options, warrants and Long Term Incentive Plan awards in issue are not dilutive at the year end but could become dilutive in future periods.

Notes to the consolidated financial statements continued

7 (Deficit) / earnings per share (continued)

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 royalty 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 indicator 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.

	2020 £000	2019 £000
Total comprehensive (loss) / income for the period	(8,898)	1,797
Unrealised fair value movements	12,641	(652)
Impairment loss on loan investments	2,947	-
Gain on warrants	-	(88)
Share-based payments	409	483
Transactions costs net of costs reimbursed	543	1,161
Royalty participation fees	-	432
Tax effect of the adjustments above at Group effective rate	(2,426)	(141)
Adjusted earnings	5,216	2,992

	2020	2019
Adjusted earnings for the year (£000)	5,216	2,992
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000)	213,792	163,129
Adjusted earnings per share (pence)	2.44	1.83

	2020	2019
Diluted adjusted earnings for the year (£000)	5,216	2,992
Weighted average number of Ordinary Shares in issue, diluted for warrants in issue (000)	213,792	163,244
Diluted earnings per share (pence)	2.44	1.83

8 Royalty investments

Royalty investments are financial assets held at fair value through profit and loss that relate to the provision of royalty capital to a diversified portfolio of companies.

	31 MARCH 2020 £000	31 MARCH 2019 £000
At 1 April	70,054	23,569
Additions	20,983	45,793
Refinanced assets	(3,233)	-
Loss on financial assets at fair value through profit and loss	(12,245)	692
As at 31 March	75,559	70,054

Royalty investments are comprised of:

	31 MARCH 2020 £000	31 MARCH 2019 £000
Non-Current	59,435	61,989
Current	16,124	8,065
	75,559	70,054

Royalty investment net income on the face of the consolidated statement of comprehensive income comprises:

	31 MARCH 2020 £000	31 MARCH 2019 £000
Royalty interest	8,976	5,097
(Loss) / gain on royalty assets at fair value through profit and loss	(12,245)	692
Gain / (loss) on royalty liabilities at fair value through profit and loss	275	(178)
Royalty investment net income	(2,994)	5,611

All financial assets held at fair value through profit and loss are mandatorily measured as such.

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

Notes to the consolidated financial statements continued

9 Loan investments

Loan investments are financial assets held at amortised cost.

	31 MARCH 2020 £000	31 MARCH 2019 £000
1 April	9,626	-
Additions	7,203	9,655
Refinanced loans	(4,542)	-
ECL allowance	(2,947)	-
Net foreign currency movement	177	(29)
As at 31 March	9,517	9,626

The Group's loan investments comprise secured loans advanced to six entities (2019 – five) in connection with the Group's royalty investments.

The loans comprise fixed rate loans of £7,160,000 which bear interest at rates of between 5% and 16% and one variable rate loan of £2,357,000 which bears interest at 14.5% over LIBOR. The total interest receivable during the period was £1,235,000 (2019 – £256,000).

The loan investments mature as follows:

	31 MARCH 2020 £000	31 MARCH 2019 £000
In less than one year	4,418	632
In one to two years	-	4,242
In two to five years	5,099	4,752
	9,517	9,626

Loan investment net income on the face of the consolidated statement of comprehensive income comprises:

	2020 £000	2019 £000
Loan Interest charged	1,235	256

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
- 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.

9 Loan investments (continued)

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

	AS AT 31 MARCH 2020			AS AT 31 MARCH 2019		
	GROSS CARRYING AMOUNT	ALLOWANCE FOR ECLS	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	ALLOWANCE FOR ECLS	NET CARRYING AMOUNT
	£000	£000	£000	£000	£000	£000
Stage 1	6,369	-	6,369	9,626	-	9,626
Stage 2	-	-	-	-	-	-
Stage 3	6,095	(2,947)	3,148	-	-	-
Loan investments	12,464	(2,947)	9,517	9,626	-	9,626

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 Group has determined the risk profile of one loan investment has materially increased. Tamarca is a European river cruising business that has been severely affected by the lockdown restrictions that were imposed by a number of European Governments during the peak of the pandemic. At year end, the Company was in breach of its debt covenants and did not have spare liquidity to cover its debt obligations. As such, there is objective evidence of impairment and the investment has been moved to Stage 3 and a lifetime ECL of £2,947,000 has been recognised.

The net carrying value of the investment was based on the estimated recoverability of the Company's assets, supported by an independent professional valuation. As the ECL has been assessed on the underlying fair valuation of the assets, no sensitivity has been performed.

The credit risk profile of the remaining investments has not increased materially and they remain Stage 1 assets. No ECLs have been charged on these assets as they are not deemed material.

The following table analyses Group's provision for ECL's by stage for the year ended 31 March 2020:

	STAGE 1	STAGE 2	STAGE 3	TOTAL
	£000	£000	£000	£000
At 1 April 2018 and 1 April 2019	-	-	-	-
Impairment charged in year	-	-	2,947	2,947
Carrying value at 31 March 2020	-	-	2,947	2,947



Notes to the consolidated financial statements continued

10 Equity investments

Equity investments are financial assets held at fair value through profit and loss.

	31 MARCH 2020 £000	31 MARCH 2019 £000
At 1 April	1,177	-
Additions	-	1,200
Loss on equity assets at fair value through profit and loss	(670)	(23)
As at 31 March	507	1,177

The Group's equity investments comprise unlisted shares and warrants in six of its royalty investment companies (31 March 2019: six)

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

Equity investment net income on the face of the consolidated statement of comprehensive income comprises:

	2020 £000	2019 £000
(Loss) on equity assets at fair value through profit and loss	(670)	(23)
Realised gain on exercise of warrants	-	88
Equity investment net income	(670)	65

11 Royalty debt liabilities

Royalty debt liabilities are financial liabilities held at fair value through profit and loss.

	31 MARCH 2020 £000	31 MARCH 2019 £000
At 1 April	1,366	917
Additions	250	432
Payments made	(168)	(161)
(Gain) / loss on royalty liabilities at fair value through profit and loss	(275)	178
As at 31 March	1,173	1,366

Royalty investment liabilities are comprised of:

	31 MARCH 2020 £000	31 MARCH 2019 £000
Non-Current	1,040	1,193
Current	133	173
	1,173	1,366

12 Trade and other receivables

	31 MARCH 2020 £000	31 MARCH 2019 £000
Prepayments and accrued income	140	178
Other debtors	2	-
	142	178

13 Trade and other payables

	31 MARCH 2020 £000	31 MARCH 2019 £000
Current		
Trade payables	-	159
Consideration on business acquisition	-	321
Transaction costs	191	99
Accruals and deferred income	127	135
	318	714
Non-current		
Transaction costs	431	440
As at 31 March	749	1,154

14 Borrowings

	31 MARCH 2020 £000	31 MARCH 2019 £000
Current – accrued interest	172	326
Non-current	15,517	11,365
	15,689	11,691



Notes to the consolidated financial statements continued

14 Borrowings (continued)

The secured loan had an interest rate of one-month UK LIBOR + 9.50% per annum. This rate was lowered to one-month UK LIBOR + 7.25% per annum following the extinguishment of the previous facility inherited from the Capital Step acquisition and the completion of the new credit facility on 8 October 2019. The principal amount is repayable on 7 October 2024. The loan is secured by means of a fixed and floating charge over the assets of the Group.

At the date of extinguishment of the previous facility, capitalised loan issue fees of £264,000 were outstanding. These fees were immediately charged to the income statement. Further fees of £534,000 were capitalised against the new credit facility. At 31 March 2020, £483,000 (31 March 2019: £284,000) of unamortised fees remained outstanding.

The table below set out an analysis of net debt and the movements in net debt for the year ended 31 March 2020 and prior year.

	INTEREST PAYABLE £000	BORROWINGS £000
As at 1 April 2019	326	11,365
Cash movements		
Loan advanced	-	16,250
Loan repaid	-	(11,650)
Deferred finance costs paid	-	(534)
Interest paid	(1,425)	-
Non-cash movements		
Deferred finance costs released to P&L - old credit facility	-	284
Deferred finance costs released to P&L - new credit facility	-	52
Transfer to royalty debt liability	-	(250)
Interest charged	1,271	-
	172	15,517

	INTEREST PAYABLE £000	BORROWINGS £000
As at 1 April 2018	-	-
Cash movements		
Loan advanced	-	3,500
Loan repaid	-	(9,109)
Interest paid	(172)	-
Non-cash movements		
Loan acquired as part of business combination	207	16,964
Deferred finance costs released to P&L - old credit facility	-	10
Interest charged	291	-
	326	11,365

15 Goodwill

	GOODWILL £000
Net book value at 1 April 2018	-
Arising on business combination	203
Closing net book value at 31 March 2019 and 31 March 2020	203

16 Share capital

	EXTERNAL SHARES Number	TREASURY SHARES Number	TOTAL SHARES Number	£000
<i>Allotted, called up and fully paid</i>				
At 1 April 2018	96,877	-	96,877	60,303
Shares issued for cash during the year	100,000	-	100,000	44,000
Share issuance costs	-	-	-	(2,398)
Shares issued to Employee Benefit Trust during the year	-	2,690	2,690	-
Shares issued to directors and key advisers as remuneration	305	-	305	139
At 31 March 2019	197,182	2,690	199,872	102,044
Shares issued for cash during the year	39,668	-	39,668	17,454
Share issuance costs	-	-	-	(1,059)
Shares issued to directors and key advisers as remuneration	87	-	87	40
At 31 March 2020	236,937	2,690	239,627	118,479

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

Notes to the consolidated financial statements continued

17 Equity-settled share-based payments

Warrant reserve

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

	WARRANTS Number 000	WARRANTS £000
At 1 April 2018	2,000	125
Issued during the period	2,375	140
At 31 March 2019 and 31 March 2020	4,375	265

In September 2018 the Company issued a further 2,375,000 warrants to Partners Value Investments LP to subscribe for shares at 50 pence per share. The warrants are exercisable immediately and can be exercised within a period of five years from the date of the agreement. The fair value of the warrants was determined to be £140,000, being the value of services provided. This was recognised within 'Transaction costs' in the Consolidated Statement of Comprehensive Income.

At 31 March 2020, 4,375,000 (31 March 2019: 2,375,000) warrants were outstanding and exercisable at a weighted average exercise price of 46 pence (2019 – 42 pence). The weighted average remaining contractual life of the warrants outstanding was 3.00 years (31 March 2019: 4.08 years).

Share-based payment reserve

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

	SHARE OPTIONS £000	LTIP £000	TOTAL £000
At 1 April 2018	124	6	130
LTIP awards	12	191	203
At 31 March 2019	136	197	333
LTIP awards	-	409	409
At 31 March 2020	136	606	742

Share option scheme

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

Under the Scheme, the Board of the Company will award, at its sole discretion, options to subscribe for Ordinary Shares of the Company on terms and at exercise prices and with vesting and exercise periods to be determined at the time. However, the Board of the Company has agreed not to grant options such that the total number of unexercised options represents more than four per cent 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 2018 the Company issued 200,000 options at an exercise price of 50 pence under the terms of the Scheme. The Black-Scholes value of the options was assessed as £12,000. Since the options vested immediately, the full expense was recognised in profit or loss during the year.

At 31 March 2020, 960,000 options (31 March 2019: 960,000) were outstanding and exercisable at a weighted average exercise price of 70 pence (31 March 2019: 70 pence). The weighted average remaining contractual life of the options outstanding at the year end was 1.00 year (31 March 2019: 2.09 years).

17 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 per cent on total shareholder return ("TSR") and 50 per cent on total cash available for distribution ("TCAD per share"). TSR can be defined as the returns generated by shareholders based on the combined value of the dividends paid out by the Company and the share price performance over the period in question. Upon vesting the awards are issued fully paid.

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 31 October 2019, 2,525,000 PSAs were granted to Directors and key personnel with a fair value of £871,000. An expense of £94,000 was recognised in Administration and Personnel costs in the Consolidated Statement of Comprehensive Income.

At 31 March 2020, 5,215,000 (2019 - 2,690,000) PSAs were outstanding. The weighted average remaining vesting period of these awards outstanding was 1.99 years (2019 - 2.33 years).

Other share-based payments

During the year ended 31 March 2020, the Company issued 87,000 shares to certain members of the Investment Committee in recognition of the significant contribution made during the previous financial year and for voluntarily forgoing service fees. The fair value of the shares was determined to be £40,000 being the share price at the date of the awards. The expense was recognised in full in the Consolidated Statement of Comprehensive Income during that year.

During the year ended 31 March 2019, the Company issued 305,000 shares to certain Non-Executive Directors, members of the Investment Committee and to new members ("New Joiners") of the Duke team. The shares issued to the Non-Executive Directors and Investment Committee members were in recognition of the significant contribution made during the previous financial year and for voluntarily forgoing service fees. The shares issued to New Joiners were as signing bonuses. The fair value of the shares was determined to be £139,395, being the share price at the date of the awards. The expense was recognised in full in the Consolidated Statement of Comprehensive Income during that year.

18 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.

Notes to the consolidated financial statements continued

19 Dividends

The following interim dividends have been recorded in the periods to 31 March 2019 and 31 March 2020:

RECORD DATE	PAYMENT DATE	DIVIDEND PER SHARE pence/share	DIVIDENDS PAYABLE £000
3 April 2018	12 April 2018	0.60	581
29 June 2018	12 July 2018	0.70	678
28 September 2018	12 October 2018	0.70	1,378
28 December 2018	11 January 2019	0.70	1,380
Dividends paid for the period ended 31 March 2019			4,017
5 April 2019	17 April 2019	0.70	1,380
28 June 2019	12 July 2019	0.70	1,381
27 September 2019	18 October 2019	0.75	1,476
27 December 2019	14 January 2020	0.75	1,777
Dividends paid for the period ended 31 March 2020			6,014

Further quarterly dividends were paid post year end, refer to Note 24 for details.

Rights to dividends have been waived in respect of shares held by the Group's Employee Benefit Trust (see note 16).

20 Deferred tax

The temporary differences for deferred tax are attributable to:

	ROYALTY INVESTMENTS £000	EQUITY INVESTMENTS £000	TAX LOSSES £000	TOTAL £000
1 April 2018	-	-	-	-
Arising on business combination	(742)	(204)	258	(688)
(Charged) / credited to profit & loss	151	4	(32)	123
At 31 March 2019	(591)	(200)	226	(565)
Credited to profit & loss	579	200	461	1,240
At 31 March 2020	(12)	-	687	675

A deferred tax asset has been recognised as it is expected that, even in the wake of Covid-19, future available taxable profit will be available against which the Group can use against the current year tax losses.

21 Related parties

Directors fees

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

	BASIC FEES 2020 £000	SHARE BASED PAYMENTS 2020 £000	ANNUAL BONUS 2020 £000	TOTAL 2020	BASIC FEES 2019 £000	SHARE BASED PAYMENTS 2019 £000	TOTAL 2019 £000
Non-Executive							
N Birrell	26	-	-	26	24	20	44
J Cochrane*	35	17	-	52	35	17	52
M Wrigley	24	-	-	24	24	12	36
M LeTissier	-	-	-	-	-	-	-
Executive							
N Johnson	200	190	200	590	150	95	245
C Cannon Brookes	160	134	140	434	105	67	172
	445	341	340	1,126	338	211	549

* Resigned 11 March 2020

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

Directors' fees include the following expenses relating to shares issued as remuneration in 2019 (see note 17):

	2020 £000	2019 £000
N Birrell	-	20
M Wrigley	-	13
	-	33

The above noted fees include the following expenses relating to awards granted under the Group's Long Term Incentive Plan (see note 17):

	2020 £000	2019 £000
N Johnson	190	95
C Cannon Brookes	134	68
J Cochrane	17	17
	341	180

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

At the year end a total of £13,000 of fees remained outstanding (2019 – £33,000), of which £7,000 was due to Nigel Birrell (2019 – £6,000), £6,000 was due to Matthew Wrigley (2019 – £6,000), £nil was due to Neil Johnson (2019: £13,000) and £nil was due to Charles Cannon Brookes (2019 – £9,000). These fees have been settled subsequent to the year end.

Notes to the consolidated financial statements continued

21 Related parties (continued)

Investment Committee fees

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

	2020 £000	2019 £000
A Carragher	20	20
J Romeo	20	20
J Webster	117	87
	157	127

Investment Committee fees include the following expenses relating to shares issued as remuneration (see note 17):

	2020 £000	2019 £000
A Carragher	20	20
J Romeo	20	20
	40	40

Investment Committee fees include the following expenses relating to awards granted under the Group's Long Term Incentive Plan (see note 17):

	2020 £000	2019 £000
J Webster	36	11

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

At the year end a total of £16,000 remained outstanding (2019 – £13,000) to Jim Webster. These fees have been settled subsequent to the year end.

Support services administration fees

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

	2020 £000	2019 £000
Abingdon Capital Corporation	325	248
Arlington Group Asset Management Limited	72	62
	397	310

Support Service Agreements with Abingdon Capital Corporation ("Abingdon"), a company of which Neil Johnson is a Director, and Arlington Group Asset Management Limited ("Arlington"), a company of which Charles Cannon Brookes is a Director, were signed on 16 June 2015. The services to be provided by both Abingdon and Arlington include global deal origination, vertical partner relationships and assisting the Board with the selection, execution and monitoring of royalty partners and royalty performance. Abingdon fees also includes fees relating to remuneration of staff residing in North America.

21 Related parties (continued)

Share options and LTIP awards

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

	SHARE OPTIONS	SHARE OPTIONS	LTIP AWARDS	LTIP AWARDS
	2020	2019	2020	2019
	Number	Number	Number	Number
	000	000	000	000
Neil Johnson	85	85	2,200	1,350
Charles Cannon Brookes ¹	85	85	1,550	950
Nigel Birrell	85	85	-	-
Justin Cochrane	70	70	175	175
Jim Webster	-	-	430	215

¹ Includes share options issued to Arlington Group Asset Management

Dividends

The following dividends were paid to related parties

	2020	2019
	£000	£000
N Johnson ¹	103	103
C Cannon Brookes ²	158	158
N Birrell	24	24
J Cochrane	22	22
M Wrigley	1	1
A Carragher	10	10
J Romeo	2	2

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

22 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 MARCH 2020 LEVEL 3 £000	31 MARCH 2019 LEVEL 3 £000
Financial assets		
Financial assets at fair value through profit or loss		
- Royalty investments	75,559	70,054
- Equity investments	507	1,177
	76,066	71,231
Financial liabilities		
Financial liabilities at fair value through profit or loss		
- Royalty participation instruments	1,173	1,367
	1,173	1,367

The following table presents the changes in level 3 items for the years ended 31 March 2020 and 31 March 2019:

	FINANCIAL ASSETS £000	FINANCIAL LIABILITIES £000	TOTAL £000
At 1 April 2018	23,569	(917)	22,652
Additions	31,500	(432)	31,068
Business combination	15,493	-	15,493
Royalty income received	(5,097)	-	(5,097)
Royalty participation liabilities paid	-	161	161
Proceeds from exercise of warrants	(88)	-	(88)
Net change in fair value	5,854	(178)	5,676
At 31 March 2019	71,231	(1,366)	69,865
Additions	17,751	(250)	17,501
Royalty income received	(8,977)	-	(8,977)
Royalty participation liabilities paid	-	168	168
Net change in fair value	(3,939)	275	(3,664)
At 31 March 2020	76,066	(1,173)	74,893

22 Fair value measurements (continued)

Valuation techniques used to determine fair values

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

Valuation processes

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

Annual adjustment factors for royalty investments and royalty participation liabilities

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

Discount rates for financial assets and liabilities

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

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

Valuation inputs and relationships to fair value

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

Royalty investments

The unobservable inputs are the annual adjustment factor and the discount rate. The range of annual adjustment factors used is -6.0% to 6.0% (2019: 0.0% to 6.0%) and the range of risk-adjusted discount rates is 13.9% to 23.6% (2019: 12.4% to 18.8%).

An increase in the annual revenue growth rates (subject to the collars set under the terms of the royalty financing agreements) of 5% would increase the fair value by £371,000 (2019: £497,000).

A reduction in the discount rate of 25 basis points would increase the fair value by £818,000 (2019: £910,000).

A decrease in the annual revenue growth rates (subject to the collars set under the terms of the royalty financing agreements) of 5% would decrease the fair value by £393,000 (2019: £489,000).

An increase in the discount rate of 25 basis points would decrease the fair value by £821,000 (2019: £923,000).

Equity investments

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

Royalty participation instruments

The unobservable inputs are the annual adjustment factor and the discount rate used in the fair value calculation of the royalty investments. The range of annual adjustment factors used is -6.0% to 6.0% (2019: 0.0% to 6.0%) and the range of risk-adjusted discount rates is 13.9% to 23.6% (2019: 12.4% to 18.8%).

An increase in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 5% would increase the fair value of the liability by £6,000.

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

A decrease in the annual adjustment factor (subject to the collars set under the terms of the royalty financing agreements) of 5% would decrease the fair value of the liability by £6,000.

An increase in the discount rate of 25 basis points would decrease the fair value of the liability by £13,000

Notes to the consolidated financial statements continued

23 Financial risk management

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

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

Market risk

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

Foreign exchange risk

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

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

The 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 MARCH 2020 Euro £000	31 MARCH 2020 US Dollar £000	31 MARCH 2019 Euro £000	31 MARCH 2019 US Dollar £000
Royalty investment	7,081	-	7,095	-
Equity investments	507	-	1,177	-
Loans receivable	3,148	642	2,413	614
Cash and cash equivalents	33	-	373	-
Royalty participation liability	(2)	-	(275)	-
Transaction costs payable	-	(533)	-	(538)
	10,767	109	10,783	76

If Sterling strengthens by 5% against the Euro, the net Euro-denominated assets would reduce by £506,000 (2019: £513,000). Conversely, if it weakens by 5% the assets would increase by £555,000 (2019: £568,000).

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 royalty investments, which are carried at fair value through profit or loss, and its borrowings, which are subject to an interest charge of UK one-month LIBOR + 7.25%. The Group's royalty investments have a fair value at the reporting date of £75,559,000 (2019: £70,054,000). A sensitivity analysis in respect of these assets is presented in note 22.

The Group's borrowings at the reporting date are £15,517,000 (2019: £11,365,000). A movement in the rate of LIBOR of 100bps impacts loan interest payable by £79,000.

23 Financial risk management (continued)

Other price risk

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

The fair value of the Group's royalty investments fluctuates due to changes in the expected annual adjustment 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 royalty investments is presented in note 22.

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 MARCH 2020 £000	31 MARCH 2019 £000
Royalty investments	75,559	70,054
Loan investments	9,517	9,626
Cash and cash equivalents	4,481	5,894
	89,557	85,574

Royalty investments

The royalty investments relate to the Group's 12 royalty financing agreements. At the reporting date there are no royalty receipts that are past due.

The outbreak of COVID-19 has seen the Group speak to its royalty partners daily and actively reviewing the impact on the portfolio to ensure the correct actions are being taken to mitigate the impact where possible.

The Investment team is working with its royalty partners to help them navigate the difficult environment. This has been achieved in certain circumstances by agreeing to either accrue, capitalise or equitise Duke's monthly cash payments with the intention of alleviating some of their negative cash flow impacts in the short term. These forbearance agreements have been structured to cover the six-month period ending 30 September 2020 whereupon the Group expects its partners to revert to full cash payment.

The Group monitors the credit worthiness of the investee companies on an ongoing basis and receives regular financial reports from each investee company. These reports are reviewed by the Investment Committee. The 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 royalty investments which can be called upon if the counterparty is in default under the terms of the agreement.

Loan investments

The Group's loan investments are held at amortised cost. Included within 'loan investments' asset of £9,517,000 (2019: £9,626,000) is £3,457,000 (2019: £6,599,000) relating to assets acquired as part of the business combination (see note 23). Any expected credit losses at the time of the business combination were taken into account in arriving at the acquisition date fair values.

All loans have been reviewed by the Directors. The Board considered the credit risk, both at issue and at the year end, and have determined that there has been no significant movement for all but one loan investment. 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

23 Financial risk management (continued)

The Board have deemed the credit risk profile for one loan investment to have changed materially, hence a lifetime ECL has been calculated (see note 9).

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:

	31 MARCH 2020 £000	31 MARCH 2019 £000
Moody's credit rating:		
Aa2	3,533	2
Baa2	442	5,194
BB-	506	-
Unrated	-	698
	4,481	5,894

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 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 £14,000,000 (2019 – £4,550,000) (see note 14).

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

	LESS THAN ONE YEAR £000	1 – 5 YEARS £000	OVER FIVE YEARS £000	TOTAL £000
As at 31 March 2020				
Royalty finance investments	15,973	49,750	221,729	287,452
Royalty finance liabilities	(163)	(1,136)	(3,075)	(4,374)
Trade and other payables	(438)	(452)	(401)	(1,291)
Borrowings	(1,677)	(19,108)	-	(20,785)
	13,695	29,054	218,253	261,002
As at 31 March 2019				
Royalty finance investments	8,737	48,983	200,393	258,113
Royalty finance liabilities	(185)	(948)	(4,206)	(5,339)
Trade and other payables	(1,286)	(384)	(480)	(2,150)
Borrowings	(1,304)	(14,583)	-	(15,887)
	5,962	33,068	195,707	234,737

23 Financial risk management (continued)

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.

24 Business combinations

There were no acquisitions in the year ending 31 March 2020

Summary of prior year acquisition

On 1 February 2019, Duke Royalty Limited acquired the entire issued share capital of both the Capital Step Holdings and Capital Step Investments groups. Capital Step Holdings Group comprises Capital Step Holdings Limited and its wholly owned subsidiary Capital Step Funding Limited. Capital Step Investments Group comprises Capital Step Investments Limited and its wholly owned subsidiary Capital Step Funding 2 Limited.

The Capital Step group was a UK-based diversified provider of royalty and uni-tranche financing.

Details of the purchase consideration, the net assets acquired and goodwill were as follows:

	£000
Cash paid	4,592
Cash payable	321
Contingent consideration	-
Total purchase consideration	4,913

The contingent consideration was estimated at £nil as at 31 March 2019 as it was subject to the achievement of certain performance related milestones in the period to 31 March 2020. These milestones were not met, hence there has been no change to the acquisition accounting and the obligation has been extinguished.

The Group designated 31 January 2019 as the acquisition date for the purposes of determining the fair value of assets acquired and liabilities assumed. The assets and liabilities recognised as a result of the acquisition were as follows:

	FAIR VALUE £000
Royalty investments	14,293
Equity investments	1,200
Loan investments	6,599
Cash	318
Other current assets	104
Corporation tax payable	(5)
Other current liabilities	(146)
Loans payable	(16,965)
Deferred tax liability	(688)
	4,710
Add goodwill	203
Total purchase consideration	4,913

The goodwill was attributable to the workforce of the acquired business. It was not deductible for tax purposes.

Notes to the consolidated financial statements continued

24 Business combinations (continued)

Revenue and profit contribution

The acquired business contributed income of £394,000 and profit before tax of £66,000 to the Group for the period from 1 February to 31 March 2019.

The Group did not present the information required by paragraph B64(q)(ii) of IFRS 3 'Business Combinations', being the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for the business combination had been as of the beginning of the annual reporting period. The acquired entities were in a transition phase during the period, with their total number of investments increasing from two to six between 1 April 2018 and 31 March 2019. Consequently, such information would not be representative of the financial effect of the acquisition and would have given rise to misleading results.

Purchase consideration – cash outflow

	£000
Cash paid	4,592
Less: Cash balance acquired	(318)
Total purchase consideration	4,274

Acquisition-related costs

Acquisition-related costs of £701,000 was included in 'Transaction costs' in the Consolidated Statement of Comprehensive Income. Of this, £268,000 was paid during 2019.

25 Events after the financial reporting date

Dividends

On 12 April 2020 the Company paid a quarterly dividend of 0.75 pence per share and on 10 July 2020 the Company paid a further quarterly scrip dividend of 0.50 pence per share.

Follow-on royalty investments

On 18 June 2020, the Group announced a follow-on investment of £2.3 million into its royalty partner Welltel. On 6 August 2020, the Group announced a further follow-on investment of £2.9 million into Welltel.

Exit of royalty and loan investment

On 2 September, XtremePush repaid in full both its royalty and loan facility, inclusive of all exit premiums. Total repayment was in line with the fair value of the investment at the balance sheet date.

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Charles Cannon Brookes
Mark Le Tissier
Matthew Wrigley

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Neil Johnson
Andrew Carragher
Jim Webster
John Romeo
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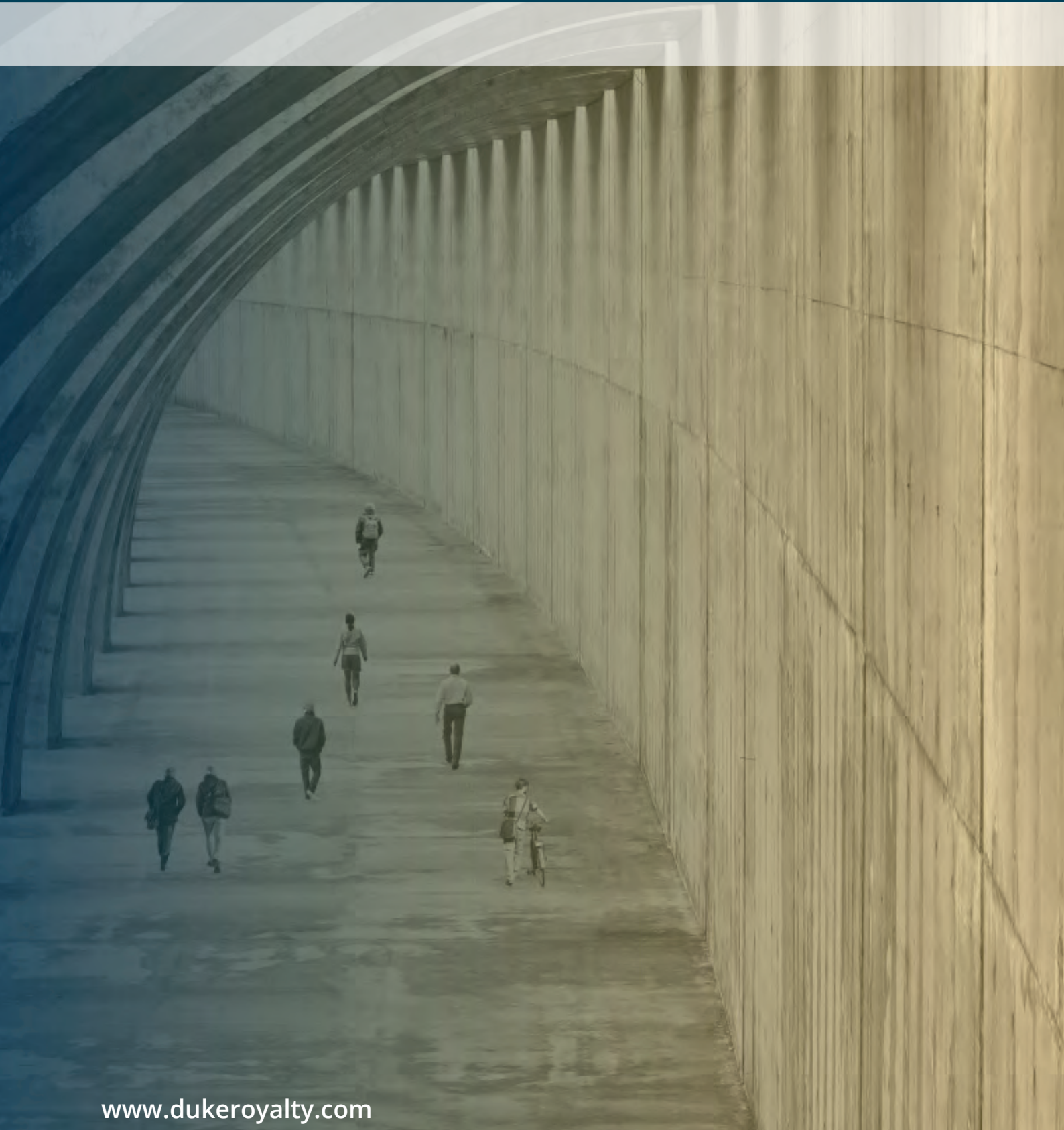
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