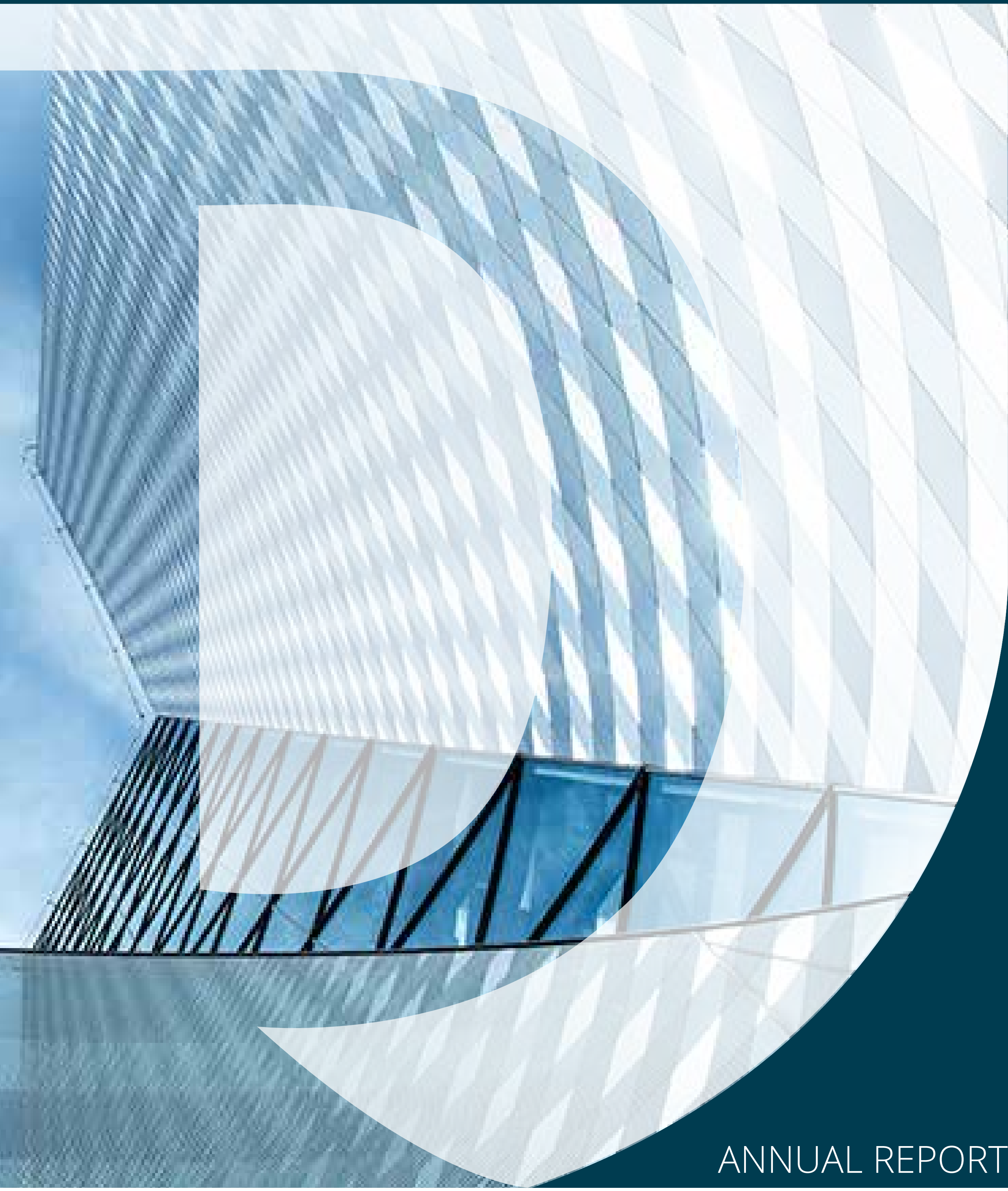
DUKE ROYALTY



ANNUAL REPORT

for the year ended 31 March 2021

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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

Our mission is to support profitable, well-established Small & Medium Sized Enterprises (SMEs) reach their full growth potential with a long-term and flexible source of capital.

We aim to bridge the significant funding gap being faced by SMEs with a royalty financing solution, a method of financing which is proven to withstand multiple economic cycles.

In doing so, we provide robust, stable and long-term returns to our shareholders.

Highlights

Financial

Net cash inflow from operating activities
£8.9m
2020: £6.8m
+32%

Adjusted earnings per share
2.70p
2020: 2.44p
+11%

Cash revenue [1]
£11.0m
2020: £10.2m
+7%

Dividend per share
2.25p
2020: 2.90p
-22%

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

Operational

Deployed
£24.5m
of capital

Realised
3
investments

Increased credit facility
£35m

Strengthened investment team with hire of new Chief Investment Officer

[1] Cash revenue refers to cash distributions from Duke's Royalty Partners and cash gains from sales of equity assets

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 we refer to as the 'refinancing treadmill', the constant loop of getting bank financing only to be required to repay principal, forcing the company to look for more bank financing to repay the last loan.

The distribution payable to Duke is reset annually either up or down, subject to a ceiling and a floor, according to the revenue performance of our partners. This aligns our return with the performance of the royalty partner over the long term, which appeals to business owners when the short-term economic outlook is so uncertain.

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 opposite showcases the sectors and transaction types of our current royalty partners, as well as those partners that exited during the year and post year end. It also provides 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 plus the inclusion of investments made post year end.

February 2019 miriad Fair value: £13,716,000 Leasure MBI	October 2017 LYNX equity limited Fair value: £13,144,000 Business Services Acquisition Capital	April 2018 United Glass Group Ltd Fair value: £12,421,000 Industrials Acquisition Capital & Debt Refinancing
August 2018 InterHealthCanada Global Healthcare Solutions Fair value: £10,707,000 Healthcare Growth Capital	July 2021 inTEC BUSINESS Fair value: £9,900,000 I.T. Acquisition Capital	March 2018 TRIMITE GLOBAL COATINGS Fair value: £9,849,000 Industrials Shareholder Buyout
June 2021 FAIRMED Healthcare Group Fair value: £8,591,000 Healthcare Growth Capital	September 2018 BIL Fair value: £8,501,000 Business Services MBO/MBI	June 2018 STEP INVESTMENTS Fair value: £6,647,000 Education & Media Growth Capital
February 2021 fabrikat Fair value: £6,240,000 Industrials MBO	July 2021 creō-tech INDUSTRIAL GROUP INC Fair value: £4,718,000 Industrials Acquisition Capital	August 2018 bHP Insurance EXIT IRR: 29.4% MBO
Carmen, Verdi & Rigoletto EXIT IRR: -2% Acquisition of Assets	welltel EXIT IRR: 27% Acquisition Capital & Debt Refinancing	xtremepush EXIT IRR: 22% Acquisition Capital

Chairman's statement

NIGEL BIRRELL
Chairman

"I am pleased to report a strong set of financial results for the period under review which I believe demonstrates the resilience of Duke's royalty model even in challenging economic times."

The financial year under review certainly represented a uniquely challenging period for governments, corporates and individuals alike. The economic response of governments has been strong with significant financial assistance being provided to support businesses through the pandemic via low-cost government loans, tax deferments and other measures. Interest rates have been kept at historical lows and liquidity has been provided to try to maintain investor stability and confidence in the financial system. As the Western world emerges from the pandemic, this growth-friendly backdrop has led to a strong bounce back in the economy at large and, while certain sectors are still struggling such as hospitality, travel and leisure, the general feeling is one of increasing confidence for the future.

Some of the unintended consequences of this widespread government support has been a resulting period of high government deficits, substantial increases in global government debt levels and the emergence of mild inflationary pressures which are being spurred on by a backdrop of rapidly rising commodity prices. All investors should remain cautious and cognisant that the current macro environment provides less room for governments to further support the economy through the traditional methods.

Despite the considerable efforts of governments to provide assistance to smaller sized companies that operate in Duke's target market, the reality has been that for many, accessing these loans proved to be a challenging and time-consuming process. It is therefore with great pleasure that I can report that Duke worked closely with its royalty partners throughout the pandemic to ensure they were

Net cash inflow from operations	Adjusted earnings	Dividend per share
£8.9m	£6.6m	2.25p
+32% (2020: £6.8m)	+26% (2020: £5.2m)	-22% (2020: 2.90p)

sufficiently well capitalised to endure the toughest months and to emerge out the other side intact. Duke supported its companies in multiple ways including forbearance agreements and payment holidays for those who needed it as the lockdown started, providing those that could make acquisitions during this time with additional capital, and giving strategic advice.

Given this backdrop, I am pleased to report a strong set of financial results for the period under review which demonstrates the resilience of Duke's royalty model even in challenging economic times. Revenue and operating cashflow both rose year-on-year and the balance sheet remained strong throughout the period. This has set the scene for further growth in the years ahead, and we were pleased to report record quarterly cash revenues for the first quarter of our 2022 year and the delivery of three new royalty partners. Despite opting to pay a scrip dividend for two quarters during the height of the pandemic, I am also pleased to be able to report that Duke adhered to its dividend policy and that it reverted to its cash dividend at the earliest possible opportunity.

The Duke team has worked hard to manage the Company and its partners through the difficulties presented by the pandemic. Management is confident that the flexibility shown to its royalty partners has demonstrated that Duke is a supportive, long-term capital partner to SMEs.

The Company's strong financial performance is testament to both the resilience of our underlying royalty partners but also the hard work that has been invested by Duke's investment team to successfully navigate these economic headwinds and I thank them for their considerable efforts.

As a fiduciary in companies, we take our duty to deploy our capital in a responsible way, very seriously. As set out in our Responsible Investment and ESG policy, we recognise that by following a set of commitments, Duke better aligns itself and its partners with the broader objectives of society. Furthermore, because our investment products are structured over decades, we believe that long term success as a business is directly correlated to the way that business approaches and manages their place relative to environmental, social and governance considerations.

Despite the ongoing volatile economic environment, Duke looks to the future with optimism with the Company's long term, patient capital proving to be very competitive with other forms of capital in its target market. Furthermore, on the back of the oversubscribed £35 million placing completed shortly after the financial year-end alongside its existing credit facilities, Duke currently has significant liquidity to deploy in its pipeline of opportunities, which has strengthened due to the aforementioned macro-factors impacting our target market..

As always, I am appreciative of the ongoing support of our shareholders and am pleased to report the Chairman's statement for FY21. I look forward to being able to report on the Group's ongoing progress and development in future periods.

NIGEL BIRRELL
Chairman

15 September 2021

Case study

Royalty partner
Fabrikat

MANAGEMENT BUYOUT

- Duke Royalty delivered £6.2 million of capital to Meteor (BidCo) Limited to fund the management buyout (MBO) of Fabrikat (Nottingham) Limited, a fabricator of steel products supplying the UK street lighting and guardrail markets
- The MBO, completed in February 2021, was led by three incumbent executives, with an impressive combined tenure in the business of more than 60 years
- Fabrikat was a strong candidate for Duke's capital, exhibiting a great management team and with a longstanding track record of steady and growing profitability, even through the uncertainty of the pandemic

"Duke's investment solution has been a great fit for this transaction. By taking on Duke's capital, the other members of the MBO team and I can assume operational control and a majority equity shareholding in a company where we have worked for most of our careers. We are excited to take Fabrikat forward and build on the excellent reputation of the firm."

Paul Allen, CFO

Chief Executive Officer's statement

"The royalty finance market remains an attractive area of investment in the United Kingdom ."

NEIL JOHNSON,
Chief Executive Officer

Our financial year started at the beginning of the pandemic and lockdown, which was a period without precedent for people and businesses around the world. When I wrote my CEO's statement last year, we were only just beginning to see the impact that the Covid-19 pandemic was to have. Like many, the experience of the 12 months under review has tested us as individuals and as a company, as well as our portfolio companies, but I am heartened to say that it has ultimately strengthened Duke and its commitment to our partners and shareholders.

The swift actions taken by us and our royalty partners, shortened the timeframe and lessened the effects of the pandemic on Duke and its shareholders. We are pleased therefore, to be able to say today that the company exited the year in good health and has recorded record revenues ahead of those pre-pandemic and a strong cash dividend.

A strengthened market opportunity

Looking forward, the royalty finance market remains an attractive area of investment in the United Kingdom, Europe and North America despite the disruption. In the UK, the effects of the Government's Coronavirus Business Interruption Loan Scheme (CIBL) on SMEs will be felt and better understood in the years ahead. What has become clear to us, is that the market opportunity is larger now than it was before the pandemic. Alternative financing, in all its forms, will continue to be attractive to owners of growing businesses, providing creative, yet proven ways to fill the funding gap faced by SMEs. Despite record low interest rates, many High Street banks now have more stringent lending criteria, which may not be right for SME owners and their businesses. While not a solution for all, Duke is uniquely positioned to provide capital and stability to many businesses that have a strong track record of profitability, but which are facing funding uncertainty. A key attribute is the long-term nature of our capital and there are very few products available on the market that offer this without significant dilution. Duke's solution affords our partners certainty of long-term capital in the face of an otherwise increasingly uncertain world.

As with many businesses faced with unpreceded challenges last year, Duke made the decision to stop new investments as the pandemic hit. Within six months, however, the opportunity that had been created was clear, and we once again began prospecting for new deals. Assuredly for investors, despite the clear and now proven market opportunity internationally, there have been no new entrants in the market for our type of product. This lack of new competition has seen our lead on the market lengthen as we continue to expand our offering and opportunity in the United Kingdom and Europe. Our market expansion has not, however, been contained to these traditional markets for Duke, with opportunities in North America now actively being pursued.

Reinforcing our supportive model and culture

During this period, we continued our steadfast commitment to stand by our existing royalty partners. This challenging period gave us the opportunity to reinforce this aspect of our culture and we tailored our support to our partners in multiple ways: we introduced forbearance agreements - primarily in the form of payment holidays - for those who needed it as the lockdown started. Cash dividends were replaced by scrip payments for Q1 and Q2 of our financial year, in an effort to ensure we are able to deliver support for our portfolio companies, and these efforts resulted in a number positive outcomes for both Duke and its royalty partners, enabling us to rapidly reinstate our cash dividend by Q3 of our financial year. Duke was able to give additional capital to the partners who could make strategic and opportunistic acquisitions during this time and gave strategic advice where necessary which included Duke taking up board seats in some cases. In particular, we supported our partners Trimite, UGG and Step with equitisation of payments and board seats and worked with Temarca to restructure our investment, which led to a strategic sale of the riverboat assets.

Chief Executive Officer's statement continued

The period also saw a follow-on investment into Miriad, with an accompanying board seat, a strategic exit from XtremePush, with an IRR in excess of 22% and a cash-on-cash return in excess of 1.5x, and we welcomed Fabrikat, a UK-based fabricator of steel products with a long history of steady turnover and profitability, as a new royalty partner.

I would also like to thank our employees for their commitment and energy of the last year. The speed of decision making and support provided in a number of situations allowed Duke to achieve these results, and it's through their efforts we executed on behalf of the shareholders. As a Company we want to invest in our people, and we took the decision to support them by not releasing, furloughing or reducing any of our workforce, all while not taking any government assistance. We appreciate all the companies that work with Duke Royalty, for their willingness to continue our relationship with a view of the long term.

Executing on a compelling market opportunity

Through our work actively supporting our partners and with revenue steadily improving due to the stabilisation of the economy by Q4 of our financial year, Duke successfully raised £35 million through a significantly oversubscribed equity placing in April 2021. This fundraise, backed by existing and new investors and premium institutions, increased the Company's liquidity and we have already started utilising it to fund the growing pipeline of investment opportunities driven by the aforementioned desire by business owners for long-term capital solutions.

As a company we are delighted to have welcomed a new Chief Investment Officer in Peter Madouros who joined us from Pollen Street Capital. Peter had previously been our key point of contact at Pollen Street, so his decision to join the team was a strong endorsement of our business model and growth potential and has provided us with extra firepower to execute on the range of compelling opportunities we are assessing. Peter took over from Jim Webster who continues with Duke providing his invaluable experience, support and leadership as Chair of the Investment Committee.

With all this in mind, it pleases me to be able to say that despite the unprecedented year we have experienced, I have a high degree of optimism in the future for Duke, its partners and our shareholders.

Increased cash generation despite turbulence

Despite the backdrop of economic turbulence caused by Covid-19, our financial performance for the 12 months ended 31 March 2021 was strong and has showed its resilience through the downturns in the economic cycles. As the Company is the only corporate royalty company listed in London, Covid-19 was the first time a portfolio of royalty agreements were tested in a downside scenario. This did more than just test the resiliency of Duke's portfolio, it showed all UK investors how royalty companies perform in an economic downturn.

Duke's single most important financial indicator is its ability to generate cash. It is pleasing therefore, to be able to note that cash revenue, which represents cash from its royalty and loan investments and net gains from sales of equities, totalled £11.0 million, a 7% rise on the £10.3 million generated in FY20. Furthermore, cash inflow from operating activities, which takes Duke's operating costs and tax paid into account, rose significantly to £8.9 million in FY21, an increase of 32% over the £6.8 million generated in FY20. This was driven by a focus on a reduction of all non-core costs, resulting in a fall in the Company's operating expenditure from £2.8 million in FY20 to £2.1m million in FY21.

This increase in operating cashflow was despite a short term reduction in cash payments resulting from the forbearance agreements with certain royalty partners. These agreements were structured to alleviate the cashflow pressure placed on our partners at the start of the pandemic. The forgone cash revenue has been either accrued or equitised, and Duke fully expects to recover the remaining accrued cash revenue over the short to medium term.

Looking at the income statement, FY21 generated a profit before tax of £16.1 million against a loss of £10.4 million in FY20. The significant swings in earnings come as a result of the nature of IFRS 9 reporting whereby the Company's royalty portfolio is subject to non-cash fair value movements. In FY20, the portfolio took £15.6 million of fair value and impairment write downs across the investment portfoli as the early effects of the Covid-19 started to be seen. FY21 saw a partial reversal of this, with fair value gains of £9.9 million. From our inaugural Annual Report to Shareholders, we have consistently maintained that shareholders look at the cash flow statement as a true benchmark of the company's performance.

Duke continued its policy of paying out quarterly dividends with an aggregate pay-out of 2.25p per share

As an additional consistent measure, the Group introduced a non-IFRS measure of 'Adjusted earnings', which represents the Group's underlying operating performance from core activities. Adjusted Earnings for the year totalled £6.6 million, a 26% increase over the £5.2 million in FY20 (refer to note 7).

Duke continued its policy of paying out quarterly dividends, with an aggregate pay-out of 2.25p per share. While down on last year, this decrease was the result of a strategy of cash preservation to allow us to support our royalty partners through the early stages of the pandemic. It also meant that dividend payments made in July and October 2020 were in the form of scrip dividends rather than cash. We appreciate our shareholders understanding this decision to ensure that Duke Royalty remained cash flow positive at all times through the period.

A clear strategy and outlook for growth

Duke Royalty's solution fills an ever-increasing need from SMEs for long term, flexible capital. We believe that the future of SME finance will continue to provide business owners with more options because of a multitude of factors including: the democratisation of finance through technology, the financial innovation of non-bank finance, the willingness of business owners to seek out more suitable forms of finance other than their High Street banks, solidified by the banking regulations imposed on high-street banks which have the effect of discouraging loaning money to SME business owners. The size of the non-bank industry is huge, with estimates from the Association for Financial Markets in Europe and PWC that in 2019 there was over US$800 billion in private debt worldwide which has been growing at 11% CAGR since 2010.

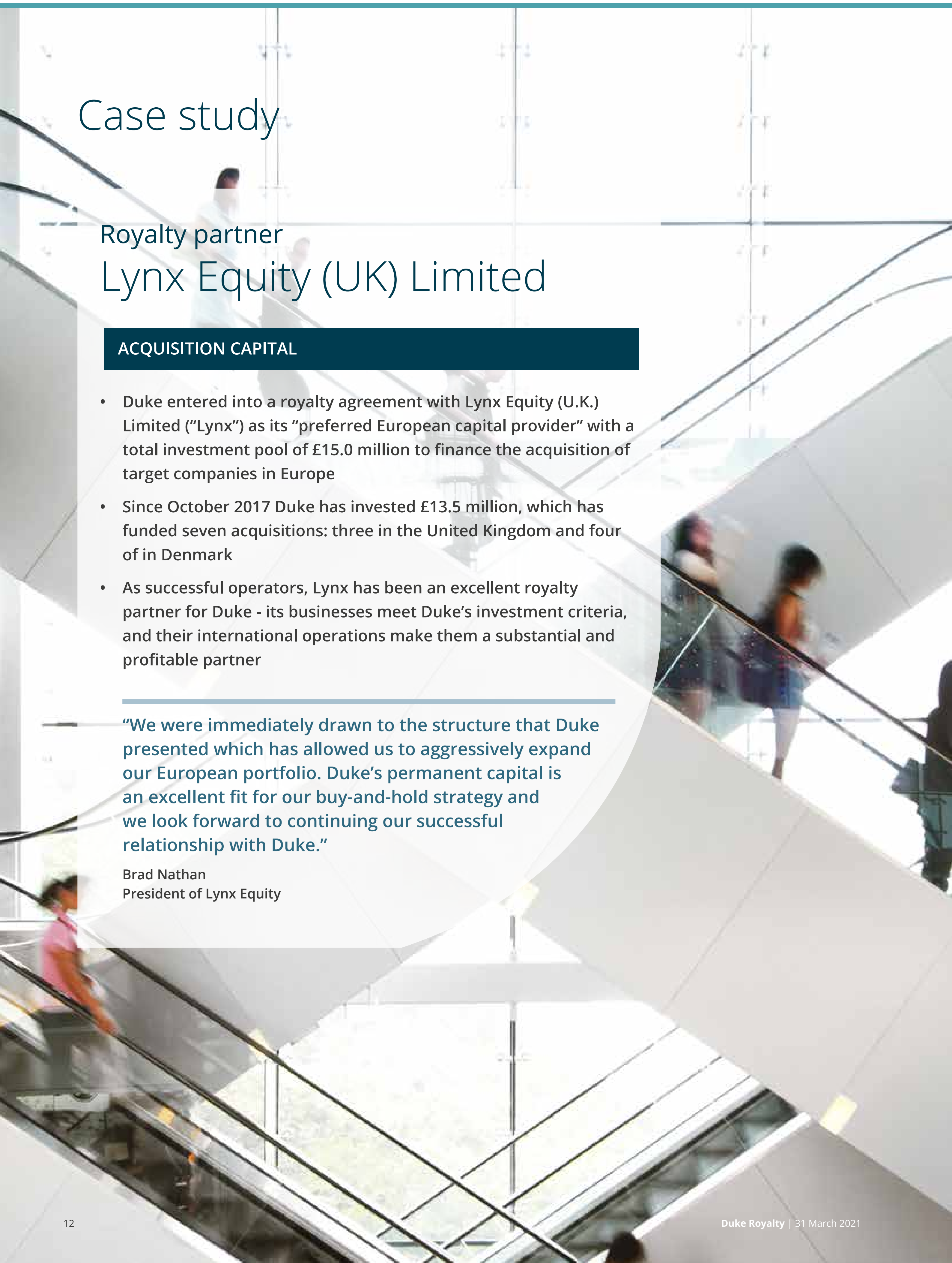
Duke is well placed to take an important share of this market. Of course, our solution is not intended for all SMEs due to our focus on partnering with established growth businesses which operate in lower risk sectors and with a proven track record of profitability, but we believe that we have a large enough target market to continue growth for the foreseeable future.

This is because the pandemic has strengthened business owners' understanding that a long-term capital solution is critical in times of short-term uncertainty. We have completed three deals in the first five months of our full year to 31 March 2022, underpinning our belief that Duke's combination of creating no re-financing risk while keeping business owners in control of their companies, is a formula that will resonate with an increasing number of business owners as we expand our ability to service our market. As demonstrated during the period, our long-term capital gives flexibility in owners' choice and timing of exiting the relationship. The ability to keep the control of the exit in the business owners' hands is part of what makes Duke's long term, passive capital attractive to business owners.

For investors, we believe that our solution gives investors what they want: a long-term, predictable revenue stream with a focus on dividends. Having now achieved record cash revenue for Q1 of our 2022 financial year, ahead of the cash revenue we were delivering before the pandemic, we intend to extend our position as the leading corporate royalty provider in Europe. To achieve this, we believe that diversification of our revenue stream, by increasing the number of royalty partners we have, brings stability to our long-term future. We believe in diversification among industries, geographies, and currencies, with a focus on regions and sectors that meet our criteria. We now have a track record of providing supportive financing to the SME community when they need it most and the positive outcomes of the majority of our partners in spite of weathered economic headwinds through the pandemic show the benefits of our capital and our partnership model both for business owners and our shareholders alike.

As we look forward, our team is committed to growth in the number of royalty partners and increasing our cash flow per share for shareholders. We are expanding our presence in the market, increasing our ability to find good prospective royalty partners, and have done our first North American transaction. We look forward to the future and thank our shareholders for their support and look forward to a healthy, successful future.

NEIL JOHNSON
Chief Executive Officer



Case study

Royalty partner

Lynx Equity (UK) Limited

ACQUISITION CAPITAL

- Duke entered into a royalty agreement with Lynx Equity (U.K.) Limited ("Lynx") as its "preferred European capital provider" with a total investment pool of £15.0 million to finance the acquisition of target companies in Europe
- Since October 2017 Duke has invested £13.5 million, which has funded seven acquisitions: three in the United Kingdom and four of in Denmark
- As successful operators, Lynx has been an excellent royalty partner for Duke - its businesses meet Duke's investment criteria, and their international operations make them a substantial and profitable partner

"We were immediately drawn to the structure that Duke presented which has allowed us to aggressively expand our European portfolio. Duke's permanent capital is an excellent fit for our buy-and-hold strategy and we look forward to continuing our successful relationship with Duke."

Brad Nathan
President of Lynx Equity

Governance

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 Entain), 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.

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 resident in Guernsey and responsible for the Company's corporate obligations in that jurisdiction.

Mr. Le Tissier is the European Regional Managing Director of the Trident Trust Group with oversight of eight offices,and has worked for Trident Trust for over 25 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.

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 2021.

Status and activity

The Company is a company limited by shares, incorporated in Guernsey under the Companies (Guernsey) Law, 2008. Its shares are traded on the AIM market of the London Stock Exchange. The Company has the following wholly owned subsidiaries: Duke Royalty UK Limited, 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. During the year, the Company incorporated Duke Royalty Switzerland Gmbh ("Duke Switzerland") as a wholly owned subsidiary of Duke Royalty Limited. Duke Switzerland was set up to hold the riverboat assets secured following the restructure of the Temarca investment. Duke Switzerland was subsequently disposed of prior to the year end.

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

Deployments of capital

During the year the Group focused on supporting its existing royalty partners while also adding one new partner to the portfolio. The core deployment highlights were as follow:

- £6.2 million investment into new royalty Meteor HoldCo Limited, which undertakes business as Fabrikat (Nottingham) Limited ("Fabrikat"). Formed in 1985, Fabrikat is a fabricator of steel products supplying the UK street lighting and guardrail markets. Duke's investment facilitated a management buyout ("MBO") of two shareholders who, in recent years, have handed over the day to day running of the business to the current management team which has a combined tenure in the business of more than 60 years and lead all aspects of Fabrikat's operations
- £4.5 million follow-on investment into its existing royalty partner United Glass Group Limited ("UGG"), a UK based group with established subsidiaries operating in the UK architectural glass processing & merchanting sectors since the 1970s. The funds were used by UGG to complete the strategic acquisition of London Architectural Glass ("LAG"), a UK supplier of bespoke architectural glass to premium residential, educational and heritage projects throughout the UK
- £3.1 million into its existing royalty partner MRDB Holdings Limited Group, which undertakes business as Miriad Products ("Miriad", or the "Company"). Miriad, formed in 1977, is the largest privately-owned recreational vehicle parts wholesale company in the UK. The funds enabled Miriad to buyout and cancel all of the Company's subordinated vendor loan notes at a material discount to their current face value plus accrued interest, which stood at £4.9 million
- Two follow-on investments totalling £5.3 million into Welltel (Ireland Limited ("Welltel") to finance the acquisition of Globalnet Solutions Limited, trading as Novi ("Novi") and Intellicom Ireland Limited ("Intellicom"). Novi is a well-regarded brand in the Irish technology market and a leading provider of proactive IT and cyber security services, while Intellicom specialises in the supply, installation and support of IP telephony solutions to over 350 corporate clients across Ireland

Since the year end, Duke has made further investments as follows:

- €10.0 million into new royalty partner Fairmed Healthcare AG ("Fairmed"), which provides high quality generic prescription medicines, over-the-counter pharmaceuticals, dermocosmetics and dietary supplements in various EU countries
- £7.7 million investment into new royalty partner InTec Business Solutions Limited ("InTec"). InTec is a UK company specialising in the design, implementation, and support of a wide range of cloud services and business applications including I.T. managed services, I.T. infrastructure support, hosted collaboration, and communication solutions. Funds will be used to support InTec's buy and build strategy
- A C$8.3 million investment into new royalty partner Creō-Tech Industrial Group Inc ("Creō-Tech). Creō-Tech is a Canadian holding company that has been set up to acquire businesses that provide engineering, procurement and construction ("EPC") services in commercial and industrial settings. Funds will be used to acquire two businesses, Axial Inc. ("Axial") and Silhouette Enclosures Ltd. ("Silhouette"). Axial is a provider of industrial automation and engineering services, while Silhouette specialises in the design and fabrication of custom industrial enclosures

Investment exits

As well as over £23.0 million of deployments, Duke also exited three investments during FY21; Xtremepush in September 2020, Welltel (Ireland Limited ("Welltel") in December 2020 and Duke Switzerland in March 2021. Total cash return was £17.4 million with a further €11.6 million from the sale of Duke Royalty Switzerland Gmbh deferred and due to be paid in three instalments between the period September 2021 to June 2023.

Since the year end, Duke has also successfully exited its investment in BHPC Limited, an Irish insurance brokerage, returning back net cash of £6.9 million.

Debt facility

In March 2021, the Group announced that it had increased and extended its revolving facility agreement with Honeycomb Investment Trust PLC ("Honeycomb").

The new credit facility will enable the Company to capitalise on the significant opportunity available to add new royalty partners looking for long-term, flexible alternative capital since the start of the pandemic. The initial facility of £30 million was increased to £35 million, extending the term to February 2026.

Results and dividends

The Group's performance during the year is discussed in the Chairman's Statement and CEO's Statement on Pages 6-11. The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 33, which shows a profit £14.0 million (year to 31 March 2020: loss of £8.9 million) and basic earnings per share of 5.75 pence (year to 31 March 2020: loss per share of 4.16 pence).

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:

	2021 £000	2020 £000
Receipts from royalty investments	9,931	8,977
Receipts of interest from loan investments	667	1,268
Receipts from equity investments	345	90
Other operating receipts	93	-
Payments for royalty participation fees	(81)	(168)
Operating expenses paid	(2,154)	(2,811)
Tax refunded / (paid)	135	(573)
Net cash inflow from operating activities	**8,936**	**6,783**

Operating cash flow per share for the year was 3.68 pence (year to 31 March 2020: 3.17 pence).

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.

Directors' report continued

The Group's adjusted earnings for the year was £6,557,000 (year to 31 March 2020: £5,216,000). This gives rise to adjusted earnings per share of 2.70 pence (year to 31 March 2020: 2.44 pence).

At the year end the net assets attributable to the Ordinary Shareholders were £85,786,000 (31 March 2020: £74,040,000).

During the year, the Company's quarterly dividend policy was continued and dividends of £5,404,000 were paid during the financial year to 31 March 2021 (2020: £6,014,000). The Company's quarterly dividend was 0.75 pence per share paid in April 2020 and 0.50p paid in July 2020, October 2020 and January 2021. The dividends paid in July and October 2020 were paid in the form of a scrip dividend rather than cash.

Subsequent to year end, the Company paid a further cash dividend of 0.55 pence per share in April and July 2021.

	2021 £000	2020 £000
Total comprehensive income for the period	13,953	(8,898)
Unrealised fair value movements	(9,871)	12,641
Impairment loss on financial assets	-	2,947
Share-based payments	806	409
Transactions costs net	550	543
Tax effect of the adjustments above	1,119	(2,426)
Adjusted earnings	**6,557**	**5,216**

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 22 October 2021 at 1pm at 4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA. The notice and form of Proxy accompany these financial statements.

Directors' responsibilities statement

For the year ended 31 March 2021

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 2021 Number 000	ORDINARY SHARES 2020 Number 000
N Birrell	1,079	845
N Johnson	4,248	3,650
C Cannon Brookes	6,193	5,557
J Cochrane*	962	815
M Le Tissier	-	-
M Wrigley	28	27

* Resigned 11 March 2020

Directors’ responsibilities statement continued

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 17 to the Consolidated Financial Statements):

	SHARE OPTIONS 2021 Number 000	SHARE OPTIONS 2020 Number 000	LTIP AWARDS 2021 Number 000	LTIP AWARDS 2020 Number 000
Neil Johnson	85	85	3,200	2,200
Charles Cannon Brookes	85	85	2,650	1,550
Nigel Birrell	85	85	-	-

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

	BASIC FEES 2021 £000	SHARE BASED PAYMENTS 2021 £000	ANNUAL BONUS 2021 £000	TOTAL 2021 £000	BASIC FEES 2020 £000	SHARE BASED PAYMENTS 2020 £000	ANNUAL BONUS 2020 £000	TOTAL 2020 £000
Non-Executive								
N Birrell	28	-	-	28	26	-	-	26
J Cochrane*	-	16	-	16	35	17	-	52
M Wrigley	24	-	-	24	24	-	-	24
M LeTissier	-	-	-	-	-	-	-	-
Executive								
N Johnson	200	294	75	569	200	190	200	590
C Cannon Brookes	180	218	75	473	160	134	140	434
	432	**528**	**150**	**1,110**	**445**	**341**	**340**	**1,126**

* Resigned 11 March 2020

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 15 September 2021 the Company had been notified of the following interests of shareholders in excess of 3%:

	ORDINARY SHARES	% OF ORDINARY SHARE CAPITAL
Hargreaves Lansdown	34,319,934	9.59%
Canaccord Genuity Wealth Management	26,675,714	7.45%
BMO Global Asset Management	23,459,585	6.55%
M&G Investments	23,418,516	6.54%
Premier Miton Investors	23,345,551	6.52%
GLG Partners	20,292,005	5.67%
Interactive Investor (EO)	19,586,978	5.47%
AXA Framlington Investment Managers	16,358,714	4.57%
Chelverton Asset Management	13,369,750	3.73%
MEAG MUNICH ERGO Kapitalanlagegesellschaft GmbH	10,843,338	3.03%

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 at least 14 working days in advance of the meeting. All shareholders have the opportunity to put questions to the Board formally at the Company’s Annual General Meeting. The Company Secretary and representatives from Arlington Group Asset Management Limited and Abingdon Capital Corporation are available to answer general queries.

Corporate governance

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

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 investment management, 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 2021.

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 seven members nominated by the Company, includes three independent members. The current members of the Investment Committee are Jim Webster, Chair of the Investment Committee; Justin Cochrane, President and CEO of Nickel 28; John Romeo, Managing Partner and Executive Committee and Risk Committee member at Oliver Wyman; Andrew Carragher, Founder and Managing Partner of DW Healthcare Partners; Neil Johnson, Executive Director and Chief Executive Officer of Duke Royalty; Charlie Cannon Brookes, Executive Director of Duke Royalty; and Peter Madouros, Chief Investment Officer of Duke Royalty.

Directors' responsibilities statement continued

The Investment Committee is responsible for reviewing the pipeline of all proposed opportunities; assisting and 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 23 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.

The economic and social impact of Covid-19 continues to dominate the economic backdrop in which the Group operates. Duke focused its efforts on ensuring that its Royalty Partners most impacted by the Covid-19 pandemic were given the financial flexibility to manage the challenges they are experiencing in relation to cash flow, while also backing those Royalty Partners who were benefitting in the current climate. Duke therefore entered into forbearance agreements with these partners for the six-month period ending September 2020 to provide some liquidity headroom. Rather than surrendering this revenue, these agreements meant Duke's forgone cash distributions for the first six months of the pandemic were either accrued, capitalised or equitised. At 31 March 2021, there were no forbearance agreements in place and only one partner had not returned to full payment on a monthly basis.

Bearing in mind the nature of the Group's recurring royalty streams and after assessing the 12 month forecasts, combined with the available headroom in terms of the uncalled loan facility in place should it be required, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the 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 15 September 2021 and signed on behalf of the Board by:

MARK LE TISSIER
Director

MATTHEW WRIGLEY
Director

Finance

Independent auditor’s report

Opinion on the financial statements

In our opinion, the financial statements of Duke Royalty Limited (“the Parent Company”) and its subsidiaries (the “Group”):

- give a true and fair view of the state of the Group’s affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of the Group for the year ended 31 March 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and 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 IFRS as adopted by the European Union

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

KEY AUDIT MATTER	2021	2020
Measurement and existence of royalty investments	✓	✓
Measurement of loans advanced and IFRS 9	✓	✓

KEY AUDIT MATTER
Group financial statements as a whole £1,556,500 (2020: £1,350,000) based on 1.5% (2020: 1.5%) of total assets.

An overview of the scope of our audit

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

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

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

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

Key audit matters

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

Independent auditor's report continued

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Measurement and existence of royalty investments (notes 2.13, 3, 8 and 22) 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. 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. 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.	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: 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. Assessing based on review of the underlying supporting management information and key performance indicators of the investees performance, whether management's consideration of the investees actual performance against that budgeted indicated a need to revise the cash flows. Assessing the expected growth rates used by management against independent sources i.e. growth rates used by brokers. 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. **Key observations** Based on the procedures performed we did not identify any indications to suggest that the judgements made in respect of the royalty investments were unreasonable and we consider the disclosures to be appropriate.
Measurement of loans advanced and IFRS 9 (note 2.13, 3 and 9) 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. As a result, the Group's IFRS 9 methodology incorporates a number of estimates to determine the expected credit loss provisions.	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. Through challenge, discussion and review of example scenarios, we gained a detailed understanding of, and evaluated, the expected credit loss methodology applied. This was undertaken with reference to accounting standards and industry practice. We then tested the methodology used in determining the amortised cost amount and recognition of any impairment loss. Our testing included: • testing the integrity of the data used in the models by verifying the models to source inputs including the signed loan agreements, addendums and checking the mathematical accuracy thereon; • challenging management's methodology for the expected credit loss models by understanding through discussion with management their default probability percentages used, the impact of the continuing Covid-19 pandemic and performing our own sensitivity analysis where appropriate. **Key observations** Based on the procedures performed, we did not identify any indications to suggest that the expected credit losses were materially misstated and we consider the disclosures to be appropriate.

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.

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

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

	GROUP FINANCIAL STATEMENTS	
Materiality	**2021:** £1,556,500	**2021:** £1,350,000
Basis for determining materiality	1.5% of total assets	
Rationale for the benchmark applied	Due to it being an investment fund with the objective of long-term capital growth with investment values being a key focus of users of the financial statements.	
Performance materiality	**2021:** £933,900	**2021:** £810,000
Basis for determining performance materiality	60% of materiality This was determined using our professional judgement and took into account the complexity of the group and our long-standing knowledge of the engagement together with significant judgements used in the key audit matters.	

Specific materiality

We also determined that for broker fees, legal fees, audit fees, directors' fees administration fees, consultancy fees, investment committee fees, support fees, nomad fees and directors' travel and entertainment, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items to be £345,000 which is 5% of the total expenses of the group (2020: £292,000 based on 5% of total expenses). We further applied a performance materiality level of 60% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £77,800 (2020: £67,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor’s report continued

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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies (Guernsey) Law, 2008 reporting

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

proper accounting records have not been kept by the Parent Company; or

the Parent Company 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 Company’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 Company 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.

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

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and have a direct impact on the preparation of the financial statements. We determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework such as IFRS and the Companies (Guernsey) Law, 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks were related to revenue recognition in relation to the royalty income from royalty investments, revenue recognition in relation to loan interest from loans advanced and management bias and judgement involved in accounting estimates, specifically in relation to the expected credit loss provisions (the response to which are detailed in our key audit matters above).

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

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

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

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

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

Use of our report

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

BDO LIMITED
Chartered Accountants
Place du Pré, Rue du Pré
St Peter Port, Guernsey

15 September 2021

Consolidated statement of cash flows

For the year ended 31 March 2021

	NOTE	YEAR TO 31 MARCH 2021 £000	YEAR TO 31 MARCH 2020 (restated)* £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from royalty investments		9,931	8,977
Receipts of interest from loan investments		667	1,268
Receipts from equity investments		345	-
Other operating receipts		93	90
Operating expenses paid		(2,154)	(2,811)
Payments for royalty participation fees		(81)	(168)
Tax refunded / (paid)		135	(573)
Net cash inflow from operating activities		**8,936**	**6,783**
CASH FLOWS FROM INVESTING ACTIVITIES			
Royalty investments advanced		(22,708)	(20,983)
Royalty investments repaid		14,354	3,232
Loan investments advanced		(1,145)	(2,661)
Loan investments repaid		2,370	-
Equity investments advanced		(653)	-
Payment for acquisition of subsidiaries		-	(321)
Investments costs paid		(634)	(548)
Net cash outflow from investing activities		**(8,416)**	**(21,281)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	17,454
Share issue costs		(1)	(1,048)
Dividends paid		(3,013)	(6,013)
Proceeds from loans		15,200	16,250
Loans repaid		(13,926)	(11,650)
Interest Paid		(1,409)	(1,425)
Other finance costs		(95)	(534)
Net cash (outflow) / inflow from financing activities		**(3,244)**	**13,034**
Net change in cash and cash equivalents		**(2,724)**	**(1,464)**
Cash and cash equivalents at beginning of year		4,481	5,894
Effect of foreign exchange on cash		9	51
Cash and cash equivalents at the end of year		**1,766**	**4,481**

* refer to note 2.1, presentation of statement of cashflows

The notes on pages 36 to 68 form an integral part of these Consolidated Financial Statements.

Consolidated statement of comprehensive income

For the year ended 31 March 2021

	NOTE	YEAR TO 31 MARCH 2021 £000	YEAR TO 31 MARCH 2020 (restated)* £000
INCOME			
Royalty investment income	8	19,344	(2,994)
Loan investment income	9	636	1,235
Impairment loss on loan investments	9	-	(2,947)
Equity investment income	10	1,569	(670)
Other operating income		93	90
Total income		**21,642**	**(5,286)**
INVESTMENT COSTS			
Transaction costs		(447)	(448)
Due diligence costs		(103)	(95)
Total investment costs		**(550)**	**(543)**
OPERATING COSTS			
Administration and personnel		(1,675)	(1,725)
Legal and professional		(367)	(584)
Other operating costs		(99)	(471)
Share-based payments	17	(806)	(409)
Total operating costs		(2,947)	(3,189)
Operating profit / (loss)		**18,145**	**(9,018)**
Net foreign currency movement		(542)	246
Finance costs	5	(1,539)	(1,607)
Profit before tax		**16,064**	**(10,379)**
Taxation (expense) / credit	6	(2,111)	1,481
Profit after tax		**13,953**	**(8,898)**
Basic earnings / (loss) per share (pence)	7	**5.75**	**(4.16)**
Diluted (earnings / (loss) per share (pence)	7	**5.75**	**(4.16)**

* refer to note 2.7, foreign currency

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

The notes on pages 36 to 68 form an integral part of these Consolidated Financial Statements.

Consolidated statement of financial position

As at 31 March 2021

	NOTE	31 MARCH 2021 £000	31 MARCH 2020 £000
NON-CURRENT ASSETS			
Goodwill	15	203	203
Royalty finance investments	8	71,107	59,435
Loan investments	9	4,370	4,418
Equity investments	10	3,495	507
Trade and other receivables	12	5,618	-
Deferred tax	20	158	675
		84,951	**65,238**
CURRENT ASSETS			
Royalty finance investments	8	14,194	16,124
Net loan investments	9	580	5,099
Trade and other receivables	12	4,422	142
Cash and cash equivalents		1,766	4,481
Current tax asset		-	567
		20,962	**26,413**
Total assets		**105,913**	**91,651**
CURRENT LIABILITIES			
Royalty debt liabilities	11	114	133
Trade and other payables	13	267	318
Borrowings	14	161	172
Current tax liability		1,163	-
		1,705	**623**
NON-CURRENT LIABILITIES			
Royalty debt liabilities	11	917	1,040
Trade and other payables	13	402	431
Borrowings	14	17,103	15,517
		18,422	**16,988**
Net assets		**85,786**	**74,040**
EQUITY			
Share capital	16	120,870	118,479
Share-based payment reserve	17	1,548	742
Warrant reserve	17	265	265
Retained losses	18	(36,897)	(45,446)
Total equity		**85,786**	**74,040**

The Consolidated Financial Statements on pages 32 to 35 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 36 to 68 form an integral part of these Consolidated Financial Statements.

Consolidated statement of changes in equity

For the year ended 31 March 2021

	NOTE	SHARES ISSUED £000	SHARE-BASED PAYMENT RESERVE £000	WARRANT RESERVE £000	RETAINED LOSSES £000	TOTAL EQUITY £000
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	40	409	-	-	449
Dividends	17	-	-	-	(6,014)	(6,014)
Total transactions with owners		**16,435**	**409**	**-**	**(6,014)**	**10,830**
At 31 March 2020		**118,479**	**742**	**265**	**(45,446)**	**74,040**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**	**-**	**13,953**	**13,953**
Transactions with owners						
Shares issued in scrip dividend	16	2,391	-	-	-	2,391
Share based payments	17	-	806	-	-	806
Dividends	19	-	-	-	(5,404)	(5,404)
Total transactions with owners		**2,391**	**806**	**-**	**(5,404)**	**(2,207)**
At 31 March 2021		**120,870**	**1,548**	**265**	**(36,897)**	**85,786**

The notes on pages 36 to 68 form an integral part of these Consolidated Financial Statements.

Notes to the consolidated financial statements

For the year ended 31 March 2021

1 General Information

Duke Royalty Limited ("Duke Royalty" or the "Company") is a company limited by shares, incorporated in Guernsey under the Companies (Guernsey) Law, 2008. Its shares are traded on the AIM market of the London Stock Exchange. The Company's registered office is shown on page 69.

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. During the year, the Company incorporated Duke Royalty Switzerland Gmbh as a wholly owned subsidiary of Duke Royalty Limited. Duke Switzerland was set up to hold the riverboat assets secured following the restructure of the Temarca investment. Duke Switzerland was subsequently disposed of prior to the year end.

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.

The comparatives for the cash flow statement have been restated to reflect the grossing up of royalty investments advanced and loan investments receipts and advances. There have been no changes to the classification of any of the cash flows or to the overall cash movements.

Presentation of statement of comprehensive income

In order to better reflect the activities of a royalty financing company, the statement of comprehensive income includes additional analysis, splitting the Group's income by investment type.

2.2 New and amended standards adopted by the Group

A few amendments and interpretations of existing standards apply to the Group's financial year but these did not have a significant impact on the financial statements of the Company.

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 caused extensive disruptions to businesses and economic activities globally including impacting the royalty partners. As a result, certain royalty partners experienced

2 Significant accounting policies (continued)

short term liquidity issues and were unable to sustain their monthly interest obligations. Duke therefore entered into forbearance agreements with these partners for the six-month period ending September 2020 to provide some liquidity headroom. Rather than surrendering this revenue, these agreements meant Duke's forgone cash distributions for the first six months of the pandemic were either accrued, capitalised or equitised. At 31 March 2021, there were no forbearance agreements in place and only one partner had not returned to full payment on a monthly basis.

In April 2021, the Company raised £35 million of new capital from a share issue, providing the Company with significant liquidity for the next 18 months. Furthermore, there is £25 million of 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 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'.

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)'. This has been presented below operating costs as best reflects the true nature of the balance, and included the restatement of the comparative which was previously disclosed within income. There have been no changes to the overall result for the period as a result of this restatement.

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 Income tax

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

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

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

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

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

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

2.10 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.

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.

2 Significant accounting policies (continued)

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.

2.11 Goodwill

Goodwill is measured as described in note 2.10. 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.

2.12 Dividends

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

2.13 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.

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

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

Notes to the consolidated financial statements continued

2 Significant accounting policies (continued)

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 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 zero and the Group does not have sufficient liquidity to cover 12 months of debt obligations, the investment will be deemed to be in default and a lifetime ECL allowance will be provided for.

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

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.

2 Significant accounting policies (continued)

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.

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

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

2 Significant accounting policies (continued)

2.14 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.

2.15 Reserves

Equity comprises the following:

Share capital represents the nominal value of equity shares in issue

Other reserves

- Warrant reserve was created in connection with the issue of share warrants in return for services provided
- Share-based payment reserve represents equity-settled share-based employee remuneration as detailed in note 2.14
- Retained earnings represents retained profits.

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 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.

3 Critical accounting judgements and estimates (continued)

The COVID-19 pandemic has and will continue to have a significant effect on the global economy. 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 further 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 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.

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

	2021 £000	2020 £000
Audit of the Consolidated Financial Statements	72	108

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

5. Finance costs

	2021 £000	2020 £000
Interest payable on borrowings	(1,293)	(1,062)
Non-utilisation fees	(106)	(209)
Deferred finance costs released to P&L	(140)	(336)
	(1,539)	**(1,607)**

6 Income tax

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

	2021 £000	2020 £000
Current tax		
Income tax expense / (credit)	1,594	(241)
Deferred tax		
Increase / (decrease) in deferred tax assets	674	(430)
Decrease in deferred tax liabilities	(157)	(876)
Change in rate of deferred tax from 17% to 19%	-	66
Total deferred tax benefit	517	(1,240)
Income tax expense / (credit)	**2,111**	**(1,481)**
Factors affecting income tax expense for the year		
Profit / (loss) on ordinary activities before tax	16,064	(10,379)
Guernsey taxation at 0% (2020: 0%)	-	-
Overseas tax charges at effective rate of 13.14% (2020: 14.67%)	2,111	(1,547)
Differential in tax rate	-	66
Income tax expense / (credit)	**2,111**	**(1,481)**

7 Earnings / (deficit) per share

	2021	2020
Total comprehensive income / (loss) (£000)	13,953	(8,898)
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	242,836	213,792
Basic earnings / (deficit) per share (pence)	5.75	(4.16)

	2021	2020
Total comprehensive income / (loss) (£000)	13,953	(8,898)
Weighted average number of Ordinary Shares in issue, diluted for warrants in issue (000s)	242,836	213,792
Diluted earnings / (deficit) per share (pence)	5.75	(4.16)

Basic earnings per share is calculated by dividing total comprehensive income / (loss) 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.

All 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 reflection of its ongoing financial performance.

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

	2021 £000	2020 £000
Total comprehensive income for the period / (loss)	13,953	(8,898)
Unrealised fair value movements	(9,871)	12,641
Impairment loss on loan investments	-	2,947
Share-based payments	806	409
Transactions costs net of costs reimbursed	550	543
Tax effect of the adjustments above at Group effective rate	1,119	(2,426)
Adjusted earnings	**6,557**	**5,216**

	2021	2020
Adjusted earnings for the year (£m)	6,557	5,216
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	242,836	213,792
Adjusted earnings per share (pence)	2.70	2.44

	2021	2020
Diluted adjusted earnings for the year (£m)	6,557	5,216
Weighted average number of Ordinary Shares in issue, diluted for warrants in issue	242,836	213,792
Diluted earnings per share (pence)	2.70	2.44

8 Royalty investments

Royalty investments are financial assets held at FVTPL that relate to the provision of royalty capital to a diversified portfolio of companies.

	31 MARCH 2021 £000	31 MARCH 2020 £000
At 1 April	75,559	70,054
Additions	22,708	20,983
Refinanced assets	(21,434)	(3,233)
Profit / (loss) on financial assets at FVTPL	8,468	(12,245)
As at 31 March	**85,301**	**75,559**

Royalty investments are comprised of:

	31 MARCH 2021 £000	31 MARCH 2020 £000
Non-Current	71,107	59,435
Current	14,194	16,124
	85,301	**75,559**

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

	31 MARCH 2021 £000	31 MARCH 2020 £000
Royalty interest	9,179	8,976
Royalty premiums	1,862	-
Gain / (loss) on royalty assets at FVTPL	8,468	(12,245)
(Loss) / gain on royalty liabilities at FVTPL	(165)	275
Royalty investment net income	**19,344**	**(2,994)**

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

The Group's royalty investment assets comprise royalty financing agreements with 10 (31 March 2020: 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.

9 Loan investments

Loan investments are financial assets held at amortised cost.

	31 MARCH 2021 £000	31 MARCH 2020 £000
1 April	9,517	9,626
Additions	1,145	7,203
Refinanced loans	(5,649)	(4,542)
ECL allowance	-	(2,947)
Net foreign currency movement	(63)	177
As at 31 March	**4,950**	**9,517**

The Group's loan investments comprise secured loans advanced to three entities (2020 – six) in connection with the Group's royalty investments.

The loans comprise fixed rate loans of £1,580,000 (31 March 2020: £7,160,000) which bear interest at rates of between 5% and 15% and one variable rate loan of £3,370,000 (31 March 2020: £2,357,000) which bears interest at 14.5% over LIBOR. The total interest receivable during the period was £636,000 (31 March 2020: £1,235,000).

The loan investments mature as follows:

	31 MARCH 2021 £000	31 MARCH 2020 £000
In less than one year	580	5,099
In one to two years	-	-
In two to five years	4,370	4,418
	4,950	**9,517**

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

	2021 £000	2020 £000
Loan Interest charged	603	1,235
Loan premiums on exit	33	-
	636	**1,235**

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

9 Loan investments (continued)

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

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

	AS AT 31 MARCH 2021			AS AT 31 MARCH 2020		
	GROSS CARRYING AMOUNT £000	ALLOWANCE FOR ECLS £000	NET CARRYING AMOUNT £000	GROSS CARRYING AMOUNT £000	ALLOWANCE FOR ECLS £000	NET CARRYING AMOUNT £000
Stage 1	4,950	-	4,950	6,369	-	6,369
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	6,095	(2,947)	3,148
Loan investments	**4,950**	**-**	**4,950**	**12,464**	**(2,947)**	**9,517**

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.

In the prior year, the Group determined the risk profile of one loan investment had materially increased. Temarca was a European river cruising business that had been severely affected by the lockdown restrictions that were imposed by a number of European Governments during the peak of the pandemic. The Company was in breach of its debt covenants and did not have spare liquidity to cover its debt obligations. As such, there was objective evidence of impairment and the investment was moved to Stage 3 and a lifetime ECL of £2,947,000 was recognised through the P&L. During the current year, the Temarca investment was restructured as Duke took ownership of the three riverboats under a newly incorporated entity, Duke Royalty Switzerland Gmbh. This entity was subsequently sold prior to year end and the provision was extinguished.

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:

	STAGE 1 £000	STAGE 2 £000	STAGE 3 £000	TOTAL £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**
Impairment charged in year	-	-	-	-
Refinanced loans	-	-	(2,947)	(2,947)
Carrying value at 31 March 2021	**-**	**-**	**-**	**-**

Notes to the consolidated financial statements continued

10 Equity investments

Equity investments are financial assets held at FVTPL.

	31 MARCH 2021 £000	31 MARCH 2020 £000
At 1 April	507	1,177
Additions	1,764	-
Proceeds	(345)	-
Gain / (loss) on equity assets at FVTPL	1,569	(670)
As at 31 March	**3,495**	**507**

The Group's equity investments comprise unlisted shares and warrants in nine of its royalty investment companies (31 March 2020: six).

The Group also still holds two (31 March 2020: 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:

	2021 £000	2020 £000
Gain / (loss) on equity assets at FVTPL	**1,569**	**(670)**

11 Royalty debt liabilities

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

	31 MARCH 2021 £000	31 MARCH 2020 £000
At 1 April	1,173	1,366
Additions	-	250
Repayments	(226)	-
Payments made	(81)	(168)
(Gain) / loss on royalty liabilities at fair value through profit and loss	165	(275)
As at 31 March	**1,031**	**1,173**

Royalty investment liabilities are comprised of:

	31 MARCH 2021 £000	31 MARCH 2020 £000
Non-Current	917	1,040
Current	114	133
	1,031	**1,173**

12 Trade and other receivables

	31 MARCH 2021 £000	31 MARCH 2020 £000
Prepayments and accrued income	167	140
Other receivables	4,255	2
	4,422	**142**
Non-current		
Other receivables	5,618	-
As at 31 March	**10,040**	**142**

The other receivable balance consists of funds due on the sale of Duke Royalty Switzerland Gmbh, incorporated to hold the riverboat assets. On 31 March 2021, Duke sold its Swiss subsidiary to Starling Fleet AG for €11,600,000. The deal was structured so that €5,000,000 was payable on or before 30 September 2021, this has been included in current receivables. A further €4,000,000 is due on or before 30 September 2022, with the remaining €2,600,000 due on or before 30 June 2023. The last two instalments are classified as non-current.

Using the same methodology as laid out in note 9 for the loan investments, the deferred consideration has been subject to ECL impairment review to ensure no provision is needed against the receivable. The financial strength of the counterparty has been reviewed in conjunction with current and future outlook for river cruising, while also taking into account the charges that the Group owns over the riverboats. And while 2021 continues to be a difficult year for the industry, there is optimism that 2022 should present more normalised operating conditions. It has therefore been concluded that no provision is necessary against the receivable

13 Trade and other payables

	31 MARCH 2021 £000	31 MARCH 2020 £000
Current		
Trade payables	2	-
Transaction costs	82	191
Accruals and deferred income	183	127
	267	**318**
Non-current		
Transaction costs	402	431
As at 31 March	**669**	**749**

Notes to the consolidated financial statements continued

14 Borrowings

	31 MARCH 2021 £000	31 MARCH 2020 £000
Current – accrued interest	161	172
Non-current	17,103	15,517
	17,264	**15,689**

The secured revolving loan facility has an interest rate of 7.25% over one-month UK LIBOR per annum. During the year, the facility term was extended and the facility size increased from £30 million to £35 million. The principal amount is repayable on 11 March 2026. The loan is secured by means of a fixed and floating charge over the assets of the Group.

At 31 March 2021, £17,500,000 was undrawn on the facility (31 March 2020: £14,000,000).

At 31 March 2021, £396,000 (31 March 2020: £483,000) 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 2021 and prior year.

	INTEREST PAYABLE £000	BORROWINGS £000
As at 1 April 2020	**172**	**15,517**
Cash movements		
Loan advanced	-	15,200
Loan repaid	-	(13,926)
Deferred finance costs paid	-	(23)
Interest paid	(1,409)	-
Non-cash movements		
Deferred finance costs released to P&L	-	109
Transfer to royalty debt liability	-	226
Interest charged	1,398	-
At 31 March 2021	**161**	**17,103**

14 Borrowings (continued)

	INTEREST PAYABLE	BORROWINGS
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	-
At 31 March 2020	**172**	**15,517**

15 Goodwill

	GOODWILL £000
Opening and closing net book value at 1 April 2019, 31 March 2020 and 31 March 2021	**203**

16 Share capital

	EXTERNAL SHARES Number	TREASURY SHARES Number	TOTAL SHARES Number	£000
Allotted, called up and fully paid				
At 1 April 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**
Shares issued to Employee Benefit Trust during the year	-	8,678	8,678	-
PSA shares vested during year	513	(513)		
Shares issued in scrip dividend	9,602	-	9,602	2,391
At 31 March 2021	**247,052**	**10,855**	**257,907**	**120,870**

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.

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 2019, 31 March 2020 and 31 March 2021	**4,375**	**265**

At 31 March 2021, 4,375,000 (31 March 2020: 4,375,000) warrants were outstanding and exercisable at a weighted average exercise price of 46 pence (31 March 2020: 46 pence). The weighted average remaining contractual life of the warrants outstanding was 2.00 years (31 March 2020: 3.00 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 2019	136	197	333
LTIP awards	-	409	409
At 31 March 2020	**136**	**606**	**742**
LTIP awards	-	806	806
At 31 March 2021	**136**	**1,412**	**1,548**

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.

At 31 March 2021, 200,000 options (31 March 2020: 960,000) were outstanding and exercisable at a weighted average exercise price of 50 pence (31 March 2020: 70 pence). The weighted average remaining contractual life of the options outstanding at the year-end was 2.50 year (31 March 2020: 1.00 year).

	SHARE OPTIONS Number 000
At 1 April 2019 and 31 March 2020	960
Lapsed during the year	760
At 31 March 2021	**200**

Notes to the consolidated financial statements continued

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.

On 1 October 2020, 6,665,000 PSAs were granted to Directors and key personnel with a fair value of £1,750,000. An expense of £174,000 was recognised in Administration and Personnel costs in the Consolidated Statement of Comprehensive Income.

On 3 January 2021, 1,000,000 PSAs were granted to Directors and key personnel with a fair value of £263,000. An expense of £27,000 was recognised in Administration and Personnel costs in the Consolidated Statement of Comprehensive Income.

At 31 March 2021, 11,855,000 (31 March 2020: 5,215,000,000) PSAs were outstanding. The weighted average remaining vesting period of these awards outstanding was 2.04 years (2020 – 1.99 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. No further shares were issued during the year to 31 March 2021

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.

19 Dividends

The following interim dividends have been recorded in the periods to 31 March 2020 and 31 March 2021:

RECORD DATE	PAYMENT DATE	DIVIDEND PER SHARE pence/share	DIVIDENDS PAYABLE £000
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	1,475
27 December 2019	14 January 2020	0.75	1,777
Dividends paid for the period ended 31 March 2020			**6,013**
27 March 2020	14 April 2020	0.75	1,777
26 June 2020	10 July 2020	0.50	1,185
25 September 2020	12 October 2020	0.50	1,206
29 December 2020	12 January 2021	0.50	1,236
Dividends paid for the period ended 31 March 2021			**5,404**

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

The dividends paid in July and October 2020 were paid in the form of a scrip dividend rather than cash.

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 2019	(591)	(200)	227	(564)
Credited to profit & loss	579	200	460	1,239
At 31 March 2020	**(12)**	**-**	**687**	**675**
Credited to profit & loss	170	-	(687)	(517)
At 31 March 2021	**158**	**-**	**-**	**158**

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.

Notes to the consolidated financial statements continued

21 Related parties

Directors fees

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

	BASIC FEES 2021 £000	SHARE BASED PAYMENTS 2021 £000	ANNUAL BONUS 2021 £000	TOTAL 2021	BASIC FEES 2020 £000	SHARE BASED PAYMENTS 2020 £000	ANNUAL BONUS 2020 £000	TOTAL 2020 £000
Non-Executive								
N Birrell	28	-	-	28	26	-	-	26
J Cochrane*	-	16	-	16	35	17	-	52
M Wrigley	24	-	-	24	24	-	-	24
M LeTissier	-	-	-	-	-	-	-	-
Executive								
N Johnson	200	294	75	569	200	190	200	590
C Cannon Brookes	180	218	75	473	160	134	140	434
	432	**528**	**150**	**1,110**	**445**	**341**	**340**	**1,126**

* 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 awards granted under the Group's Long Term Incentive Plan (see note 17):

	2021 £000	2020 £000
N Johnson	294	190
C Cannon Brookes	218	134
J Cochrane	16	17
	528	**341**

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 31 March 2021, no Directors' fees were outstanding. As at 31 March 2020, £13,000 was outstanding of which £7,000 was due to Nigel Birrell and £6,000 was due to Matthew Wrigley.

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:

	2021 £000	2020 £000
A Carragher	10	20
J Romeo	10	20
J Cochrane	10	-
J Webster	16	117
	46	**157**

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

	2021 £000	2020 £000
A Carragher	10	20
J Romeo	10	20
J Cochrane	10	-
J Webster	99	-
	129	**40**

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

	2021 £000	2020 £000
J Webster	63	36

Jim Webster also served as the Group's Chief Investment Officer until 3 January 2021 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 (31 March 2020 – £16,000) to Jim Webster. These fees have been settled subsequent to the year end.

Notes to the consolidated financial statements continued

21 Related parties (continued)

Support services administration fees

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

	2021 £000	2020 £000
Abingdon Capital Corporation	350	325
Arlington Group Asset Management Limited	85	72
	435	**397**

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.

Share options and LTIP awards

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

	SHARE OPTIONS 2021 Number 000	SHARE OPTIONS 2020 Number 000	LTIP AWARDS 2021 Number 000	LTIP AWARDS 2020 Number 000
Neil Johnson	85	85	3,200	2,200
Charles Cannon Brookes[1]	85	85	2,650	1,550
Nigel Birrell	85	85	-	-
Justin Cochrane	70	70	-	175
Jim Webster	-	-	805	430

[1] Includes share options issued to Arlington Group Asset Management

Dividends

The following dividends were paid to related parties

	2021 £000	2020 £000
N Johnson[1]	84	103
C Cannon Brookes[2]	128	158
N Birrell	19	24
J Cochrane	19	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

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 date (unobservable inputs).

The Group has classified its financial instruments into the three levels prescribed as follows:

	31 MARCH 2021 LEVEL 3 £000	31 MARCH 2020 LEVEL 3 £000
Financial assets		
Financial assets at FVTPL		
- Royalty investments	85,301	75,559
- Equity investments	3,495	507
	88,796	**76,066**
Financial liabilities		
Financial liabilities at FVTPL		
- Royalty participation instruments	1,031	1,173
	1,031	**1,173**

The following table presents the changes in level 3 items for the years ended 31 March 2021 and 31 March 2020:

	FINANCIAL ASSETS £000	FINANCIAL LIABILITIES £000	TOTAL £000
At 1 April 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**
Additions	24,472	-	24,472
Repayments	(21,778)	226	(21,552)
Royalty income received	(19,344)	-	(19,344)
Royalty participation liabilities paid	-	81	81
Net change in fair value	29,380	(165)	29,215
At 31 March 2021	**88,796**	**(1,031)**	**87,765**

22 Fair value measurements (continued)

Valuation techniques used to determine fair values
The fair value of the Group's royalty financial instruments is determined using discounted cash flow analysis and all the resulting fair value estimates are included in level 3. The fair value of the equity instruments is determined applying an EBITDA multiple to the underlying businesses forward looking EBITDA. All resulting fair value estimates are included in level 3.

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

Annual adjustment factors for 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.

EBITDA multiples
These multiples are based on comparable market transactions

Forward looking EBITDA
These are estimated based on the projected underlying performance of the royalty investee companies together

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

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

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% (2020: -6.0% to 6.0%) and the range of risk-adjusted discount rates is 14.8% to 17.4% (2020: 13.9% to 23.6%).

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 £431,000 (2020: £371,000).

A reduction in the discount rate of 25 basis points would increase the fair value by £1,154,000 (2020: £818,000).

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 £621,000 (2020: £393,000).

An increase in the discount rate of 25 basis points would decrease the fair value by £1,056,000 (2020: £821,000).

Equity investments
The unobservable inputs are the EBITDA multiples and forward looking EBITDA. The range of EBITDA multiples used is 5.7x to 9.25x.

An increase in the EBITDA multiple of 25 basis points would increase fair value by £362,000.

A decrease in the EBITDA multiple of 25 basis points would decrease fair value by £321,000.

An increase in the forward looking EBITDA of 5% would increase the fair value by £831,000.

A decrease in the forward looking EBITDA of 5% would decrease fair value by £644,000.

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% (2020: -6.0% to 6.0%) and the range of risk-adjusted discount rates is 16.3% to 17.3% (2020: 13.9% to 23.6%).

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 £7,000 (2020: £6,000).

A reduction in the discount rate of 25 basis points would increase the fair value of the liability by £15,000 (2020: £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 £8,000 (2020: £6,000).

An increase in the discount rate of 25 basis points would decrease the fair value of the liability by £12,000 (2020: £13,000).

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.

Principal financial instruments

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

	31 MARCH 2021 £000	31 MARCH 2020 £000
Financial assets held at FVTPL		
Royalty investments	85,301	75,559
Equity investments	3,495	507
Total Financial assets held at FVTPL	88,796	76,066
Financial assets held at amortised cost		
Loan investments	4,949	9,517
Cash and cash equivalents	1,766	4,481
Trade and other receivables	10,039	142
Total Financial assets held at amortised cost	16,754	14,140
Total financial assets	**105,550**	**90,206**
Financial liabilities held at amortised cost		
Bank borrowings	(17,265)	(15,689)
Trade and other payables	(934)	(749)
Total financial liabilities held at amortised cost	(18,199)	(16,438)
Financial liabilities held at FVTPL	(1,031)	(1,173)
Total financial liabilities	**(19,230)**	**(17,611)**

Notes to the consolidated financial statements continued

23 Financial risk management (continued)

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 2021 Euro £000	31 MARCH 2021 US Dollar £000	31 MARCH 2020 Euro £000	31 MARCH 2020 US Dollar £000
Royalty investment	-	-	7,081	-
Equity investments	1,750	-	507	-
Loans receivable	-	580	3,148	642
Cash and cash equivalents	105	38	33	-
Trade and other receivables	9,872			
Royalty participation liability	-	-	(2)	-
Transaction costs payable	-	(482)	-	(533)
	11,727	**136**	**10,767**	**109**

If Sterling strengthens by 5% against the Euro, the net Euro-denominated assets would reduce by £558,000 (2020: £506,000). Conversely, if Sterling weakens by 5% the assets would increase by £617,000 (2020: £555,000).

If Sterling strengthens by 5% against the US Dollar, the net US Dollar-denominated assets would reduce by £4,000 (2020: £4,000). Conversely, if Sterling weakens by 5% the assets would increase by £5,000 (2020: £5,000).

23 Financial risk management (continued)

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 FVTPL, and its borrowings, which are subject to an interest charge of one-month UK LIBOR + 7.25%. The Group's royalty investments have a fair value at the reporting date of £85,301,000 (31 March 2020: £76,527,000). A sensitivity analysis in respect of these assets is presented in note 22.

The Group's borrowings at the reporting date are £17,103,000 (31 March 2020: £15,517,000). A movement in the rate of LIBOR of 100bps impacts loan interest payable by £171,030 (£79,000).

Other price risk

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

The fair value of the Group's 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 2021 £000	31 MARCH 2020 £000
Royalty investments	85,301	75,559
Loan investments	4,949	9,518
Cash and cash equivalents	1,766	4,481
Trade and other receivables	10,040	142
	102,056	**89,700**

Notes to the consolidated financial statements continued

23 Financial risk management (continued)

Royalty investments

The royalty investments relate to the Group's 10 royalty financing agreements. The COVID-19 pandemic had a significant impact on a number of Duke's royalty partners. As a result, the investment team maintained regular communications with the partners and actively reviewed the impact on the portfolio to ensure the correct actions were being taken to mitigate the impact where possible.

In certain circumstances, Duke agreed 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 were structured to cover the six-month period ending 30 September 2020. As at 31 March 2021, no forbearance agreements were in place and all royalty partners were back to paying in full with the exception of one where a partial payment holiday extension had been granted.

At the reporting date, there was £1,492,000 of royalty cash payments outstanding (2020; £nil). Of this, £193k was received in the month post year-end, while payment plans have been agreed to recover the remaining £1,299,000 over the next three years.

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 Board on a semi-annual basis. The credit risk relating to these investments is taken into account in calculating the fair value of the instruments.

The Group also has security in respect of the 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. All loans have been reviewed by the directors. The Board considered the credit risk, both at issue and at the year-end, and has determined that there have been no significant movements. Consequently, any loss allowance is limited to 12 months' expected losses and such allowances are considered to be immaterial.

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 2021 £000	31 MARCH 2020 £000
Moody's credit rating:		
A1	1,234	-
Aa2	-	3,533
Baa1	243	-
Baa2	-	442
B+	289	-
BB-	-	506
	1,766	**4,481**

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

23 Financial risk management (continued)

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 £17,500,000 (2020: £14,000,000 (see note 14), with further access to a £20,000,000 accordion facility if needed.

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 2021				
Royalty finance investments	14,194	43,179	290,495	347,868
Royalty finance liabilities	(114)	(601)	(3,311)	(4,026)
Trade and other payables	(279)	(377)	(368)	(1,024)
Borrowings	(1,835)	(20,899)	-	(22,734)
	11,966	**21,302**	**286,816**	**320,084**
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**

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 Events after the financial reporting date

Dividends

On 16 April 2021 and 12 July 2021, the Company paid a quarterly dividend of 0.55 pence per share.

Equity raise

On 30 April, the Group announced the successful placement of 100,000,002 new shares at a price of 35p per share, raising new capital of £35 million

New royalty investments

On 1 July 2021, the Group announced a €10,000,000 investment into a new royalty partner, Fairmed.

On 22 July 2021, the Group announced a £7,700,000 investment into a new royalty partner, InTec.

On 2 August, the Group announced a C$8,330,000 investment into a new royalty partner, Creō-Tech.

On 7 September, the Company announced a £2,200,000 follow-on investment into InTec.

Exits

On 11 August, the Group announced the successful exit of its investment in BHPC Limited, returning £6.9 million.

Company information

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Neil Johnson
Charles Cannon Brookes
Matthew Wrigley
Mark Le Tissier

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Neil Johnson
Charles Cannon Brookes
Peter Madouros
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