

# INTERIM REPORT

for the period 1 April 2021 to 30 September 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.



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

# Highlights

## Financial

### Cash revenue

£7.8m

78% increase

Interim 2021: £4.4 million

### Net cash inflow from operations

£5.2m

46% increase

Interim 2021: £3.6 million

### Net profit generated

£6.2m

50% increase

Interim 2021: £4.1 million

### Free cash flow

£4.6m

58% increase

Interim 2021: £2.9 million

### Adjusted earnings

1.39p  
per share

60% increase

Interim 2021: 0.87p per share

### Cash dividends

1.10p  
per share

paid to  
shareholders

## Operational

### Raised

£35m

of new  
equity capital  
in April 2021

### Deployed

over £23m

of capital  
into three new  
royalty partners

### Realised

exits from  
2  
investments

Over  
£55m

of available liquidity for  
future deployments

Current deal pipeline  
is at historic levels  
in deal value  
and number



# 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.

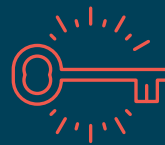
**Royalty financing** is a proven, flexible financing option used successfully by North American companies for decades as an alternative to equity and debt financing.

## 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 owners control 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

# Chairman's report



I am pleased to report the results for the Group for the six-month period ended 30 September 2021 ("Interim 2022"), which were characterised by substantial cashflow growth and accelerating investment deployment.

Interim 2022 was a period of positive development for Duke during which the executive team's focus reverted to business development, growth and deal execution following the initial shock of the pandemic felt during the prior half year period. After a sustained period where the Company was required to focus much of its attention on internal monitoring and working closely with its Royalty Partners to ensure that they traded safely through the many challenges of Covid-19, it has been encouraging to witness a significant bounce back in the operating performance of many of those Partners.

Furthermore, after such a period of global financial stress, the Company's unique, long dated and aligned product offering has meant that Duke is increasingly being seen as a preferred capital partner for many profitable, well managed private businesses who do not wish to become encumbered by the high refinancing risk associated with short-dated debt. To highlight this point, I am pleased to be able to report that Duke's current deal pipeline is as robust as it has ever been in the Company's history and I am confident that the Company will be able to announce a number of new deployments in due course.

## Operational Review

Interim 2022 started with an over-subscribed £35 million equity placing which closed in late April, providing Duke with the necessary liquidity to allow it to accelerate its speed of deployment. It was very pleasing to note that several large, new institutions were added to the Duke share register as part of the fundraising. As with previous equity fundraisings, Duke ensured there was a retail element to the capital raising process with £32 million being raised from institutional investors and £3 million coming from existing and new retail shareholders through the PrimaryBid platform. Wherever possible, Duke seeks to provide existing and new individual shareholders the chance to participate on the same terms as the institutions and we very much appreciate the strong support we continue to receive from our large retail investor base.

Duke made three material new investments during the period under review, the first of which was a €10 million investment into Fairmed Healthcare AG ("Fairmed"), closed at the end of June. Formed in 2012 and based in Zug, Switzerland, Fairmed provides high quality generic prescription medicines, over-the-counter pharmaceuticals, dermocosmetics and dietary supplements in various EU countries. The second investment, made in July, was a £7.7 million investment into 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 and is undertaking a buy and build strategy of synergistic companies within the I.T. Managed Services sector in the UK and Ireland. In September, Duke subsequently upsized its investment in InTec by £2.2 million, which allowed InTec to complete its eighth acquisition, providing additional product, profitability and diversification to the business. Also in July, Duke agreed to a total funding commitment of up to CA\$20 million (approximately £11.6 million) with 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. Of the CA\$20 million total commitment, Duke invested CA\$8.3 million as part of the initial drawdown to facilitate the acquisitions of Silhouette and Axial, two longstanding and profitable businesses with predictable revenue streams.

Two successful divestments were also made during the period. The first was Duke's exit of its investment in royalty partner Almondclose Limited, trading as Berkley Recruitment (Group) Limited ("Berkley"), a Cork-based resourcing and recruitment business. Duke received net cash of €1.3 million at closing, delivering an IRR on the Berkley investment of 16.0%. Due to its sub £5 million investment size, Berkley represented a subscale investment for Duke which was inherited via its acquisition of Capital Step back in February 2019. Duke has retained exposure to the Irish resourcing and recruitment sector via its other larger royalty partner, BIL, which is conducting a buy and build strategy within the sector.

The second exit came from royalty partner BHP Limited ("BHP"), an Irish insurance brokerage specialising in the not-for-profit insurance space, and at closing Duke received back net cash of £6.9 million, delivering an IRR of 29.4%, Duke's highest realised IRR to date. BHP represented Duke's fifth exit to date further validating our funding model.

## Financial Review

The financial results for Interim 2022 reflect the resilience of Duke's business model and its ability to withstand the global economic disruption caused by the Covid-19 pandemic. I am delighted to report that the Company's cash revenue, being cash distributions from royalty partners and cash gains from the sale of equity investments, grew to £7.8 million during the period under review, a 78% increase over the £4.4 million generated in Interim 2021. Net cash inflow from operations, the key indicator of the Group's underlying operating performance, totalled £5.2 million, a 46% increase over the £3.6 million generated in Interim 2021. Total cash available for distribution (free cashflow), which represents the Group's operating cashflows less its interest on debt financing and is a measure of Duke's ability to cover its dividend, grew by 58% to £4.6 million, generating 1.36 pence per share, up from £2.9 million and 1.22 pence per share in Interim 2021.

Total income, which includes non-cash fair value movements on the Company's investment portfolio, grew to £9.8 million, a 38% increase over Interim 2021. This produced total earnings after tax of £6.2 million and earnings per share of 1.84 pence against £4.1 million in Interim 2021 and earnings per share of 1.73 pence. Adjusted earnings, which strips out the fair value movements and represents a truer reflection of Duke's operating performance, rose to £4.7 million from £2.1 million, a 125% increase.

The Company strengthened its balance sheet during the period under review, raising £35 million of new equity capital at the end of April. Of this, over £23 million was deployed into three new royalty partners, only marginally less than the aggregate deployments for the entire financial year 2021. The full cashflow benefits of these deployments will be seen over the second half of the financial year.

## Dividend

In April 2021, the Company increased its dividend from 0.50 pence per share to 0.55 pence per share, the first increase since the resumption of the cash dividend in Q3 of financial year 2021. This was followed with a further dividend of 0.55 pence per share paid in July 2021. Post-period end, a dividend of 0.55 pence per share was paid to shareholders in October 2021.

## Outlook

One of the few benefits of the Covid-19 experience was the strong working relationship that has been created between Duke and its Royalty Partners. Together, we faced problems and implemented solutions and this has created a strong platform from which Duke can now embark on the next chapter of its growth, one in which I expect to see the Company grow its asset base and diversify its portfolio further.

Current trading for the three months ended 31 December 2021 is strong and I am pleased to share the Board's confidence of exceeding the market's expectations for 12 months ended 31 March 2022.

Notably, we have a robust pipeline of new investment opportunities, all of which have demonstrated resilience in the height of the pandemic. Given the nature of the Company's low and largely fixed cost base, additional deployments are expected to lead to increases in the Company's operating cash flow per share which in turn should lead to the prospect of higher dividend payments for Duke's shareholders in the future. It remains the Company's key objective to create a large, diversified portfolio of compounding long term income streams with the majority of this income being paid to shareholders in the form of quarterly dividends.

As always, I am appreciative of the ongoing support of our shareholders and am pleased to report the Chairman's statement for Interim 2022. Our existing partners have traded resiliently and we have minimised our exposure to the travel and leisure sectors. Therefore, the Group is well placed to continue to grow and I look forward to being able to report on the Group's ongoing progress and development in future periods.

**NIGEL BIRRELL**  
Chairman

9 December 2020





# Condensed consolidated statement of cash flows

For the period ended 30 September 2021

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED)	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from royalty investments	6,419	9,931	3,654
Receipts of interest from loan investments	450	667	381
Receipts from equity instruments	652	345	345
Other operating income	266	93	6
Operating expenses paid	(946)	(2,154)	(893)
Payments for royalty participation fees	(57)	(81)	(52)
Tax (paid) / received	(1,569)	135	135
<b>Net cash inflow from operating activities</b>	<b>5,215</b>	<b>8,936</b>	<b>3,576</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Royalty investments advanced	(23,209)	(22,708)	(5,326)
Royalty investments received	2,938	14,354	900
Loan investments advanced	-	(1,145)	(132)
Loan investments received	3,370	2,370	1,100
Equity investments advanced	(530)	(653)	(350)
Investment costs paid	(496)	(634)	(61)
<b>Net cash outflow from investing activities</b>	<b>(17,927)</b>	<b>(8,416)</b>	<b>(3,869)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue	35,000	-	-
Share issue costs	(1,938)	(1)	-
Dividends paid	(3,269)	(3,013)	(1,778)
Proceeds from loans	-	15,200	4,000
Loan repaid	(7,500)	(13,926)	-
Interest paid	(611)	(1,409)	(663)
Other finance costs paid	-	(95)	(157)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>21,682</b>	<b>(3,244)</b>	<b>1,402</b>
<b>Net change in cash and cash equivalents</b>	<b>8,970</b>	<b>(2,724)</b>	<b>1,109</b>
Cash and cash equivalents at beginning of period/year	1,766	4,481	4,481
Effect of foreign exchange on cash	9	9	14
<b>Cash and cash equivalents at the end of period/year</b>	<b>10,745</b>	<b>1,766</b>	<b>5,604</b>

The notes on pages 10 to 27 form an integral part of these Condensed Consolidated Financial Statements.



# Condensed consolidated statement of comprehensive income

For the period ended 30 September 2021

	NOTE	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED)	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
<b>INCOME</b>				
Royalty investment net income	6	7,584	19,344	7,509
Loan investment net income	7	410	636	339
Impairment loss on loan investments	8	1,497	1,569	(769)
Net foreign currency gains		266	93	6
<b>Total income</b>		<b>9,757</b>	<b>21,642</b>	<b>7,085</b>
<b>INVESTMENT EXPENSES</b>				
Transaction costs		(525)	(447)	11
Due diligence costs		11	(103)	40
		<b>(514)</b>	<b>(550)</b>	<b>51</b>
<b>OPERATING EXPENSES</b>				
Administration and personnel		(1,191)	(1,675)	(953)
Legal and professional		(183)	(367)	(178)
Other operating expenses		(65)	(99)	(41)
Share-based payments		(472)	(806)	(303)
		7,332	18,145	5,661
<b>Operating profit</b>		<b>5,676</b>	<b>(8,772)</b>	<b>4,383</b>
Net foreign currency gains		108	(542)	15
Finance costs		(693)	(1,539)	(815)
<b>Profit for the period before tax</b>		<b>6,747</b>	<b>16,064</b>	<b>4,861</b>
Taxation expense	4	(540)	(2,111)	(734)
<b>Total comprehensive income for the period</b>		<b>6,207</b>	<b>13,953</b>	<b>4,127</b>
<b>Basic earnings per share (pence)</b>		<b>1.84</b>	<b>5.75</b>	<b>1.73</b>
<b>Diluted earnings per share (pence)</b>		<b>1.84</b>	<b>5.75</b>	<b>1.73</b>

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

The notes on pages 10 to 27 form an integral part of these Condensed Consolidated Financial Statements.



# Condensed consolidated statement of financial position

For the period ended 30 September 2021

	NOTE	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
<b>NON-CURRENT ASSETS</b>				
Goodwill	13	203	203	203
Royalty finance investments	6	93,232	71,107	53,299
Loan investments	7	1,000	4,370	3,357
Equity investments	8	4,810	3,495	172
Trade and other receivables	10	2,236	5,618	-
Deferred tax asset	18	157	158	204
		<b>101,638</b>	<b>84,951</b>	<b>57,235</b>
<b>CURRENT ASSETS</b>				
Royalty finance investments	6	13,607	14,194	30,186
Loan investments	7	580	580	5,192
Equity investments	8	60	-	-
Trade and other receivables	10	7,780	4,422	67
Cash and cash equivalents		10,745	1,766	5,604
Current tax asset		-	-	169
		<b>32,772</b>	<b>20,962</b>	<b>41,218</b>
<b>Total assets</b>		<b>134,410</b>	<b>105,913</b>	<b>98,453</b>
<b>CURRENT LIABILITIES</b>				
Royalty debt liabilities	9	144	114	131
Trade and other payables	11	868	267	484
Borrowings	12	172	161	117
Current tax liability		132	1,163	-
		<b>1,316</b>	<b>1,705</b>	<b>732</b>
<b>NON-CURRENT LIABILITIES</b>				
Royalty debt liabilities	9	932	917	1,063
Trade and other payables	11	204	402	400
Borrowings	12	9,659	17,103	19,566
		<b>10,795</b>	<b>18,422</b>	<b>21,029</b>
<b>Net assets</b>		<b>122,299</b>	<b>85,786</b>	<b>76,692</b>
<b>EQUITY</b>				
Shares issued	14	153,973	120,870	119,663
Share based payment reserve	15	2,020	1,548	1,045
Warrant reserve	15	265	265	265
Retained losses	16	(33,959)	(36,897)	(44,281)
<b>Total equity</b>		<b>122,299</b>	<b>85,786</b>	<b>76,692</b>

The Condensed Consolidated Financial Statements on pages 6 to 9 were approved and authorised for issue by the Board of Directors on 2 December 2021 and were signed on its behalf by:

**MARK LE TISSIER**  
Director

**MATTHEW WRIGLEY**  
Director

The notes on pages 10 to 27 form an integral part of these Condensed Consolidated Financial Statements.

# Condensed consolidated statement of changes in equity

For the period ended 30 September 2021

	NOTE	SHARES ISSUED £000	SHARE- BASED PAYMENT RESERVE £000	WARRANT RESERVE £000	RETAINED LOSSES £000	TOTAL EQUITY £000
<b>At 1 April 2020</b>		<b>118,479</b>	<b>742</b>	<b>265</b>	<b>(45,446)</b>	<b>74,040</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	-	-	<b>4,127</b>	<b>4,127</b>
<b>Transactions with owners</b>						
Shares issued as dividends		1,184	-	-	-	1,184
Share based payments		-	303	-	-	303
Dividends		-	-	-	(2,962)	(2,962)
<b>Total transactions with owners</b>		<b>1,184</b>	<b>303</b>	<b>-</b>	<b>(2,962)</b>	<b>(1,475)</b>
<b>At 30 September 2020</b>		<b>119,663</b>	<b>1,045</b>	<b>265</b>	<b>(44,281)</b>	<b>76,692</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	-	-	<b>9,826</b>	<b>9,826</b>
<b>Transactions with owners</b>						
Shares issued as dividends		1,207	-	-	-	1,207
Share based payments		-	503	-	-	503
Dividends		-	-	-	(2,442)	(2,442)
<b>Total transactions with owners</b>		<b>1,207</b>	<b>503</b>	<b>-</b>	<b>(2,442)</b>	<b>(732)</b>
<b>At 31 March 2021</b>		<b>120,870</b>	<b>1,548</b>	<b>265</b>	<b>(36,897)</b>	<b>85,786</b>
<b>At 1 April 2021</b>		<b>120,870</b>	<b>1,548</b>	<b>265</b>	<b>(36,897)</b>	<b>85,786</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		-	-	-	<b>6,207</b>	<b>6,207</b>
<b>Transactions with owners</b>						
Shares issued for cash		35,000	-	-	-	35,000
Share issuance costs		(1,937)	-	-	-	(1,937)
Share based payments		40	472	-	-	512
Dividends		-	-	-	(3,269)	(3,269)
<b>Total transactions with owners</b>		<b>33,103</b>	<b>472</b>	<b>-</b>	<b>(3,269)</b>	<b>30,306</b>
<b>At 30 September 2021</b>		<b>153,973</b>	<b>2,020</b>	<b>265</b>	<b>(33,959)</b>	<b>122,299</b>

The notes on pages 10 to 27 form an integral part of these Condensed Consolidated Financial Statements.



# Notes to the financial statements

For the period ended 30 September 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 29.

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

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

## 2 Significant accounting policies

### 2.1 Basis of preparation

The interim Condensed Consolidated Financial Statements of the Group have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as adopted by the European Union, and using the going concern basis of preparation. These interim financial statements do not contain all the information and disclosures as presented in the annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Group for the year ended 31 March 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), to the extent that they have been adopted by the European Union, and applicable Guernsey law.

The accounting policies adopted in the preparation of the interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Consolidated Financial Statements of the Group for the year ended 31 March 2021.

The Financial Statements have been prepared on a historical cost basis, except for the following:

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

### 2.2 New and amended standards adopted by the Group

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

### 2.3 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 cash flow needs of the Group have been assessed taking account the need for further funding for any of the existing royalty partners and the ongoing working capital needs of the business against the current cash and liquidity of the Group.

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

### 3 Finance costs

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Interest payable on borrowings	(409)	(1,293)	(689)
Non-utilisation fees	(213)	(106)	(56)
Deferred finance costs released to P&L	(71)	(140)	(70)
	<b>(693)</b>	<b>(1,539)</b>	<b>(815)</b>

### 4 Income tax

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

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
<b>Current tax</b>			
Income tax expense	539	1,594	263
<b>Deferred tax</b>			
Decrease in deferred tax assets	2	674	483
Decrease in deferred tax liabilities	(1)	(157)	(12)
	1	517	471
<b>Income tax expense</b>	<b>540</b>	<b>2,111</b>	<b>734</b>
<b>Factors affecting income tax expense for the period</b>			
Profit on ordinary activities before tax	6,747	16,064	4,861
Tax using the Groups effective tax rate of 8.00% (2021: 13.14%, period to 30 September 2020: 15.10%)	540	2,111	734
<b>Income tax expense</b>	<b>540</b>	<b>2,111</b>	<b>734</b>



## Notes to the consolidated financial statements continued

### 5 Earnings per share

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Total comprehensive income (£000)	6,207	13,953	4,127
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	337,310	242,836	238,797
Basic earnings per share (pence)	1.84	5.75	1.73

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Total comprehensive income (£000)	6,207	13,953	4,127
Weighted average number of Ordinary Shares, diluted for warrants in issue (000s)	337,310	242,836	238,797
Diluted earnings per share (pence)	1.84	5.75	1.73

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

#### Adjusted earnings per share

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

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

## 5 Earnings per share (continued)

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Total comprehensive income for the period	6,207	13,953	4,127
Unrealised fair value movements	(2,663)	(9,871)	(2,658)
Share-based payments	472	806	303
Transactions costs / (receipts) net of costs reimbursed	525	550	(51)
Tax effect of the adjustments above at Group effective rate	134	1,119	353
<b>Adjusted earnings</b>	<b>4,675</b>	<b>6,557</b>	<b>2,074</b>
	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Adjusted earnings (£000)	4,675	6,557	2,074
Weighted average number of Ordinary Shares, excluding treasury shares (000s)	337,310	242,836	238,797
Adjusted earnings per share (pence)	1.39	2.70	0.87
	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Diluted adjusted earnings (£000)	4,675	6,557	2,074
Weighted average number of Ordinary Shares, diluted for warrants in issue (000s)	337,310	242,836	238,797
Diluted adjusted earnings per share (pence)	1.39	2.70	0.87



## Notes to the consolidated financial statements continued

### 6 Royalty finance investments

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

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
Brought forward	85,301	75,559	75,559
Additions	23,209	22,708	5,326
Refinanced assets	(2,938)	(21,434)	(900)
Gain on financial assets at FVTPL	1,267	8,468	3,500
	<b>106,839</b>	<b>85,301</b>	<b>83,485</b>

Royalty finance investments are comprised of:

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
Non-Current	93,232	71,107	53,299
Current	13,607	14,194	30,186
	<b>106,839</b>	<b>85,301</b>	<b>83,485</b>

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

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
Royalty interest	5,705	9,179	4,082
Royalty premiums	714	1,862	-
Gain on royalty assets at FVTPL	1,267	8,468	3,500
Loss on royalty liabilities at FVTPL	(102)	(165)	(73)
	<b>7,584</b>	<b>19,344</b>	<b>7,509</b>

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

The Group's royalty investment assets comprise royalty financing agreements with 11 (30 September 2020: 11, 31 March 2021: 10) 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 investees' assets. The investees are provided with buyback options, exercisable at certain stages of the agreements.

## 7 Loan investments

Loan investments are financial assets held at amortised cost.

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
Brought forward	4,950	9,517	9,517
Additions	-	1,145	132
Refinanced loans	(3,370)	(5,649)	(1,100)
Net foreign currency movement	-	(63)	-
	<b>1,580</b>	<b>4,950</b>	<b>8,549</b>

The Group's loan investments comprise secured loans advanced to two entities (30 September 2020: six, 31 March 2021: three) in connection with the Group's royalty investments.

The loans comprise fixed rate loans of £1,580,000 (30 September 2020: £6,192,000, 31 March 2021: £1,580,000) which bear interest at rates of between 5% and 15% and nil variable rate loans (30 September 2020: £2,357,000, 31 March 2021: £3,370,000).

The loans mature as follows:

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
In less than one year	580	580	5,192
In one to two years	-	-	-
In two to five years	1,000	4,370	3,357
	<b>1,580</b>	<b>4,950</b>	<b>8,549</b>

The total loan investment net income during the period was £410,000 (30 September 2020: £339,000, 31 March 2021: £636,000). Loan investment net income on the face of the consolidated statement of comprehensive income comprises:

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Loan interest	242	603	306
Loan premiums	168	33	33
	<b>410</b>	<b>636</b>	<b>339</b>

## Notes to the consolidated financial statements continued

### 7 Loan investments (continued)

#### ECL Analysis

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

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

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

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

	GROSS CARRYING AMOUNT £000	ALLOWANCE FOR ECLs £000	NET CARRYING AMOUNT £000
<b>As at 30 September 2021</b>			
Stage 1	1,580	-	1,580
Stage 2	-	-	-
Stage 3	-	-	-
	<b>1,580</b>	<b>-</b>	<b>1,580</b>
<b>As at 31 March 2021</b>			
Stage 1	4,950	-	4,950
Stage 2	-	-	-
Stage 3	-	-	-
	<b>4,950</b>	<b>-</b>	<b>4,950</b>
<b>As at 30 September 2020</b>			
Stage 1	5,269	-	5,269
Stage 2	-	-	-
Stage 3	3,280	-	3,280
	<b>8,549</b>	<b>-</b>	<b>8,549</b>

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.

At 30 September 2020, the Group determined the risk profile of one loan investment was deemed to be impaired and was classified as Stage 3. This investment was subsequently sold prior to the year ended 31 March 2021.

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.

## 7 Loan investments (continued)

The following table analyses Group's provision for ECL's by stage for the period ended 30 September 2021:

	STAGE 1 £000	STAGE 2 £000	STAGE 3 £000	TOTAL £000
At 1 April 2020 and 30 September 2020	-	-	2,947	2,947
Impairment charged in period	-	-	-	-
Refinanced Loans	-	-	(2,947)	(2,947)
<b>Carrying value at 31 March 2021 and 30 September 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 8 Equity investments

Equity investments are financial assets held at FVTPL.

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
Brought forward	3,495	507	507
Additions	530	1,764	779
Disposals	(652)	(345)	(345)
Gain / (loss) on equity assets held at FVTPL	1,497	1,569	(769)
	<b>4,870</b>	<b>3,495</b>	<b>172</b>

The Group's equity investments comprise unlisted shares and warrants in eight of its royalty investment companies (30 September 2020: six, 31 March 2021: eight).

The Group also still holds two (30 September 2020: two, 31 March 2021: 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:

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Gain / (loss) on equity investments held at FVTPL	1,497	1,569	(778)
Realised gain on sale of equity investments	-	-	9
	<b>1,497</b>	<b>1,569</b>	<b>(769)</b>



## Notes to the consolidated financial statements continued

### 9 Royalty debt liabilities

Royalty debt liabilities are financial liabilities held at FVTPL.

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
Brought forward	1,031	1,173	1,173
Repayments	-	(226)	-
Payments made	(57)	(81)	(52)
Loss on financial assets held at FVTPL	102	165	73
	<b>1,076</b>	<b>1,031</b>	<b>1,194</b>

Royalty debt liabilities are comprised of:

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
Current	144	917	131
Non-current	932	114	1,063
	<b>1,076</b>	<b>1,031</b>	<b>1,194</b>

### 10 Trade and other receivables

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
<b>Current</b>			
Prepayments and accrued income	43	167	64
Other receivables	7,737	4,255	3
	<b>7,780</b>	<b>4,422</b>	<b>67</b>
<b>Non-current</b>			
Other receivables	2,236	5,618	-
	<b>10,016</b>	<b>10,040</b>	<b>67</b>

## 11 Trade and other payables

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
<b>Current</b>			
Trade payables	10	2	2
Transaction costs	125	82	94
Accruals and deferred income	733	183	388
	<b>868</b>	<b>267</b>	<b>484</b>
<b>Non-current</b>			
Transaction costs	204	402	480
	<b>1,072</b>	<b>669</b>	<b>884</b>

## 12 Borrowings

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
<b>Secured loan</b>			
Current – accrued interest	172	161	117
Non-current	9,659	17,103	19,566
	<b>9,831</b>	<b>17,264</b>	<b>19,683</b>

The secured revolving loan facility has an interest rate of 7.25% over UK LIBOR per annum. 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.

As at 30 September 2021, £25,000,000 was undrawn on the facility (30 September 2020: £10,000,000, 31 March 2020: £17,500,000).

At 30 September 2021, £355,000 (30 September 2020: £434,000, 31 March 2021: £396,000) of unamortised fees remained outstanding.

The table below set out an analysis of net debt and the movements in net debt for the period ended 30 September 2021, the prior period and the year ended 31 March 2021.



## Notes to the consolidated financial statements continued

### 12 Borrowings (continued)

	INTEREST PAYABLE £000	BORROWINGS £000
<b>At 1 April 2021</b>	<b>161</b>	<b>17,103</b>
<b>Cash movements</b>		
Loan advanced	-	-
Loan repaid	-	(7,500)
Deferred finance costs paid	-	-
Interest paid	(611)	-
<b>Non-cash movements</b>		
Deferred finance costs released to P&L	-	56
Interest charged	622	-
<b>As at 30 September 2021</b>	<b>172</b>	<b>9,659</b>
	INTEREST PAYABLE £000	BORROWINGS £000
<b>At 1 April 2020</b>	<b>172</b>	<b>15,517</b>
<b>Cash movements</b>		
Loan advanced	-	4,000
Loan repaid	-	-
Deferred finance costs paid	-	-
Interest paid	(799)	-
<b>Non-cash movements</b>		
Deferred finance costs released to P&L	-	49
Interest charged	744	-
<b>As at 30 September 2020</b>	<b>117</b>	<b>19,566</b>
<b>Cash movements</b>		
Loan advanced	-	11,200
Loan repaid	-	(13,926)
Deferred finance costs paid	-	(23)
Interest paid	(611)	-
<b>Non-cash movements</b>		
Deferred finance costs released to P&L	-	60
Transfer to royalty debt liability	-	226
Interest charged	655	-
<b>At 31 March 2021</b>	<b>161</b>	<b>17,103</b>



## 13 Goodwill

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
Goodwill arising on business combination	203	203	203

## 14 Share capital

	EXTERNAL SHARES Number	TREASURY SHARES Number	TOTAL SHARES Number	£000
<b><i>Allotted, called up and fully paid</i></b>				
At 31 March 2020	236,937	2,690	239,627	118,479
Shares issued for cash during the period	-	-	-	-
Share issuance costs	-	-	-	-
Scrip dividend paid	4,479	-	4,479	1,184
Shares issued to Employee Benefit Trust during the period	-	2,525	2,525	-
<b>At 30 September 2020</b>	<b>241,416</b>	<b>5,215</b>	<b>246,631</b>	<b>119,663</b>
Shares issued to Employee Benefit Trust during the period	-	6,153	6,153	-
Scrip dividend paid	5,123	-	5,123	1,207
PSA shares vested during the year	513	(513)	-	-
<b>At 31 March 2021</b>	<b>247,052</b>	<b>10,855</b>	<b>257,907</b>	<b>120,870</b>
Shares issued for cash during the period	100,000	-	100,000	35,000
Share issuance costs	-	-	-	(1,937)
Shares issued to directors and key advisers as remuneration	105	-	105	40
<b>At 31 September 2021</b>	<b>347,157</b>	<b>10,855</b>	<b>358,012</b>	<b>153,973</b>

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

# Notes to the consolidated financial statements continued

## 15 Equity-settled share-based payments

### **Warrant reserve**

There were no movements in the warrant reserve during the period:

	WARRANTS Number 000	WARRANTS £000
<b>At 1 April 2020, 30 September 2020, 31 March 2021, and 30 September 2021</b>	<b>4,375</b>	<b>265</b>

At 30 September 2021, 4,375,000 (30 September 2020: 4,375,000, 31 March 2020: 4,375,000) warrants were outstanding and exercisable at a weighted average exercise price of 46 pence (30 September 2020: 46 pence, 31 March 2020: 46 pence). The weighted average remaining contractual life of the warrants outstanding was 1.50 years (30 September 2020: 2.50 years, 31 March 2021: 2.00 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 2020	136	606	742
LTIP awards	-	303	303
<b>At 30 September 2020</b>	<b>136</b>	<b>909</b>	<b>1,045</b>
LTIP awards	-	503	503
<b>At 31 March 2021</b>	<b>136</b>	<b>1,412</b>	<b>1,548</b>
LTIP awards	-	472	472
<b>At 30 September 2021</b>	<b>136</b>	<b>1,884</b>	<b>2,020</b>

### **Share option scheme**

No share options were granted during the period to 30 September 2021.

At 30 September 2021, 200,000 options (30 September 2020: 960,000, 31 March 2021: 200,000) were outstanding and exercisable at a weighted average exercise price of 50 pence (30 September 2020: 31 March 2021: 50 pence). The weighted average remaining contractual life of the options outstanding at the period end was 2.00 years (30 September 2020: 1.44 years, 31 March 2021: 2.50 years).

### **Long Term Incentive Plan**

No performance share awards (PSAs) were granted during the period to 30 September 2021.

At 30 September 2021, 11,855,000 (30 September 2020: 2,690,000, 31 March 2021: 11,855,000) PSAs were outstanding. The weighted average remaining vesting period of these awards outstanding was 1.50 years (30 September 2020: 1.44 years, 31 March 2021: 2.04 years).

## 16 Distributable reserves

Under Guernsey law, the Company can pay dividends provided it satisfies the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether the Company is able to pay its debts when they fall due, and whether the value of the Company's assets is greater than its liabilities. The Company satisfied the solvency test in respect of the dividends declared in the period.

## 17 Dividends

The following interim dividends have been recorded in the period:

RECORD DATE	PAYMENT DATE	DIVIDEND PER SHARE pence/share	DIVIDENDS PAYABLE £000
27 March 2020	14 April 2020	0.75	1,777
26 June 2020	10 July 2020	0.50	1,185
<b>Dividends payable for the period ended 30 September 2020</b>			<b>2,962</b>
25 September 2020	12 October 2020	0.50	1,206
29 December 2020	12 January 2021	0.50	1,236
<b>Dividends paid for the period ended 31 March 2021</b>			<b>2,442</b>
26 March 2021	12 April 2021	0.55	1,359
25 June 2021	12 July 2021	0.55	1,909
<b>Dividends paid for the period ended 30 September 2021</b>			<b>3,268</b>

On 24 September 2021 the Company approved a further quarterly cash dividend of 0.55 pence per share, totalling £1,909,000, which was paid on 12 October 2021.



## Notes to the consolidated financial statements continued

### 18 Deferred tax

	ROYALTY INVESTMENT £000	TAX LOSSES £000	TOTAL £000
1 April 2020	(12)	687	675
Credited / (charged) to profit & loss	9	(480)	(471)
<b>At 30 September 2020</b>	<b>(3)</b>	<b>207</b>	<b>204</b>
Credited / (charged) to profit & loss	161	(207)	(46)
<b>At 31 March 2021</b>	<b>158</b>	<b>-</b>	<b>158</b>
Charged to profit & loss	(1)	-	(1)
<b>At 30 September 2021</b>	<b>157</b>	<b>-</b>	<b>157</b>

The deferred tax asset arises due to a temporary timing differences on the treatment of transaction costs in the UK subsidiary. This deferred tax asset is expected to reverse over a 30 year period. The utilisation of this asset is dependent on sufficient future taxable profits being generated by the UK subsidiary.

### 19 Related parties

#### Directors fees

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

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Short term remuneration	463	582	366
Share-based payments	273	528	326
	<b>736</b>	<b>1,110</b>	<b>692</b>

## 19 Related parties (continued)

### Other related party transactions

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

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Abingdon Capital Corporation	175	350	175
Arlington Group Asset Management Limited	43	85	43
	<b>218</b>	<b>435</b>	<b>218</b>

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.

### Dividends

The following dividends were paid to related parties:

	PERIOD TO 30 SEPTEMBER 2021 (UNAUDITED) £000	YEAR TO 31 MARCH 2021 (AUDITED) £000	PERIOD TO 30 SEPTEMBER 2020 (UNAUDITED) £000
Directors <sup>1</sup>	124	232	126
Other related parties	17	31	10
	<b>141</b>	<b>263</b>	<b>136</b>

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

# Notes to the consolidated financial statements continued

## 20 Fair value measurements

### Fair value hierarchy

IFRS 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

**Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can readily observe.

**Level 2:** Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

**Level 3:** Inputs that are not based on observable market data (unobservable inputs).

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

	30 SEPTEMBER 2021 (UNAUDITED) £000	31 MARCH 2021 (AUDITED) £000	30 SEPTEMBER 2020 (UNAUDITED) £000
<b>Financial assets</b>			
Financial assets held at FVTPL			
- Royalty finance investments	106,839	85,301	83,485
- Equity investments	4,870	3,495	172
	<b>111,709</b>	<b>88,796</b>	<b>83,657</b>
<b>Financial liabilities</b>			
Financial liabilities held at FVTPL			
- Royalty debt liabilities	<b>1,076</b>	<b>1,031</b>	<b>1,194</b>

The following table presents the changes in level 3 items for the periods ended 30 September 2021, 31 March 2021 and 30 September 2020:

	FINANCIAL ASSETS £000	FINANCIAL LIABILITIES £000	TOTAL £000
At 31 March 2020	76,067	(1,173)	74,894
Additions	6,104	-	6,104
Repayments	(1,245)	-	(1,245)
Royalty income received	3,654	-	3,654
RP liability paid	-	52	52
Net change in FV	(923)	(73)	(996)
<b>At 30 September 2020</b>	<b>83,657</b>	<b>(1,194)</b>	<b>82,463</b>
Additions	18,368	-	18,368
Repayments	(20,533)	226	(20,307)
Royalty income received	(22,999)	-	(22,999)
RP liability paid	-	29	29
Net change in FV	30,303	(92)	30,211
<b>At 31 March 2021</b>	<b>88,796</b>	<b>(1,031)</b>	<b>87,765</b>

## 20 Fair value measurements (continued)

### **Fair value hierarchy (continued)**

	FINANCIAL ASSETS £000	FINANCIAL LIABILITIES £000	TOTAL £000
Additions	23,739	-	23,739
Repayments	(3,590)	-	(3,590)
Royalty income received	5,705	-	5,705
RP liability paid	-	57	57
Net change in FV	(2,941)	(102)	(3,043)
<b>At 30 September 2021</b>	<b>111,709</b>	<b>(1,076)</b>	<b>110,633</b>

### **Valuation techniques used to determine fair values**

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

### **Valuation processes**

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

#### *Annual adjustment factors for royalty investments and royalty participation liabilities*

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

#### *Discount rates for financial assets and liabilities*

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

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

### **Valuation inputs and relationships to fair value**

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

#### *Royalty investments*

The unobservable inputs are the annual adjustment factor and the discount rate. The range of annual adjustment factors used is -6.0% to 6.0% and the range of risk-adjusted discount rates is 14.7% to 17.4%.

#### *Equity investments*

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

#### *Royalty participation instruments*

The unobservable inputs are the annual adjustment factor and the discount rate. The range of annual adjustment factors used is -6.0% to 6.0% and the range of risk-adjusted discount rates is 16.3% to 17.4%.

## 21 Events after the financial reporting date

### **Dividends**

On 12 October 2021, the Company paid a quarterly dividend of 0.55 pence per share.





# Company information

## Directors

Nigel Birrell (Chairman)      Matthew Wrigley  
Neil Johnson                      Mark Le Tissier  
Charles Cannon Brookes

## Investment Committee

Jim Webster (Chairman)      Andrew Carragher  
Neil Johnson                      Justin Cochrane  
Charles Cannon Brookes      John Romeo  
Peter Madouros

## Secretary and administrator

Trident Trust Company (Guernsey) Limited  
Trafalgar Court  
4th Floor, West Wing, St Peter Port  
Guernsey GY1 2JA

## Registered office

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Guernsey GY1 2JA

## Independent auditor

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

## Co-brokers

Cenkos Securities plc  
6-8 Tokenhouse Yard  
London EC2R 7AS

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