DUKE ROYALTY

ANNUAL REPORT

for the year ended 31 March 2022

Contents

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 seek to provide robust, stable and long-term returns to our shareholders.

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

Highlights

Financial highlights

Total cash revenue[1]
£18.4m
2021: £11.0m
+67%

Net Income
£20.4m
2021: £14.0m
+46%

Free cashflow[2]
£12.1m
2021: £7.5m
+61%

Adjusted earnings per share
3.81p
2021: 2.70p
+41%

Free cashflow per share
3.53p
2021: 3.10p

Dividend per share
2.25p
2021: 2.25p

Operational highlights

Deployed over
£75m
of capital, adding 5 new royalty partners

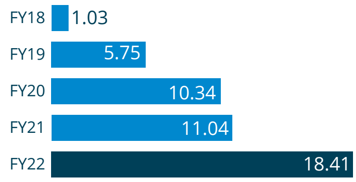
Raised
£35m
of equity capital in oversubscribed placing and a further £20 million post period end

Realised exits from
2
investments

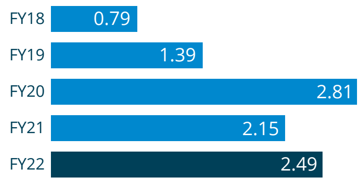
[1] Cash revenue refers to monthly distributions from royalty partners, buyout premiums and cash gains from the sale of equity investments

[2] Free cashflow is defined as net cash inflows from operations plus cash gains from the sale of equity investments less interest paid on borrowings

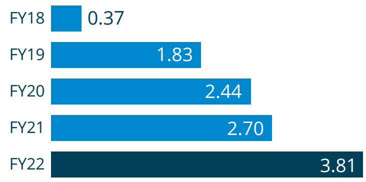
Total cash revenue (£m)



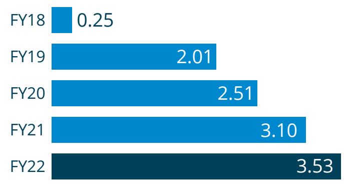
Cash operating costs (£m)



Adjusted earnings per share (p)

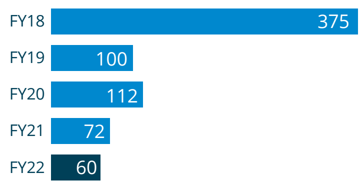


Free cashflow per share (p)



Dividend per share (p)

Payout ratio (%)



Celebrating 5 years
of innovation and partnership

Our Approach

Establish our presence

- Build the team
- Build the portfolio
- Build the cash flow

Focus on cash flow & dividends

2018

2019

2020

Attractiveness of Duke's business model to investors

Capital Preservation

- Long term investment horizon
- Senior security and alignment with owners

Attractive Dividend Yield

- Two quarters of dividend increases and historically low payout ratio
- Current annualised dividend is 2.80 pence per share

Upside from Buyouts

- Buyouts typically increase Duke's IRR
- Buyout premiums attached to the royalty in every case
- Significant minority equity positions in the majority of portfolio

Our Results[1]

Royalty partners	Current partners	Capital deployed
18 since inception	13 5 exits	£200m+

[1] As at 1 September 2022

Prove our investment thesis

- Demonstrate downside protection during crisis
- Demonstrate life-cycle of typical investment
- Demonstrate acceptance by owner/ operators

Scale our business

- Solidify our first mover advantage
- Target buy and builds, Management Buy-Outs and value-realisation events
- Increasing deployments resulting in higher cash revenue

Define our market segment

Increase free cash flow per share and reduce pay-out ratio

2021 | 2022 | 2023+

Portfolio Diversification

- 48 operating companies underlying our 13 royalty partners
- Focus on acquisition capital increases indirect diversification

Strong Fundamentals

- Record revenue and free cash flow demonstrates operational leverage
- Royalty investing has demonstrated resilience through many market cycles

Inflation hedged

- Adjustments to Duke's distributions based on partners' revenue
- Price inflation in portfolio results in higher revenue for Duke

Dividends returned to shareholders

£21.2m

13.0 pence per share

Operational leverage

Business model has proved resilient through challenging economic cycles

Our solution: **Royalty finance**

Corporate Royalties are a hybrid between private credit and private equity, for owner-operators who want to maintain control of their business.

Benefits over equity

Ownership preservation

We provide a minimally-dilutive solution, we may not take a seat on your Board and you continue to own and control your company

Control over any refinancing

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

A passive, long- term funding partner

No pressure for an exit or liquidity event, no focus on short-term profit maximisation. We provide capital in exchange for interest distributions that fluctuate with future revenues on a term of 30+ years

Alignment of interests

The business owner teams up with a financing provider that allows them to retain control of their business, drive growth and increase shareholder value

Benefits over debt

Risk shared on future performance

Distributions are reset annually based on the revenue performance of the business, and the change is subject to a cap and a floor

Light amortising capital

There is no repayment of principal at the end of the royalty's life as this has amortised over the 30+ year term

Follow-on financings

We are a partner to your business 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

No refinancing risk

There is never a large principal repayment we dictate; you control the timing of the refinancing event

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

We provide capital to profitable, established 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 30+ 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 the business, which we call our 'royalty partner'. 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.

Case study

DEBT REFINANCING

Royalty partner
Atlas Signs

- Founded by the Adinolfe family in 1992, Atlas is a US-based, turnkey national brand implementation company that delivers signage, sign maintenance, lighting, installation, and project management services to the world's leading companies
- Strong management team, including founder and CEO, that have decades of experience and knowledge in sector

"The long-term nature and flexibility of Duke's investment solution is a great fit for Atlas, as it removes the need for refinancing and provides us with a secure platform for continued growth. We are excited about our long-term partnership with Duke which allows the management team to focus on getting back to business and executing on our business plan."

Jim Adinolfe
CEO and Founder of Atlas Signs

Why Duke?

Provided early redemption of its term loan with its existing debt provider

Desire to have a long-term capital provider with no refinancing risk

Royalty Partners

Duke has deep and proven experience investing across a range of sectors, geographies and transaction types. The graphic below showcases the sectors and transaction types of our current royalty partners. 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 (held at cost).

	INITIAL INVESTMENT DATE	USE OF CAPTIAL	FAIR VALUE
Industrials			
Trimite Global Coatings	Mar 2018	Equity Buyout	£10.3m
United Glass Group	Apr 2018	Acquisition Capital	£13.2m
Fabrikat	Feb 2021	Growth Capital	£6.9m
Creō-Tech Industrial Group	July 2021	Acquisition Capital	£11.4m
Atlas Signs	Dec 2021	Debt Refinancing	£16.1m
Business Services			
Lynx Equity (UK)	Oct 2017	Acquisition Capital	£14.9m
Step Investments	June 2018	Growth Capital	£8.9m
BVPA (Ireland)	Sep 2018	Acquisition Capital	£13.6m
Miriad Products	Feb 2019	MBO/MBI	£19.3m
Healthcare			
InterHealth Canada	Aug 2018	Growth Capital	£10.8m
Fairmed Healthcare	June 2021	MBO/MBI	£8.8m
IT Services			
Intec Business Solutions	July 2021	Acquisition Capital	£17.1m
Specialist Care			
Tristone Healthcare	Dec 2021	Acquisition Capital	£14.4m

Chairman's statement

NIGEL BIRRELL
Chairman

"I am pleased to report on the results for the Group for the financial year ending 31 March 2022 ("FY22"), a period in which Duke was able to produce record cashflow underpinned by higher levels of investment deployment."

It is fair to say that FY22 once again presented challenges as the global economy emerged from the immense economic and social strains brought about by the Covid pandemic. It is against this challenging backdrop that I am pleased to be able to report such a strong set of financial results.

In my Chairman's statement for FY21, I referred to the emergence of mild inflationary pressures spurred on by a backdrop of rapidly rising commodity prices. FY22 was the year where those inflationary pressures firmly took hold with cost pressures being seen across all main expense items such as raw materials, labour, freight and power. Post period end, we have seen this inflationary pressure worsen, exacerbated by the war in Ukraine which has forced central banks around the world into aggressively raising interest rates to try to bring inflation rates back down towards their historically acceptable ranges. The coupling effect of high inflation alongside higher interest rates will inevitably lead to downward pressure being exerted on consumer spending and we will remain vigilant as to what effects this may have on our royalty partners in the coming months.

Thankfully, however, I am pleased to report that during FY22 Duke's royalty partners were, in the majority of cases, able to pass on this FY22 cost inflation to their customers and many were able to post record operating performance of their own. This strong trading has led to Duke's overall portfolio metrics improving in terms of higher underlying profitability, increased debt service coverage ratios and improved liquidity levels, and as a result Duke's portfolio has entered FY23 in a robust position. One of the core benefits of the Duke business model is that it provides shareholders with a degree of inflation hedging as higher costs being incurred by its royalty partners translate into them charging higher pricing (and therefore generating higher revenues) which in turn should lead to an increase in Duke's cash receipts via the annual reset mechanism. I am happy to report that Duke's average returns increased during FY22, validating this thesis, and we expect this trend to continue while inflationary pressures persist.

Over time, we have also been able to significantly diversify our portfolio both in terms of sector and internal weighting. At period end the Company had exposure to 48 underlying operating companies via its 13 royalty partners, with a maximum concentration limit per royalty partner of approximately 10%. Diversification is the ultimate risk mitigation tool and during the period Duke invested a record £61m into five new royalty partners as well as £14m into existing partners via follow-on investments. As I referenced in the Company's last report, after a period of global financial stress there is demand for the Company's unique, long dated and aligned product offering. Duke has a fantastic opportunity to take market share away from the traditional debt markets whose short-dated, amortising loans carry a high degree of inherent refinancing risk. To take advantage of this market opportunity, Duke raised £35m of equity during FY22 and another £20m post period end which, when taken alongside its existing credit facilities, means that Duke currently has significant liquidity to deploy in its pipeline of new deal opportunities. These two equity financings included a Primary Bid offering to allow our valued retail investors to participate, and going forward, we will seek to pursue the best available initiatives and technology which provide all our investors with the best access to corporate actions, as they occur.

Free cashflow

£12.1m

+61% (2021: £7.5m)

Adjusted earnings

£13.1m

+62% (2021: £6.6m)

Raised equity capital of

£35m

in oversubscribed placing

Duke benefitted from two profitable buyouts of its royalty partners in FY22 which delivered a significant upside event to the Company's financial performance. The positive effects of these buyouts are rarely modelled into analyst forecasts because the timing of the buyout always remains in the hands of the royalty partner. Another benefit which I would like to draw shareholders' attention to in FY22 is the positive effect of operational leverage. Given the nature of the Company's low and largely fixed cost base, additional deployments led to an increase in the Company's free cashflow per share in FY22 and this is a trend that should only accelerate into FY23 as Duke deploys more capital. Higher levels of free cashflow per share underpin Duke's future quarterly dividend policy and during FY22 Duke paid out cash dividends of 2.25p per share. It is pleasing to note that in the most recent quarter Duke's dividend stood at 0.70 pence per share, equating to 2.80 pence per annum, showing a continued upward trajectory of the Company's dividend into FY23.

Throughout FY22, the Duke team has worked hard to manage the Company and its partners through the difficulties presented by the pandemic and the macro-economic environment and I thank them for their considerable efforts. As a fiduciary, and long-term partner in companies, we see it as our duty to deploy our capital in a responsible way. As set out in our Responsible Investment 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 environmental, social and governance considerations.

As always, I am appreciative of the ongoing support of all our shareholders and am pleased to report a strong set of results within the Chairman's statement for FY22. Our underlying royalty partners have traded resiliently during the period and the Group is well placed to continue to grow in FY23. Our recent trading update for first financial quarter ended 30 June 2022 ("Q1 FY23") showed that normalised cash revenue had reached new highs and we expect this growth trend to continue into Q2 FY23 by virtue of Duke's annual yield adjustments linked to the underlying companies' revenue performance in this inflationary macro-environment.

The macro environment certainly remains challenging but the resilience of Duke's royalty model, which provides exposure to a diverse portfolio of 48 underlying operating companies, should allow the Company to continue to prosper as demonstrated through the pandemic. and I look forward to being able to report on the Group's ongoing progress and development in future periods.

NIGEL BIRRELL
Chairman

7 September 2022

Investment case

Income with value upside
A proven model in North America, royalty businesses have shown over economic cycles to provide both income and capital gains to public shareholders due to the long-term predictable cash flows they deliver.

Diversified portfolio
Duke's portfolio consists of an array of companies operating across a range of sectors. In addition, a significant number of its portfolio companies have acquisition opportunities which may result in follow-on financing from Duke, thereby mitigating the challenges faced by other SMEs.

Rising demand
Duke's strategic growth capital has many attractive qualities compared to other funding solutions. Its long-term, supportive and revenue-linked nature affords businesses both predictability and control. Demand for more flexible, alternative sources of capital has been very strong in recent years and as a first mover and leader in the UK and Europe, Duke has a significant opportunity to build and further diversify its portfolio.

Resilient business model
In short term uncertainty, business owners look for long term partners and the pandemic proved Duke's resiliency. Duke continued to deliver robust cash revenues and protection against downside for both investors and royalty partners despite the extraordinary business conditions posed by the virus.

Global growth
While Duke pioneered royalty financing in the UK and Europe, the supportive long-term nature of Duke's credit, has seen increasing demand globally. With executives on the ground, Duke now supports a number of portfolio companies in North America, where it sees increasing demand.

Experienced management
Duke's management team and investment committee has more than 75 years of direct royalty investing experience and includes deal originators with deep local relationships as well as pioneers in the global royalty industry.

Case study

ACQUISITION CAPITAL

Royalty partner
Tristone Healthcare

- Tristone provides specialist residential and domiciliary care to:
  - i) high acuity adults with severe mental, physical or learning difficulties and
  - ii) care leavers aged 16-19 who are transitioning out of social care and into independent living
- Formed in 2015, Tristone has acquired five specialist care businesses to date, and has a growing pipeline of bolt-on acquisitions
- Tristone's subsidiaries have a combined 40-year operating history

"The long-term and non-controlling characteristics of this financing were compelling as it enables us to focus on what we do best without any refinancing risk and without having to compromise our values or approach. We look forward to working with the team to deliver our shared outcomes."

Yannis Loucopoulos
CEO of Tristone Healthcare

Why Duke?

Ability to draw down further capital for M&A opportunities that meet pre-agreed criteria

Duke enables Tristone to independently retain control of their business

Chief Executive Officer's statement

NEIL JOHNSON,
Chief Executive Officer

"As we celebrate our fifth year since our Admission to the AIM market in 2017, I can't help but reflect on how different the world looks today. Through all the highs and lows of the last five years, we would not be here without the support of our shareholders, the trust of our royalty partners, the dedication of our employees, and the leadership of our Board."

We have persevered through all the unexpected economic, political and public health shocks, to create Europe's largest corporate royalty provider for long standing, profitable private businesses.

As this year's Annual Report has demonstrated, we think of our growth over the past five years in three phases:

Phase 1: Establishing our presence

In the first phase, we focused on building the equity base, portfolio and cash flow, in order to deliver dividends for our shareholders. We were taking a proven financing mechanism which had existed in North America for decades and tailored it for the UK public markets and European businesses. We had to build a track record and prove to both investors and business owners, that corporate royalties had a role in filling the SME funding gap. We appreciate the support from those early shareholders who backed us to build a company which was unique on the London Stock Exchange. We successfully built a base of royalty partners who placed faith in us and developed long-term symbiotic partnerships not found in the high street bank offerings. We certainly would not be here without these early supporters.

Phase 2: Proving our investment thesis

After three years of building our business, our focus was forced to change in March 2020. The arrival of Covid-19 and the ensuing pandemic gave us an opportunity to test the strength of the foundation we had built. In North America, where Royalty Finance has been established for decades, investors are drawn to the downside protection royalty providers deliver during crises. The pandemic enabled us to demonstrate this characteristic to both business owners and our investors in the UK and Europe. Duke worked with our royalty partners through unprecedented stresses to stabilise their businesses, and I am proud of the work, resiliency and flexibility that both our team and our royalty partners showed throughout this period. We did not panic; we had a clear plan to survive the initial shock and we executed.

Once the market and public health stabilised, our team reflected on what we could learn from the experience and set about putting those learnings into action. We forged deep relationships with our royalty partners, focused on the long-term prospects of each and helped them navigate the effects of the pandemic. We believe our actions have not only ensured the long-term profitability of our royalty partners, but that, in the fulness of time, our shareholders will be rewarded by these actions. We focused our criteria of selection on what was working best and set about solidifying our position.

The post-pandemic recovery was viewed as an opportunity for Duke to accelerate our marketing efforts and expand our network, defining our market segment by demonstrating acceptance of our solution by business owners and operators. This was successful and with five new royalty partners, multiple bolt-on acquisitions from our existing portfolio, and accretive buyouts, FY22 was, by this measure, a banner year for the Company and resulted in an unprecedented growth year in our Company's short history.

Across Europe and North America, Duke deployed over £61 million into new partners during the period, spread across managed IT services, engineering, medicines, signage and healthcare, highlighting Duke's commitment to create a diverse group of royalty partners. A further £14 million was deployed in follow on investments into our existing royalty partners. The result was a tripling of the deployments made in any financial year in the Company's history.

Duke also demonstrated the lifecycle of a typical investment during this growth phase, successfully realising two further investment buybacks. One of these, BHPC Limited, represented Duke's fifth exit, for which Duke received back net cash of £6.9 million, delivering an IRR of 29.4% on closing, our highest return to date.

Shareholder support

At the beginning of the period under review, we announced an oversubscribed £35 million placing with new and existing institutional and retail investors. This allowed us to take advantage of what we saw as an exciting time to be evaluating deals. We are thankful to our supportive shareholders who recognised the value of our dividend and understood the downside protection that our royalty agreements provide to them, as well the role our solution could provide in supporting businesses. We also received further support from Pollen Street Capital in FY22 to increase the top end of our credit facility to support further growth.

The placing and Pollen Street's credit facility enabled Duke to have an unprecedent year of deployments in FY22, further discussed below. Following another £20 million placing post period end, Duke is uniquely positioned with significant liquidity to deploy into a strong pipeline of partnership and follow-on opportunities. We will be doing this prudently and selectively, given the challenging headwinds currently affecting business globally.

Duke appreciates the support of all its shareholders in these raisings, and the participation of our valued retail investors. We utilised the Primary Bid process in these placings to enable retail investors participation and continue to explore initiatives which provide all our investors with the best possible opportunity to access any future corporate actions.

Scaling internationally

As I discussed in last year's CEO statement, to ensure the best returns for shareholders our ambitions are not limited to Europe. Our philosophy of diversification is not simply about having a basket of different companies, it is to ensure a variety of industries, currencies, and geographies. I am pleased to report that that this diversification continues with the addition of Creō-Tech Industrial Group and Atlas Signs Holdings, headquartered in British Columbia, Canada, and Florida, USA respectively. These also represent two different examples of uses of our capital; Creō-Tech is using our funds to enable its buy-and-build strategy, while at Atlas Signs, we support a family-owned business with its long-term objectives through debt refinancing.

ESG

Armed with our published responsible investing policy and our Company's dedication to Environment Social and Governance (ESG) best practice, our team implemented the policy throughout our investment lifecycle. An ESG criteria checklist was added to our initial screening of new opportunities, and throughout the due diligence process in an effort to understand and evaluate our ESG criteria for every new investment. We have also begun the process of articulating our goals to our royalty partners, and initiated dialogues with them to set and meet their own ESG targets. One example of positive change we have seen through this process is Trimite Global Coatings. As a supplier of high-performance paints and coatings for industrial applications, Trimite prides itself on its technical knowhow and quality products. Through our strategic dialogue, the company has now set a goal to make all coatings water-based, where customers can accommodate this technology, with no reduction in performance. This move will not only lower their impact on the environment, but will mean greater opportunity for growth, as their customers increasingly look for greener, more sustainable solutions. Other initiatives are underway within the company to drive its commitment to the environment and we commend the Trimite team on articulating and doing their part in committing to a positive environmental impact.

Our company is committed to helping our communities. In London, the Duke team has taken the lead in organising the reintroduction of the Terry Fox Run. Terry Fox is a Canadian hero, who lost his leg to cancer and set about raising money for cancer research in 1980 by running a marathon a day across Canada, tragically needing to stop 143 days into his inspiring journey as his cancer had spread to his lungs. Terry Fox died less than a year later but the foundation in his name has raised over £500 million since his death. In 2021, through the efforts of Duke team, we were able to continue to support this legacy raising over £65,000 for the UK's pre-eminent cancer research organisation, The Institute of Cancer Research.

Financial Review

Cashflow

FY22 saw record cashflows for the Group, with total cash revenue of £18.4 million generated, a 67% increase over the £11.0 million produced in FY21. This was driven by a strengthening of the underlying investment portfolio following the problems experienced during the first wave of the Covid pandemic. Recurring revenue, reflecting the ongoing monthly distributions made by Duke's royalty partners, represented 81% of cash revenue and totalled £14.9 million, up from £8.8 million in FY21.

Operating cashflow for the year totalled £11.2 million, a 25% gain on the FY21 total of £8.9 million. It is especially pleasing to see the operating leverage increase, driven by Duke's ability to control its operating costs as cash revenue grows. In FY22, cash operating costs as a percentage of total cash revenue reduced from 20% to 14% and we expect this to continue decreasing as revenue grows and the cost base remains largely stable.

Free cashflow, defined as Duke's operating cashflows plus cash gains from the sale of equity investments less the interest due on its debt financing, totalled £12.1 million, a 61% increase on the £7.5 million generated in FY21. But perhaps more importantly, free cashflow per share rose 14% to 3.5 pence per share, demonstrating the accretive nature of the business model. The pay-out ratio, which

Chief Executive Officer's statement continued

represents the percentage of total free cashflow that the Group pays out in dividends, reduced from 72% to 60%, allowing the Group to reinvest a larger proportion of its cashflow into new investments.

Income Statement

Total income for the year grew to £28.8 million in FY22, a 33% increase over FY21, while earnings after tax totalled £20.4 million, a 46% increase on the prior year. However, both these measures include the non-cash fair value movements on the royalty and equity portfolios. If we strip out these fair value movements, then total adjusted income rose 56% to £18.4 million, while Duke's non-IFRS measure of adjusted earnings (refer to the Director's report for full explanation of adjusted earnings), rose from £6.6 million to £13.1 million. As with free cashflow per share, adjusted earnings per share also increased, growing 41% from 2.70 pence per share to 3.81 pence per share.

Dividends

The Company increased its quarterly dividend in January 2022 from 0.55 pence per share to 0.60 pence per share, resulting in total dividend payments for FY22 of £7.6 million, the equivalent of 2.25 pence per share. Notably, the most recent quarterly dividend, paid post period end in July 2022, increased to 0.70 pence, representing an annualised dividend of 2.80 pence per share.

Balance Sheet

During the year the Group successfully deployed over £75 million into new and follow-on investments (2021: £24 million), securing five new royalty partners. This included an investment of ca. £16 million into Atlas Signs Holdings Inc., a US based national brand implementation company delivering signage and related services to businesses around the globe. This investment represents Duke's largest initial investment to date and expands upon the Group's North American presence, diversifying its currency exposure.

Group net assets increased by 55% to £133 million (2021: £86 million) following a successful £35 million equity raise in April 2021.

The Group's total assets were £184 million as at 31 March 2022, an increase of 73% from the £106 million at 31 March 2021, once again primarily attributable to the increase in capital deployments during the year on the back of April 2021's successful equity raise. The total fair value of the royalty portfolio stood at £160 million at 31 March 2022, while the equity portfolio increased its fair value from £3.5 million to £10.8 million, again reflecting the increasing stability and strength of our underlying investment portfolio.

Net debt for the Group increased to £42.3 million (31 March 2021: £15.5 million) following the successful extension of Duke's borrowing facility with Pollen Street Capital in January 2022, providing additional liquidity to the Group.

Phase 3: Scaling our business

As we embark on the second half of our first decade, we enter the third phase of our growth; continuing our momentum and scaling the business. Now that we have established the robustness of our business model in difficult economic conditions, a diversified portfolio and a presence in our target markets, we have the opportunity to solidify our first mover advantage in the UK, Europe and abroad. As the only corporate royalty provider listed in London, we believe we are in a strong position for growth and will prudently continue to make deployments to deliver higher free cashflow and increase free cashflow per share. The benefits of our product are clear and accepted by our target partners and we now have a track record of delivering benefits for business owners who want to retain control of their business.

We will also continue generating returns for our shareholders through value-realisation events. As our portfolio matures and grows, the embedded value that our agreements have in the form of buyout premiums and minority equity stakes we believe will be realised. While the timing of buyouts is outside of our control – in line with our philosophy to keep business owners in control of their destiny – they are highly accretive to shareholders and will be an ongoing theme in the future. Each year our cash distribution is adjusted based on our partners' revenue, and every buyout of our product crystallises the value of the buyout premium and value of our equity stake if we have one in the business. In the meantime, our partners are paying monthly distributions over the typical 30-year term of our agreement.

While we have celebrated our growth in the face of the last five year's economic, political and public health headwinds, the next five years will, undoubtedly, present their own challenges. Our business model's first principal - to preserve our investor's capital - is as strong as ever. With the western world now dealing with unusually high inflation and global supply chain issues, we take reassurance from the fact that not only Duke, but the wider royalty industry, has seen many economic cycles before. The industry is bigger than it has ever been and the knowledge and understanding of royalty finance has become embedded in the market. As a company, our portfolio metrics are more robust than they have ever been, meaning Duke is well positioned to withstand headwinds better than ever. More importantly our relationships and ability to make decisions for the long-term best interest of our royalty partners makes it apparent that our company, and corporate royalties, have a very important place in the alternative finance industry.

I would like to personally thank our shareholders, our royalty partners, our employees and our Board for our continued progress and our best year yet.

NEIL JOHNSON
Chief Executive Officer

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

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 Non-Executive 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.

MAREE WILMS

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

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

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 2022.

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.

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 growing its investment portfolio, adding five new royalty partners, while continuing to support its current partners. The core deployment highlights were as follows:

- £7.7 million initial investment into InTec Business Solutions Limited ("InTec"). InTec specialises 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. Three further follow on investments were made into InTec as follows:
  - £2.2 million to fund the acquisition of Miller Waite Limited
  - £1.65 million to fund the acquisition Opal IT Limited
  - £2.45 million to fund the acquisitions of Provident Technology Limited and Firefly Enterprises Limited
- €10.0 million investment into Fairmed Healthcare AG ("Fairmed"). 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. Fairmed is majority owned by Strides Pharma Global Pte Ltd ("Strides Pharma Global") which is in turn a wholly-owned step-down subsidiary of Strides Pharma Science Limited ("Strides"), a listed public company. Strides is a global pharmaceutical company headquartered in Bangalore, India. It acquired its interest in Fairmed in 2019 to provide it with a platform for distribution of its pharmaceutical products.
- CA$8.2 million (approximately £4.8 million) initial investment into 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. Duke's investment was used to facilitate the acquisition of two businesses, Axial Inc. and Silhouette Enclosures Ltd. A follow-on investment of CA$10.3 million (approximately £6.2 million) was made into Creō-Tech that was used to acquire California based MD Stainless Services.
- £10.6 million initial investment into Tristone Healthcare Limited ("Tristone"), which provides specialist residential and domiciliary care to high acuity adults with severe mental, physical or learning disabilities; and to care leavers, who are transitioning out of social care and into independent living. Duke's initial investment was used to refinance Tristone's existing capital structure. A follow-on investment of £1.5 million was made into Tristone shortly after the initial investment to fund its acquisition of Seaside Care Homes Limited, a specialist care home based in Essex.
- US$21.0 million (approximately £15.8 million) into Atlas Signs Holdings, Inc. ("Atlas"). Atlas is a US-based, turnkey national brand implementation company that delivers signage, sign maintenance, lighting, installation, and project management services to the world's leading companies. This investment represents Duke's largest initial investment to date and expands upon the Company's North American presence.
- Four follow-on investments were made during the year as follows;
  - £2.1 million into Step Investments Limited ("Step") - Step is the holding company for a range of interests in the private education, advertising and hospitality sectors. Duke's investment was used to finance the purchase of an 85% equity interest in Adtower Limited which specialises in the digital out of home advertising sector

- £1.5 million into Lynx Equity (UK) Ltd. ("Lynx UK") - Duke's investment was used by Lynx UK to acquire Danish equipment manufacturer, Obel-P Automation A/S
- £5.25 million into Miriad Products ("Miriad") - Miriad, formed in 1977, is the largest privately-owned recreational vehicle ("RV") parts wholesale company in the UK. Duke's investment was used by Miriad to enable it to release equity value in the business and restructure its shareholdings
- £4.2 million into BVPA (Ireland) Limited ("BVPA") - BVPA is an investment holding company created to execute a buy and build strategy of synergistic companies within the Irish/UK recruitment sector. Duke's investment was used by BVPA to finance its acquisition of Vantage Resources Limited, an IT contracting and talent acquisition business that sources specialist IT professionals on medium to long term contracts to a range of major Irish organisations.

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

- £2.3 million into Tristone to facilitate Tristone's acquisition of Beyond Limits (Plymouth) Limited, which operates specialist care homes predominantly in the Southwest of England, providing long-term residential care to people with learning disabilities, mental health issues and other support needs.
- £3.1 million into InTec to facilitate the acquisition of Astec Computing (UK), a profitable I.T. managed services business with a 30-year trading history.

Investment exits

As well as over £75 million of deployments, Duke also exited two investments during the year to 31 March 2022; Almondclose Limited, trading as Berkley Recruitment (Group) Limited, in April 2021 and BHPC Limited ("BHP") in August 2021.The total cash return was £8 million.

Borrowing

In January 2022, the Group amended its current borrowing facility with Honeycomb Investment Trust. The facility term was extended and the facility size increased from £35,000,000 to £55,000,000. Of this, £35,000,000 comprised a revolving facility and £20,000,000 a term facility. The principal amount is repayable on 18 January 2027. Furthermore, the interest rate was amended to 7.25% over SONIA.

Results and dividends

The Group's performance during the year is discussed in the Chairman's Statement and CEO's Statement on pages 8 and 13 respectively. The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 37 which shows a profit £20.4 million (year to 31 March 2021: £14.0 million) and basic earnings per share of 5.95 pence (year to 31 March 2021: 5.75 pence).

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

	2022 £000	2021 £000
Receipts from royalty investments	14,701	9,931
Receipts of interest from loan investments	580	667
Other operating receipts	543	438
Payments for royalty participation fees	(115)	(81)
Operating expenses paid	(2,487)	(2,154)
Tax (paid) / refunded	(2,055)	135
Cash gains from the sale of equity investments	2,583	-
Interest paid on borrowings	(1,649)	(1,409)
Free cash flow	**12,101**	**7,527**

Free cashflow, defined as operating cashflow plus cash gains from the sale of equity investments less interest paid on borrowings, totalled £12.1 million (2021: £7.5 million), while free cashflow per share for the year was 3.53 pence per share (2021: 3.10 pence per share).

Directors' report continued

The Board also uses the non-IFRS measure of Adjusted Earnings to determine the Group's underlying operating performance from core activities. Adjusted earnings is the total comprehensive income adjusted for unrealised and non-core fair value movements, non-cash items and transaction-related costs, including royalty participation fees, together with the tax effects thereon.

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

The Group's adjusted earnings for the year was £13,058,000 (year to 31 March 2021: £6,557,000). This gives rise to adjusted earnings per share of 3.81 pence (year to 31 March 2021: 2.70 pence).

At the year end the net assets attributable to the Ordinary Shareholders were £132,941,000 (31 March 2021: £85,786,000).

During the year, the Company's quarterly dividend policy was continued and dividends of £7,270,000 were paid during the financial year to 31 March 2022 (2021: £5,404,000). The Company's quarterly dividends were 0.55 pence per share paid in April 2021, July 2021 and October 2021 and 0.60 pence per share paid in January 2022.

Subsequent to year end, the Company paid a further cash dividend of 0.7 pence per share in April and July 2022.

	2022 £000	2021 £000
Total comprehensive income for the period	20,391	13,953
Unrealised fair value movements	(10,431)	(9,871)
Expected credit losses	72	-
Share-based payments	930	806
Transactions costs net	1,746	550
Tax effect of the adjustments above	350	1,119
Adjusted earnings	**13,058**	**6,557**

Shareholder information

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

Environmental, Social and Governance

Environmental, Social and Governance ("ESG") considerations impact the way in which we manage the business, our investment decisions and our management of royalty partner relationships.

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

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

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

We will not invest with royalty partners who:

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

Managing ESG in our royalty partners

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

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

Environmental, Social and Governance continued

Managing ESG internally within Duke and alignment with our core values

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

- **Transparency**: We focus on treating our partners and stakeholders with honesty, integrity, fairness and respect, contributing to strength and longevity of our relationships.

- **Accountability**: We are accountable to each other, our stakeholders, our royalty partners, and the communities where we do business. We aim to be responsible investors and a good corporate citizen.

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

- **Focus**: We aim to be a trusted partner for small to mid-sized businesses. We keep a focus of our approach to investing and our investment criteria. We are sensible and keep things as simple as possible for our royalty partners.

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

For further information, visit:
dukeroyalty.com/wp-content/uploads/2021/03/Duke-Responsible-Investment-Policy-March-2021-vCirc.pdf.

Directors' responsibilities statement

For the year ended 31 March 2022

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

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

The Directors are permitted by the Companies (Guernsey) Law, 2008 to prepare Consolidated Financial Statements for each financial period which give a true and fair view of the state of affairs of the Group and of the 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 2022 Number 000	ORDINARY SHARES 2021 Number 000
N Birrell	1,329	1,079
N Johnson	4,942	4,248
C Cannon Brookes	7,718	6,193
M Le Tissier[1]	-	-
M Wrigley	28	28
M Wilms[2]	-	-

[1] resigned 17 February 2022
[2] appointed 17 February 2022

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 18 to the Consolidated Financial Statements):

	SHARE OPTIONS 2022 Number 000	SHARE OPTIONS 2021 Number 000	LTIP AWARDS 2022 Number 000	LTIP AWARDS 2021 Number 000
Neil Johnson	-	-	2,821	3,200
Charles Cannon Brookes	-	-	2,474	2,650
Nigel Birrell	-	-	-	-

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

	BASIC FEES 2022 £000	SHARE BASED PAYMENTS 2022 £000	ANNUAL BONUS 2022 £000	TOTAL 2022 £000	BASIC FEES 2021 £000	SHARE BASED PAYMENTS 2021 £000	ANNUAL BONUS 2021 £000	TOTAL 2021 £000
Non-Executive								
N Birrell	38	-	-	38	28	-	-	28
M Wrigley	29	-	-	29	24	-	-	24
M LeTissier[1]	-	-	-	-	-	-	-	-
Maree Wilms[2]	4	-	-	4	-	-	-	-
Executive								
N Johnson	233	269	108	610	200	294	75	569
C Cannon Brookes	210	216	108	534	180	218	75	473
	514	**485**	**216**	**1,215**	**432**	**512**	**150**	**1,094**

[1] resigned 17 February 2022
[2] appointed 17 February 2022

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 31 August 2022 the Company had been notified of the following interests of shareholders in excess of 3%:

	ORDINARY SHARES	% OF ORDINARY SHARE CAPITAL
Hargreaves Lansdown	41,398,582	9.95%
M&G Investments	37,704,230	9.07%
Interactive Investor	29,087,851	6.99%
Columbia Threadneedle Investments	26,780,384	6.44%
Gresham House Asset Management	26,495,221	6.37%
Allianz Global Investors	23,325,000	5.61%
GLG Partners	23,133,685	5.56%
Canaccord Genuity Wealth Management	19,824,798	4.76%
AXA Framlington Investment Managers	17,756,714	4.27%
Premier Miton Investors	16,365,685	3.93%
Chelverton Asset Management	14,995,000	3.61%

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 an as such the Company is committed to complying with the corporate governance obligations appropriate to the Company's size and nature of business.

As such, the Board has adopted the Quoted Companies Alliance Corporate Governance Code (the "Code"). The Company's compliance statement in respect of the Code can be found at www.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, amended November 2021.

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 2022.

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) and Nigel Birrell. Mark Le Tissier resigned from the Committee and Maree Wilms was appointed to the Committee on 17 February 2022. 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 six members nominated by the Company, includes three independent members. The current members of the Investment Committee are Jim Webster, Chair of the Investment Committee; Justin Cochrane, 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 and Charlie Cannon Brookes, Executive Director of Duke Royalty.

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.

Directors' responsibilities statement continued

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 24 to the Consolidated Financial Statements.

Environment

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

Going concern

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

The escalation of tensions between Russia and the West, following Russia's invasion of Ukraine in February 2022, presents a range of implications for industry and markets at large. Soaring energy costs suggest that higher inflation is likely to last longer than governments are currently forecasting. The war has also further emphasised the issue of supply chains. The importance of where goods and services are produced and how easily they can reach their end markets had already been highlighted during the Covid pandemic. Some commentators are now suggesting an end to the trend of extreme globalisation that has occurred in recent decades. Should this be the case, the reverse trend could see even more significant supply chain disruptions leading to higher inflation.

The other key outcome from the sanctions on Russia and the resulting increases in oil and gas prices is likely to be an acceleration in the West of the existing drive towards electrification, renewable energy and greater energy self-sufficiency over the medium term.

On the downside, higher energy prices and wage inflation will undoubtedly raise operating costs, and supply chain issues could mean a requirement for greater working capital. This could particularly apply to companies such as those in which the Company is investing.

The economic and social impact of Covid-19 continues to influence the economic backdrop in which the Group operates.

The directors continue to closely monitor the impact of Covid-19 and of Russia's invasion of Ukraine on the Group's trading activities and cash flows. The directors do not consider that there will be any significant effect on the ability of the Group to continue in business and meet liabilities as they fall due.

Bearing in mind the nature of the Group's recurring 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 7 September 2022 and signed on behalf of the Board by:

MAREE WILMS
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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of the Group for the year ended 31 March 2022 which comprise the Consolidated Statement of Cashflows, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, 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 UK adopted International Accounting Standards.

Basis for opinion

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

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 ability to continue to adopt the going concern basis of accounting included:

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

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

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

Overview

KEY AUDIT MATTER	2022	2021
Valuation and ownership of royalty investments	✓	✓
Valuation and ownership of equity investments	✓	✗
Valuation of loans advanced and IFRS 9	✓	✓

MATERIALITY
Group financial statements as a whole
£2,755,500 (2021: £1,588,500) based on 1.5% (2021: 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. In line with ISA 600 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
Valuation and ownership of royalty investments **(notes 2.13, 3, 9 and 23)** 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. We focussed on the valuation and ownership as they are key drivers to the Group's net asset value. The valuation models are a highly subjective area as management makes judgements as to expected cash flows, revenue growth rates and discount rates to arrive at the fair value of the products. Any input inaccuracies or unreasonable bases used in the valuation judgements could result in a material misstatement of the Group statement of comprehensive income and the Group balance sheet 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 in the valuation models to the forecasts. Gained an understanding of how the forecasts differed from either those expected on day 1 or those expected in previous year end. • Assessing based on review of the underlying supporting management information and key performance indicators of the investees performance, whether management's consideration of the investees actual performance against that budgeted indicated a need to revise the cash flows. • Assessing the expected revenue growth rates used by management against independent sources i.e. growth rates used by brokers. • Reviewing investee performance since the earliest date of time of investment or the prior year and challenging management regarding the discount rates used within the models. We obtained royalty confirmations direct from the underlying investee companies to verify ownership of the investments held at year end. **Key observations** Based on the procedures performed we did not identify any indications to suggest that the judgements made in respect of the royalty investments were unreasonable.
Valuation and ownership of equity investments **(notes 2.13, 3, 11 and 23)** The group makes investments in underlying investee companies that are unquoted entities. We focussed on the valuation and ownership as they are key drivers to the Group's net asset value. The valuation models are a highly subjective area as management makes judgements as to maintainable EBITDA and investment multiple applied to arrive at the fair value of the investments. Any input inaccuracies or unreasonable bases used in the valuation judgements could result in a material misstatement of the Group statement of comprehensive income and the Group statement of financial position. For this reason we considered this to be a key audit matter.	We obtained management's valuation models for the equity Instruments and: Assessed and challenged the reasonableness of management's inputs into the valuation models against our expectations by: • Challenging management on the maintainable EBITDA focussing on the assumptions applied to the sustainability of the earning based on forecasts, year to date actual performance and historical performance. • Challenging managements investment multiple applied by comparing the multiple applied to comparable listed company multiples from external sources such as Capital IQ . • Assessing based on review of the underlying supporting management information and key performance indicators of the investees performance, whether management's consideration of the investees actual performance against that budgeted indicated a need to revise the cash flows. We obtained shareholding confirmations direct from the underlying investee companies to verify ownership of the investments held at year end. **Key observations** Based on our procedures we did not identify and indications to suggest that the judgements made in respect of the equity investments were unreasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the 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	**2022:** £2,755,500	**2021:** £1,588,500
Basis for determining materiality	1.5% of total assets	
Rationale for the benchmark applied	Due to it being an investment company with the objective of long-term capital growth with investment values being a key focus of users of the financial statements.	
Performance materiality	**2022:** 1,791,075	**2021:** £953,100
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, directors' travel and entertainment, staff costs, due diligence costs, transaction costs, recruitment costs, professional fees, incentive plan awards and expected credit loss provisions, a misstatement of less than materiality for the 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 £366,000 which is 5% of the total expenses of the group (2021: £384,000 based on 5% of total expenses of the group). 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 £137,750 (2021: £79,400). 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 financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement within the Directors' Report, the Directors are responsible for the preparation of the 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 Parent 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 Parent 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 Parent Company. 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 UK adopted International Accounting Standards 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

7 September 2021

Consolidated statement of cash flows

For the year ended 31 March 2022

	NOTE	YEAR TO 31 MARCH 2022 £000	YEAR TO 31 MARCH 2021 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from royalty investments		14,701	9,931
Receipts of interest from loan investments		580	667
Other operating receipts		543	438
Operating expenses paid		(2,487)	(2,154)
Payments for royalty participation fees		(115)	(81)
Tax (paid) / refunded		(2,055)	135
Net cash inflow from operating activities		**11,167**	**8,936**
CASH FLOWS FROM INVESTING ACTIVITIES			
Royalty investments advanced		(74,586)	(22,708)
Royalty investments repaid		2,938	14,354
Loan investments advanced		(3,192)	(1,145)
Loan investments repaid		3,949	2,370
Equity investments advanced		(530)	(653)
Equity investments repaid		2,883	-
Receipt of deferred consideration		7,679	-
Investments costs paid		(972)	(634)
Net cash outflow from investing activities		**(61,831)**	**(8,416)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		35,000	-
Share issue costs		(1,936)	(1)
Dividends paid		(7,270)	(3,013)
Proceeds from loans		38,200	15,200
Loans repaid		(7,500)	(13,926)
Interest Paid		(1,649)	(1,409)
Other finance costs		(181)	(95)
Net cash inflow / (outflow) from financing activities		**54,664**	**(3,244)**
Net change in cash and cash equivalents		**4,000**	**(2,724)**
Cash and cash equivalents at beginning of year		1,766	4,481
Effect of foreign exchange on cash		(59)	9
Cash and cash equivalents at the end of year		**5,707**	**1,766**

The notes on pages 40 to 67 form an integral part of these Consolidated Financial Statements.

Consolidated statement of comprehensive income

For the year ended 31 March 2022

	NOTE	YEAR TO 31 MARCH 2022 £000	YEAR TO 31 MARCH 20201 £000
INCOME			
Royalty investment income	9	18,037	19,344
Loan investment income	10	533	636
Equity investment income	11	9,678	1,569
Other operating income		543	93
Total Income		**28,791**	**21,642**
INVESTMENT COSTS			
Transaction costs		(631)	(447)
Due diligence costs		(1,113)	(103)
Total investment costs		**(1,744)**	**(550)**
OPERATING COSTS			
Administration and personnel	5	(2,060)	(1,675)
Legal and professional		(405)	(367)
Other operating costs		(151)	(99)
Expected credit losses	10	(72)	-
Share-based payments	18	(930)	(806)
Total operating costs		**(3,618)**	**(2,947)**
Operating Profit		**23,429**	**18,145**
Net foreign currency movement		(60)	(542)
Finance costs	6	(1,996)	(1,539)
Profit before tax		**21,373**	**16,064**
Taxation expense	7	(982)	(2,111)
Profit after tax		**20,391**	**13,953**
Basic earnings per share (pence)	8	**5.95**	**5.75**
Diluted earnings per share (pence)	8	**5.95**	**5.75**

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

The notes on pages 40 to 67 form an integral part of these Consolidated Financial Statements.

Consolidated statement of financial position

As at 31 March 2022

	NOTE	31 MARCH 2022 £000	31 MARCH 2021 £000
NON-CURRENT ASSETS			
Goodwill	16	203	203
Royalty finance investments	9	139,648	71,107
Loan investments	10	3,172	4,370
Equity investments	11	10,820	3,495
Trade and other receivables	13	2,141	5,618
Deferred tax	21	156	158
		156,140	**84,951**
CURRENT ASSETS			
Royalty finance investments	9	20,831	14,194
Loan investments	10	1,000	580
Trade and other receivables	13	53	4,422
Cash and cash equivalents		5,707	1,766
		27,591	**20,962**
Total assets		**183,731**	**105,913**
CURRENT LIABILITIES			
Royalty debt liabilities	12	160	114
Trade and other payables	14	423	267
Borrowings	15	362	161
Current tax liability		87	1,163
		1,032	**1,705**
NON-CURRENT LIABILITIES			
Royalty debt liabilities	12	951	917
Trade and other payables	14	1,067	402
Borrowings	15	47,740	17,103
		49,758	**18,422**
Net assets		**132,941**	**85,786**
EQUITY			
Share capital	17	153,974	120,870
Share-based payment reserve	18	2,478	1,548
Warrant reserve	18	265	265
Retained losses	19	(23,776)	(36,897)
Total Equity		**132,941**	**85,786**

The Consolidated Financial Statements on pages 36 to 39 were approved and authorised for issue by the Board of Directors on 7 September 2022 and were signed on its behalf by:

MAREE WILMS
Director

MATTHEW WRIGLEY
Director

The notes on pages 40 to 67 form an integral part of these Consolidated Financial Statements.

Consolidated statement of changes in equity

For the year ended 31 March 2022

	NOTE	SHARES ISSUED £000	SHARE-BASED PAYMENT RESERVE £000	WARRANT RESERVE £000	RETAINED LOSSES £000	TOTAL EQUITY £000
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	17	2,391	-	-	-	2,391
Share based payments	18	-	806	-	-	806
Dividends	20	-	-	-	(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**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**	**-**	**20,391**	**20,391**
Transactions with owners						
Shares issued for cash	17	35,000	-	-	-	35,000
Share issuance costs	17	(1,936)	-	-	-	(1,936)
Shares issued to key advisers as remuneration	17	40	-	-	-	40
Share based payments	18	-	930	-	-	930
Dividends	20	-	-	-	(7,270)	(7,270)
Total transactions with owners		**33,104**	**930**	**-**	**(7,270)**	**26,764**
At 31 March 2022		**153,974**	**2,478**	**265**	**(23,776)**	**132,941**

The notes on pages 40 to 67 form an integral part of these Consolidated Financial Statements.

Notes to the consolidated financial statements

For the year ended 31 March 2022

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 68.

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

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

2 Significant accounting policies

2.1 Basis of preparation

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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into the UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The group transitioned to UK-adopted international accounting standards in its consolidated financial statements on 1 April 2021. There was no impact or changes in accounting from the transition.

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 date of approval of the financial statements. 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 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.

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.

The escalation of tensions between Russia and the West, following Russia's invasion of Ukraine in February 2022, presents a range of implications for industry and markets at large. Soaring energy costs suggest that higher inflation is likely to last longer than governments are currently forecasting.

2 Significant accounting policies (continued)

The war has also further emphasised the issue of supply chains. The importance of where goods and services are produced and how easily they can reach their end markets had already been highlighted during the Covid pandemic. Some commentators are now suggesting an end to the trend of extreme globalisation that has occurred in recent decades. Should this be the case, the reverse trend could see even more significant supply chain disruptions leading to higher inflation.

The other key outcome from the sanctions on Russia and the resulting increases in oil and gas prices is likely to be an acceleration in the West of the existing drive towards electrification, renewable energy and greater energy self-sufficiency over the medium term.

On the downside, higher energy prices and wage inflation will undoubtedly raise operating costs, and supply chain issues could mean a requirement for greater working capital. This could particularly apply to companies such as those in which the Company is investing.

The economic and social impact of Covid-19 continues to influence the economic backdrop in which the Group operates.

The directors continue to closely monitor the impact of Covid-19 and of Russia's invasion of Ukraine on the Group's trading activities and cash flows. The Group does not have any direct investment exposure to Russia or Ukraine, and therefore the impact to the current investment portfolio is minimal.

During the year, the Group extended its current borrowing facility with Honeycomb Investment Trust (as detailed in the Directors' Report) from £35 million to £55 million. At the 31 March 2022, the Group had £6,800,000 of available headroom on the facility.

In May 2022, the Company raised £20 million of new capital from a share issue, providing the Company with additional liquidity. Detailed cashflow analysis has been carried for the next 24 months, with sensitivity analysis on the effect of rising interest rates as well as a decrease in underlying cash revenue. The Directors consider that the Company has adequate resources to continue in operational existence for the next 24 months and beyond.

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 13 investments into this segment and has derived income from them. Due to the Group's nature, it has no customers.

Notes to the consolidated financial statements continued

2 Significant accounting policies (continued)

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 this best reflects the true nature of the balance.

2.8 Transaction costs

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

2.9 Income tax

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

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

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

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

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

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

2.10 Goodwill

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.

2 Significant accounting policies (continued)

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.

2.11 Dividends

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

2.12 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.

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.

2 Significant accounting policies (continued)

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.

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 23.

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

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

2 Significant accounting policies (continued)

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 23.

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

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

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

2.14 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.

Notes to the consolidated financial statements continued

2 Significant accounting policies (continued)

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 23.

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 23.

Fair value of equity investments

The Group's equity investments are not traded in an active market and thus the fair value of the instruments is determined using valuation techniques. The Group 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 11. Further details of the methods, assumptions and sensitivities used in determining the fair value can be found in note 23.

4 Auditor's remuneration

	2022 £000	2021 £000
Audit of the Consolidated Financial Statements	75	72

5. Administration and personnel

The table below splits out administration and personnel costs.

	2022 £000	2021 £000
Support services administration fees	449	435
Directors' fees	730	518
Investment committee fees	107	64
Personnel costs	774	658
	2,060	**1,675**

6. Finance costs

	2022 £000	2021 £000
Interest payable on borrowings	1,499	1,293
Non-utilisation fees	350	106
Deferred finance costs released to P&L	147	140
	1,996	**1,539**

7 Income tax

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

	2022 £000	2021 £000
Current tax		
Income tax expense	980	1,594
Deferred tax		
Increase in deferred tax assets	3	674
Decrease in deferred tax liabilities	(1)	(157)
Total deferred tax benefit	2	517
Income tax expense	**982**	**2,111**
Factors affecting income tax expense for the year		
Profit on ordinary activities before tax	21,373	16,064
Guernsey taxation at 0% (2021: 0%)	-	-
Overseas tax charges at effective rate of 4.56% (2021: 13.14%)	982	2,111
Income tax expense	**982**	**2,111**

8 Earnings per share

	2022	2021
Total comprehensive income (£000)	20,391	13,953
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	342,822	242,836
Basic earnings per share (pence)	5.95	5.75

	2022	2021
Total comprehensive income (£000)	20,391	13,953
Diluted weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	342,822	242,836
Diluted earnings per share (pence)	5.95	5.75

Basic earnings per share is calculated by dividing total comprehensive income for the period by the weighted average number of shares in issue throughout the period, excluding treasury shares (see Note 17).

Diluted earnings per share represents the basic earnings per share adjusted for the effect of dilutive potential shares issuable on exercise of share options under the Company's share-based payment schemes, weighted for the relevant period.

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

8 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.

	2022 £000	2021 £000
Total comprehensive income for the period	20,391	13,953
Unrealised fair value movements	(10,431)	(9,871)
Impairment loss on loan investments	72	-
Share-based payments	930	806
Transactions costs net of costs reimbursed	1,746	550
Tax effect of the adjustments above at Group effective rate	350	1,119
Adjusted earnings	**13,058**	**6,557**

	2022	2021
Adjusted earnings for the year (£000)	13,058	6,557
Weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	342,822	242,836
Adjusted earnings per share (pence)	3.81	2.70

	2022	2021
Diluted adjusted earnings for the year (£000)	13,058	6,557
Diluted weighted average number of Ordinary Shares in issue, excluding treasury shares (000s)	342,822	242,836
Diluted adjusted earnings per share (pence)	3.81	2.70

9 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 2022 £000	31 MARCH 2021 £000
At 1 April	85,301	75,559
Additions	74,586	22,708
Buybacks	(2,939)	(21,434)
Profit on financial assets at FVTPL	3,531	8,468
As at 31 March	**160,479**	**85,301**

Royalty investments are comprised of:

	31 MARCH 2022 £000	31 MARCH 2021 £000
Non-Current	139,648	71,107
Current	20,831	14,194
	160,479	**85,301**

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

	31 MARCH 2022 £000	31 MARCH 2021 £000
Royalty interest	13,987	9,179
Royalty premiums	714	1,862
Gain on royalty assets at FVTPL	3,531	8,468
Loss on royalty liabilities at FVTPL	(195)	(165)
Royalty investment net income	**18,037**	**19,344**

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

The Group's royalty investment assets comprise royalty financing agreements with 13 (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 of the investees' assets. The investees are provided with buyback options, exercisable at certain stages of the agreements.

10 Loan investments

Loan investments are financial assets held at amortised cost which the exception of the £2.2 million loan issued at 0% interest. The impact of discounting is immaterial to the financial statements. The below table shows both the loans at amortised cost and fair value.

	31 MARCH 2022 £000	31 MARCH 2021 £000
1 April	4,950	9,517
Additions	3,192	1,145
Buybacks	(3,950)	(5,649)
ECL allowance	(20)	-
Net foreign currency movement	-	(63)
As at 31 March	**4,172**	**4,950**

The Group's loan investments comprise secured loans advanced to two entities (2021 – three) in connection with the Group's royalty investments.

The loans comprise fixed rate loans of £4,172,000 (31 March 2021: £1,580,000) which bear interest at rates of between 0% and 15% (2021: 5% and 15%). The Group has no variable rate loans at the year end (2021: one variable rate loan of £3,370,000 bearing interest at 14.5% over LIBOR). The total interest receivable during the period was £533,000 (31 March 2021: £636,000).

The loan investments mature as follows:

	31 MARCH 2022 £000	31 MARCH 2021 £000
In less than one year	1,000	580
In one to two years	-	-
In two to five years	3,172	4,370
	4,172	**4,950**

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

	2022 £000	2021 £000
Loan Interest charged	365	603
Loan premiums on exit	168	33
	533	**636**

Notes to the consolidated financial statements continued

10 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's loan investments by stage:

	AS AT 31 MARCH 2022			AS AT 31 MARCH 2021		
	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	4,192	(20)	4,172	4,950	-	4,950
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Loan investments	**4,192**	**(20)**	**4,172**	**4,950**	**-**	**4,950**

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

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

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

	STAGE 1 £000	STAGE 2 £000	STAGE 3 £000	TOTAL £000
At 1 April 2020	-	-	2,947	2,947
Expected credit losses on loan investments in year	-	-	-	-
Refinanced loans	-	-	(2,947)	(2,947)
Carrying value at 31 March 2021	**-**	**-**	**-**	**-**
Expected credit losses on loan investments in year	20	-	-	20
Expected credit losses on other receivables in year	52	-	-	52
Carrying value at 31 March 2022	**72**	**-**	**-**	**72**

11 Equity investments

Equity investments are financial assets held at FVTPL.

	31 MARCH 2022 £000	31 MARCH 2021 £000
At 1 April	3,495	507
Additions	530	1,764
Proceeds	(2,883)	(345)
Gain on equity assets at FVTPL	9,678	1,569
As at 31 March	**10,820**	**3,495**

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

The Group also still holds 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:

	2022 £000	2021 £000
Unrealised gain on equity assets at FVTPL	7,095	1,224
Realised gain on equity assets at FVTPL	2,583	345
	9,678	**1,569**

12 Royalty debt liabilities

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

	31 MARCH 2022 £000	31 MARCH 2021 £000
At 1 April	1,031	1,173
Additions	-	-
Repayments	-	(226)
Payments made	(115)	(81)
Gain on royalty liabilities at fair value through profit and loss	195	165
As at 31 March	**1,111**	**1,031**

Royalty investment liabilities are comprised of:

	31 MARCH 2022 £000	31 MARCH 2021 £000
Non-Current	951	917
Current	160	114
	1,111	**1,031**

Notes to the consolidated financial statements continued

13 Trade and other receivables

	31 MARCH 2022 £000	31 MARCH 2021 £000
Current		
Prepayments and accrued income	53	167
Other receivables	-	4,255
	53	**4,422**
Non-current		
Other receivables	2,141	5,618
	2,194	**10,040**

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, €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 second instalment of €4,000,000 was repaid early in March 2022. The last instalment is classified as non-current.

Using the same methodology as laid out in note 10 for the loan investments, the deferred consideration has been subject to ECL impairment. 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. An ECL impairment of £52,000 has been recognised against this asset (refer to Note 10 for classification).

14 Trade and other payables

	31 MARCH 2022 £000	31 MARCH 2021 £000
Current		
Trade payables	11	2
Transaction costs	233	82
Accruals and deferred income	179	183
	423	**267**
Non-current		
Transaction costs	1,067	402
	1,490	**669**

15 Borrowings

	31 MARCH 2022 £000	31 MARCH 2021 £000
Current – accrued interest	362	161
Non-current	47,740	17,103
	48,102	**17,264**

15 Borrowings (continued)

The secured loan facility has an interest rate of 7.25% over one-month UK LIBOR per annum. In January 2022, the facility term was extended and the facility size increased from £35,000,000 to £55,000,000. Of this, £35,000,000 comprised a revolving facility and £20,000,000 a term facility. The principal amount is repayable on 18 January 2027. Furthermore, the interest rate was amended to 7.25% over SONIA. The loan is secured by means of a fixed and floating charge over the assets of the Group.

The Group has adopted Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and 16). Applying the practical expedient introduced by the amendments, when the benchmarks affecting the Group's loans are replaced, the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the loans' benchmark interest rate will not result in an immediate gain or loss recorded in profit or loss, which may have been required if the practical expedient was not available or adopted.

At 31 March 2022, £6,800,000 was undrawn on the facility (31 March 2021: £17,500,000).

At 31 March 2022, £460,000 (31 March 2021: £396,000) of unamortised fees remained outstanding.

The table below sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2022 and prior year.

	INTEREST PAYABLE £000	BORROWINGS £000
At 1 April 2021	**161**	**17,103**
Cash movements		
Loan advanced	-	38,200
Loan repaid	-	(7,500)
Deferred finance costs paid	-	(181)
Interest paid	(1,649)	-
Non-cash movements		
Deferred finance costs released to P&L	-	118
Interest charged	1,850	-
At 31 March 2022	**362**	**47,740**
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**

Notes to the consolidated financial statements continued

16 Goodwill

	GOODWILL £000
Opening and closing net book value at 1 April 2020, 31 March 2021 and 31 March 2022	**203**

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

17 Share capital

	EXTERNAL SHARES Number	TREASURY SHARES Number	TOTAL SHARES Number	£000
Allotted, called up and fully paid				
At 1 April 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**
Shares issued for cash during the year	100,000	-	100,000	35,000
Share issuance costs	-	-	-	(1,936)
PSA shares vested during year	1,457	(1,457)	-	-
Shares issued to Employee Benefit Trust during the year	-	792	792	-
Shares issued to directors and key advisors as remuneration	105	-	105	40
At 31 March 2022	**348,614**	**10,190**	**358,804**	**153,974**

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.

18 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 2020, 31 March 2021 and 31 March 2022	**4,375**	**265**

At 31 March 2022, 4,375,000 (31 March 2021: 4,375,000) warrants were outstanding and exercisable at a weighted average exercise price of 46 pence (31 March 2021: 46 pence). The weighted average remaining contractual life of the warrants outstanding was 1.00 years (31 March 2021: 2.00 years).

18 Equity-settled share-based payments (continued)

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	-	806	806
At 31 March 2021	**136**	**1,412**	**1,548**
LTIP awards	-	930	930
At 31 March 2022	**136**	**2,342**	**2,478**

Share option scheme

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

Under the Scheme, the Board of the Company will award, at its sole discretion, options to subscribe for Ordinary Shares of the Company on terms and at exercise prices and with vesting and exercise periods to be determined at the time. However, the Board of the Company has agreed not to grant options such that the total number of unexercised options represents more than 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 2022, 200,000 options (31 March 2021: 200,000) were outstanding and exercisable at a weighted average exercise price of 50 pence (31 March 2021: 50 pence). The weighted average remaining contractual life of the options outstanding at the year-end was 1.50 year (31 March 2021: 2.50 year).

	SHARE OPTIONS Number 000
At 1 April 2020 and 31 March 2021	200
Lapsed during the year	-
At 31 March 2022	**200**

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 2018, 1,665,000 PSAs were granted to Directors and key personnel with a fair value of £644,000. An expense of £125,000 was recognised in Administration and Personnel costs in the Consolidated Statement of Comprehensive Income.

18 Equity-settled share-based payments (continued)

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 £274,000 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 £1,093,000. An expense of £364,000 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 £164,000. An expense of £55,000 was recognised in Administration and Personnel costs in the Consolidated Statement of Comprehensive Income.

On 1 October 2021, 2,108,000 PSAs were granted to Directors and key personnel with a fair value of £672,000. An expense of £112,000 was recognised in Administration and Personnel costs in the Consolidated Statement of Comprehensive Income.

At 31 March 2022, 12,298,000 (31 March 2021: 11,855,000) PSAs were outstanding. The weighted average remaining vesting period of these awards outstanding was 1.5 years (2021 – 2.04 years).

Other share-based payments

During the year ended 31 March 2022, the Company issued 104,576 (2021: nil) shares to 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 £41,000 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.

19 Distributable reserves

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

20 Dividends

The following interim dividends have been recorded in the periods to 31 March 2021 and 31 March 2022:

RECORD DATE	PAYMENT DATE	DIVIDEND PER SHARE	DIVIDENDS PAYABLE
		pence/share	£000
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	0.55	1,236
Dividends paid for the period ended 31 March 2021			**5,404**
26 March 2021	12 April 2021	0.55	1,359
25 June 2021	12 July 2021	0.55	1,909
24 September 2021	12 October 2021	0.55	1,909
24 December 2021	12 January 2022	0.60	2,093
Dividends paid for the period ended 31 March 2022			**7,270**

Further quarterly dividends were paid post year end, refer to Note 25 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 17).

21 Deferred tax

The temporary differences for deferred tax are attributable to:

	ROYALTY INVESTMENTS £000	EQUITY INVESTMENTS £000	TAX LOSSES £000	TOTAL £000
1 April 2020	(12)	-	687	675
Credited to profit & loss	170	-	(687)	(517)
At 31 March 2021	**158**	**-**	**-**	**158**
Charged to profit & loss	(2)	-	-	(2)
At 31 March 2022	**156**	**-**	**-**	**156**

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

22 Related parties

Directors fees

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

	BASIC FEES 2022 £000	SHARE BASED PAYMENTS 2022 £000	ANNUAL BONUS 2022 £000	TOTAL 2022	BASIC FEES 2021 £000	SHARE BASED PAYMENTS 2021 £000	ANNUAL BONUS 2021 £000	TOTAL 2021 £000
Non-Executive								
N Birrell	38	-	-	38	28	-	-	28
M Wrigley	29	-	-	29	24	-	-	24
M LeTissier[1]	-	-	-	-	-	-	-	-
M Wilms[2]	4	-	-	4	-	-	-	-
Executive								
N Johnson	233	269	108	610	200	294	75	569
C Cannon Brookes	210	216	108	534	180	218	75	473
	514	**485**	**216**	**1,215**	**432**	**512**	**150**	**1,094**

[1] Resigned 17 February 2022
[2] Appointed 17 February 2022

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

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

	2022 £000	2021 £000
N Johnson	269	294
C Cannon Brookes	216	218
	485	**512**

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 until his resignation on 17 February 2022.
At 31 March 2022, no Directors' fees were outstanding (2021: no fees outstanding).

Notes to the consolidated financial statements continued

22 Related parties (continued)

Investment Committee fees

The Group's Investment Committee assists 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:

	2022 £000	2021 £000
A Carragher	20	10
J Romeo	20	10
J Cochrane	20	10
J Webster	109	99
	169	**129**

Investment Committee fees include the following expenses relating to shares issued as remuneration (see note 18):

	2022 £000	2021 £000
A Carragher	20	10
J Romeo	20	10
J Cochrane	20	10
J Webster	20	10
	80	**40**

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

	2022 £000	2021 £000
J Webster	62	63

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 £7,000 remained outstanding (31 March 2021 – £16,000) to Jim Webster. These fees have been settled subsequent to the year end.

22 Related parties (continued)

Support services administration fees

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

	2022 £000	2021 £000
Abingdon Capital Corporation	363	350
Arlington Group Asset Management Limited	85	85
	448	**435**

Support Service Agreements with Abingdon Capital Corporation ("Abingdon"), a company of which Neil Johnson is a director, and Arlington Group Asset Management Limited ("Arlington"), a company of which Charles Cannon Brookes is a director, were signed on 16 June 2015. The services to be provided by both Abingdon and Arlington include global deal origination, vertical partner relationships, office rental and assisting the Board with the selection, execution and monitoring of 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 2022 Number	SHARE OPTIONS 2021 Number	LTIP AWARDS 2022 Number	LTIP AWARDS 2021 Number
Neil Johnson	-	-	2,821	3,200
Charles Cannon Brookes	-	-	2,474	2,650
Jim Webster	-	-	590	805

Dividends

The following dividends were paid to related parties

	2022 £000	2021 £000
N Johnson[1]	97	84
C Cannon Brookes[2]	141	128
N Birrell	23	19
M Wrigley	1	1
J Webster	2	1
J Cochrane	21	19
A Carragher	11	10
J Romeo	3	2

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

[2] Includes dividends paid to Arlington Group Asset Management

23 Fair value measurements

Fair value hierarchy

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can readily observe.
Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
Level 3: Inputs that are not based on observable market date (unobservable inputs).

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

	31 MARCH 2022 LEVEL 3 £000	31 MARCH 2021 LEVEL 3 £000
Financial assets		
Financial assets at FVTPL		
- Royalty investments	160,479	85,301
- Equity investments	10,820	3,495
	171,299	**88,796**
Financial liabilities		
Financial liabilities at FVTPL		
- Royalty debt liabilities	1,111	1,031
	1,111	**1,031**

The following table presents the changes in level 3 items for the years ended 31 March 2022 and 31 March 2021:

	FINANCIAL ASSETS £000	FINANCIAL LIABILITIES £000	TOTAL £000
At 1 April 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**
Additions	75,116	-	75,116
Repayments	(5,822)	-	(5,822)
Royalty income received	(18,037)	-	(18,037)
Royalty participation liabilities paid	-	115	115
Net change in fair value	31,246	(195)	31,051
At 31 March 2022	**171,299**	**(1,111)**	**170,188**

23 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 1.9% to 6.0% (2021: -6.0% to 6.0%) and the range of risk-adjusted discount rates is 14.8% to 17.35% (2021: 14.8% to 17.4%).

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 £891,000 (2021: £431,000).

A reduction in the discount rate of 25 basis points would increase the fair value by £2,302,000 (2021: £1,154,000).

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 £1,296,000 (2021: £621,000).

An increase in the discount rate of 25 basis points would decrease the fair value by £2,232,000 (2021: £1,056,000).

Equity investments
The unobservable inputs are the EBITDA multiples and forward looking EBITDA. The range of EBITDA multiples used is 5.0x to 7.8x.

An increase in the EBITDA multiple of 25 basis points would increase fair value by £1,560,000

A decrease in the EBITDA multiple of 25 basis points would decrease fair value by £1,560,000

An increase in the forward looking EBITDA of 5% would increase the fair value by £1,695,000

A decrease in the forward looking EBITDA of 5% would decrease fair value by £1,695,000

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 -1.9% to 6.0% (2021: -6.0% to 6.0%) and the range of risk-adjusted discount rates is 16.3% to 17.3% (2021: 16.3% to 17.3%).

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 £5,797 (2021: £7,000).

A reduction in the discount rate of 25 basis points would increase the fair value of the liability by £13,697 (2021: £15,000).

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 £10,176 (2021: £8,000).

An increase in the discount rate of 25 basis points would decrease the fair value of the liability by £13,467 (2021: £12,000).

Notes to the consolidated financial statements continued

24 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 2022 £000	31 MARCH 2021 £000
Financial assets held at FVTPL		
Royalty investments	160,479	85,301
Equity investments	10,820	3,495
Total financial assets held at FVTPL	171,299	88,796
Financial assets held at amortised cost		
Loan investments	4,172	4,950
Cash and cash equivalents	5,707	1,766
Trade and other receivables	2,194	10,040
Total financial assets held at amortised cost	12,073	16,756
Total financial assets	**183,372**	**105,552**
Financial liabilities held at amortised cost		
Bank borrowings	(48,102)	(17,264)
Trade and other payables	(1,490)	(669)
Total financial liabilities held at amortised cost	(49,592)	(17,933)
Financial liabilities held at FVTPL	(1,111)	(1,031)
Total financial liabilities	**(50,703)**	**(18,964)**

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.

24 Financial risk management (continued)

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

	31-MAR-22 Euro £000	31-MAR-22 US Dollar £000	31-MAR-22 CAD Dollar £000	31-MAR-21 Euro £000	31-MAR-21 US Dollar £000	31-MAR-21 CAD Dollar £000
Royalty investments	14,118	16,061	11,380	-	-	-
Equity investments	3,814	-	461	1,750	-	-
Loans receivable	-	-	-	-	580	-
Cash and cash equivalents	189	247	81	105	38	-
Trade and other receivables	2,141	-	-	9,872	-	-
Royalty participation liability	-	-	-	-	-	-
Transaction costs payable	-	(1,300)	-	-	(482)	-
	20,262	**15,008**	**11,922**	**11,727**	**136**	**-**

If Sterling strengthens by 5% against the Euro, the net Euro-denominated assets would reduce by £964,863 (2021: £558,000). Conversely, if Sterling weakens by 5% the assets would increase by £1,066,428 (2021: £617,000).

If Sterling strengthens by 5% against the US Dollar, the net US Dollar-denominated assets would reduce by £714,678 (2021: £4,000). Conversely, if Sterling weakens by 5% the assets would increase by £789,907 (2021: £5,000).

If Sterling strengthens by 5% against the Canadian Dollar, the net Canadian Dollar-denominated assets would reduce by £567,721 (2021: nil). Conversely, if Sterling weakens by 5% the assets would increase by £627,481 (2021: nil).

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

The Group's main interest rate risks arise in relation to its royalty investments, which are carried at fair value through profit or loss, and its borrowings, which are subject to an interest charge of one-month UK SONIA +7.25%. The Group's royalty investments have a fair value at the reporting date of £160,479,000 (31 March 2021: £85,301,000). A sensitivity analysis in respect of these assets is presented in note 23.

The Group's borrowings at the reporting date are £47,740,000, see Note 15 (31 March 2021: £17,103,000). A movement in the rate of SONIA of 100bps impacts loan interest payable by £477,400 (31 March 2021: £171,030).

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 23.

Notes to the consolidated financial statements continued

24 Financial risk management (continued)

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 2022 £000	31 MARCH 2021 £000
Royalty investments	160,479	85,301
Loan investments	4,172	4,950
Cash and cash equivalents	5,707	1,766
Trade and other receivables	2,194	10,040
	172,552	**102,057**

Royalty investments

The royalty investments relate to the Group's 13 royalty financing agreements. At the reporting date, there was £2,439,000 of royalty cash payments outstanding (2021; £1,492,000) from two royalty partners. Of this, £nil (£193,000) was received in the month post year-end. Payment plans have been agreed to recover the £2,439,000 from both royalty partners over the next five 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 2022 £000	31 MARCH 2021 £000
Moody's credit rating:		
A1	3,657	1,234
Aa2	-	-
Baa1	2,018	243
Baa2	-	-
B+	32	289
BB-	-	-
	5,707	**1,766**

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

24 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 £6,200,000 (2021: £17,500,000 (see note 15).

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 2022				
Royalty finance investments	20,550	93,694	656,584	770,828
Royalty finance liabilities	116	615	3,457	4,188
Trade and other payables	(443)	(1,011)	(918)	(2,372)
Borrowings	(3,864)	(58,455)	-	(62,319)
	16,359	**34,843**	**659,123**	**710,325**
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**

Capital management

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

25 Events after the financial reporting date

Dividends

On 12 April 2022 and 12 July 2022, the Company paid a quarterly dividend of 0.70 pence per share.

Equity raise

On 26 May 2022, the Group announced the successful placement of 57,142,858 new shares at a price of 35p per share, raising new capital of £20 million.

New royalty investments

On 20 April 2022, the Group announced a £2,300,000 follow-on investment into Tristone.

On 28 April 2022, the Group announced a £3,100,000 follow-on investment into InTec.

Exits

No exits have been announced by the Group since the reporting date.

Company information

Directors

Nigel Birrell (Chairman)
Neil Johnson
Charles Cannon Brookes
Matthew Wrigley
Maree Wilms[1]
Mark Le Tissier[2]

Investment Committee

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

Secretary and administrator

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[1] Appointed 17 February 2022
[2] Resigned 17 February 2022

Registered in Guernsey, number 54697

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DUKE
ROYALTY

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