



# Interim Report & Financial Statements

FOR THE SIX MONTHS  
ENDED 31 MAY 2024





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# CHAIRMAN'S STATEMENT

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JOHN NEWLANDS, CHAIRMAN

## HIGHLIGHTS

- Net Asset Value total return of 3.4% for the six months to 31 May 2024.
- Dividends of 2.0 pence per share paid or declared during the period, equivalent to an annualised yield of 5.1%.
- Loan to value ("LTV") of the portfolio reduced to 63.3% (30 November 2023: 65.1%).
- One exit during the period.
- 1.3 million shares repurchased during the half-year, enhancing the NAV per share for remaining shareholders by 0.4%.
- 74% of the portfolio now deployed in the North East of England.
- Ordinary share mid-price equivalent to a discount of 1.7% as at 31 May 2024.

## INTRODUCTION

I am pleased to present the Company's results for the half year ended 31 May 2024, during which the Company entered its eighth year of trading. The period has included a significant easing in UK inflation rates, while UK Gross Domestic Product is estimated by the ONS to have increased by 0.7% in the first quarter of 2024. Interest rates on the other hand have held at 5.25%, perhaps unsurprisingly given the uncertainty surrounding not just the persistence of the said low

inflation but the likelihood, crystallised at the time of writing in July 2024, of a change of UK government. House prices meanwhile have held up better than some had forecast, average values increasing by just over 1% over the first half of the year. These points are described more fully in the Investment Adviser's Report.

## NET ASSET VALUE

The Company's Net Asset Value ('NAV') per share increased from 78.9p to 79.6p over the six months ended 31 May 2024. Taking the effects of dividend distributions into account, this has resulted in a NAV Total Return for the period of 3.4%.

This figure may be placed into context by the total return figures over the same period of the Association of Investment Companies' (AIC's) 'Property-Debt' sector, of which Develop North is a component member, of -2.6% and of the AIC's 'Debt-Loans' sector of 5.4%.

## DIVIDENDS

A quarterly dividend of 1 penny per share was paid on 28 June 2024 in respect of the quarter ended 29 February 2024. As set out in the Annual Report, the Company expects to pay dividends at a rate of 1 penny per share per quarter, equivalent to 4 pence per share per year in aggregate.

Depending on market conditions and the performance of the investment portfolio, a final balancing payment may be made at the end of the current financial year so as to at least fulfil the UK investment company qualification requirements.<sup>1</sup>

## CONTINUATION VOTE

Shareholders demonstrated their continuing support for the Company by voting overwhelmingly in favour of the Continuation Vote put to shareholders at the recent Annual General Meeting (AGM). The next Continuation Vote will be put to the AGM in three years' time.

<sup>1</sup> see Glossary (page 22) for explanation.

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## SHARE BUYBACKS

In December 2023 the Company announced the extension of the share buyback programme which began in November 2023. A further 566,369 Ordinary shares were purchased under this extension.

In April 2024 the Company announced a new share buyback programme to purchase further Ordinary shares for up to a total maximum consideration of £500k. The Company repurchased 689,655 Ordinary shares under the new programme.

All share repurchases have been undertaken at an average discount to NAV of approximately 10%, resulting in an uplift in the NAV to remaining shareholders of approximately 0.4%.

The authority to buy back shares was renewed at the recent AGM. The Board will continue to monitor the discount to NAV at which the shares trade.

## INVESTMENT PORTFOLIO

The total value of the Company's portfolio now stands at £20.2 million, from 17 live projects.

### **New Investments:**

The Company agreed one new facility during the period, a £0.6 million, six month facility to fund the acquisition of land in Sunderland. Overall, the quality of the loan book continues to improve, with the LTV ratio reducing from 65.1% at 30 November 2023 to 63.3% at 31 May 2024.

### **Exits:**

There was one portfolio exit during the period, bringing the number of exits to nineteen since inception.

### **Impairments:**

As specified by the requirements of accountancy standard IFRS 9, the Company has continued to recognise an impairment charge should interest not be paid by the borrower and there is not a clear expectation that this can be recovered subsequently. During the period, two projects were unable to meet their interest obligations in full. In the six months ended 31 May 2024 the Company has set the provision at £146,000. This is unchanged from the general provision as at 30 November 2023.

The loan portfolio is discussed more fully in the Investment Adviser's review.

## GEARING

The Company continues to benefit from a gearing facility with Shawbrook Bank Limited, which was renewed for a period of two years in May 2023. At the period end £1.125m had been drawn down under this facility.

## OUTLOOK

There are indications that the UK economy is gradually turning a corner. Following a technical recession in the second half of 2023, GDP growth resumed in the first quarter of 2024, albeit at a modest level. Other positive indicators are an increase in real disposable household income of c. 1%, following cuts in National Insurance contributions, falling energy prices and the fall in inflation. These factors should all bode well for the broader property sector, while a nationwide shortage of housing is likely to maintain upward pressure on prices, especially should mortgage rates begin to fall.

The main uncertainty at present is the extent to which the incoming Labour administration will be able to achieve its objectives of regenerating economic growth while seeking to spend more on clean energy, the NHS and other areas. Hikes in both government borrowing and indirect taxation seem likely, though their effects would take a considerable time to work through, giving plenty of time for your Company to react if necessary.

## JOHN NEWLANDS

### CHAIRMAN

31 JULY 2024



# INVESTMENT ADVISER'S REVIEW

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## REVIEW OF THE 6 MONTHS TO 31 MAY 2024

### Investment Adviser's highlights::

- NAV Total Return of 3.4% for the 6 months to 31 May 2024.
- Funds deployed into one new project
- One exit during the period
- Loan to Value of portfolio reduced to 63.3%
- Dividends totalling 2p per share paid or declared for the six months to 31 May 2024, equivalent to an annualised dividend yield of 5.1%.
- 73.9% of funds deployed in North East England reflecting the Company's ongoing commitment to focus operations on our chosen regional markets.

This Interim Report covers the end of the seventh and the beginning of the eighth year of performance of the Company, since it's listing in January 2017.

The Company's investment objective is to provide debt finance to the property sector. The Company also benefits from a small number of equity positions attained at nil cost in four of the borrowing entities which it supports. In addition, the Company benefits from exit fees on redemption of other projects that

additionally contribute to the Senior and Profit lending type.

### Progress on the Company's Strategic Objectives:

- Weighted Average interest generated was 9.4% - up from 8.2% at the prior year end.
- Prudent cost control saw overheads maintained at last year's level – a below inflation rise.
- Portfolio LTV improved at 63.3%.
- Fund liquidity further improved, with the continuation of the share buyback exercise.

### Economic Backdrop and Outlook:

The first six months of the financial year have seen the base rate hold at 5.25% at the time of writing (July 2024). The Bank of England has been understandably cautious as inflation has continued to persist and the job market has remained tight for much of the period. The most recent minutes from 20 June 2024 suggest "indicators of inflation persistence had continued to moderate" and many commentators are interpreting this as a sign that the Bank is willing to cut rates as early as August 2024 if the data continues to trend as expected.

2024 has seen house prices perform more strongly than many anticipated, with average values increasing by 1.1%. Savills expect UK house prices to rise by 2.5% this year. Looking more specifically at the regions where we are most active, both the North East and Scotland are expected to increase by 4.5% and 4.0% respectively during 2024, and for this to continue for the following years. Analysts do not expect the change in government to have any lasting impact on these forecasts.

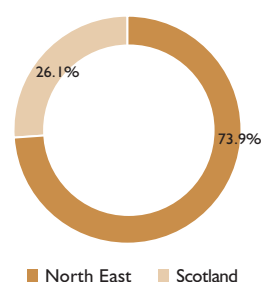
Build cost inflation and labour in the construction sector have broadly returned to normal levels with BICS all-in tender price index, which measures the trend of contractors pricing levels in accepted tenders, showing annual growth of 2.3% in the second quarter of this year.

The Company has used the first six months to reprice some of the existing loan book and to deploy at higher rates for new projects.

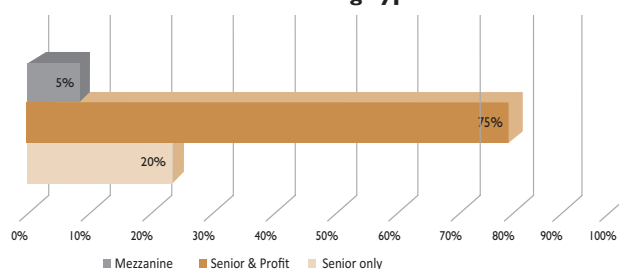
## DEPLOYMENT

The Company's portfolio can be broken down as follows:

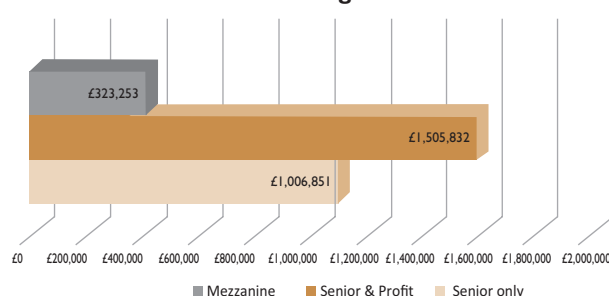
**Deployment by Region**



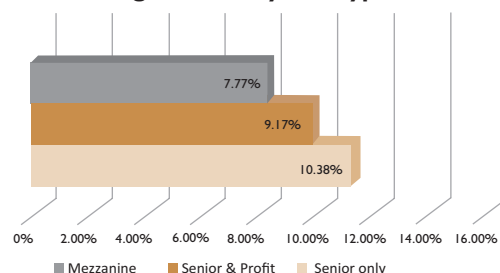
**Lending type**



**Average loan size**



**Average returns by loan type**



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We are pleased to report an active period for new transactions and deployments to existing projects, together with full and partial exits:

The Company agreed one new facility during the period:

- Sunderland - £0.6m 6-month facility

During the period a total of £3.3m was deployed into four projects, including the Sunderland project referred to above.

At the period end, fund deployment totalled £20.2m. The quality of the loan book continues to improve with the Loan to Value moving from 65.1% at 30 November 2023 to 63.3% at 31 May 2024.

### **Portfolio Exits**

There was one portfolio exit during the period, bringing the number of exits to nineteen since inception.

### **Partial Redemptions Update**

During the period there was £1.6m of partial redemptions across three of the portfolio projects.

### **Impairments**

In accordance with IFRS 9 the Company recognises the gross interest receivable on all its loans, and then recognises an impairment charge if that interest is not paid by the borrower and there is not a clear expectation that this can be recovered subsequently. During the period, two projects were unable to meet their interest obligations in full.

IFRS 9 also requires the Company to consider various credit loss scenarios and assign a risk weighting to these. This calculation generates a provision which is taken as a further impairment for the period. In the six months ended 31 May 2024 the Company has set the provision at £146,000. This is unchanged from the general provision at 30 November 2023. This provision is based on forward looking scenarios and is designed to withstand market-related shocks, reflecting current economic uncertainties.

### **Gearing**

The Company continues to utilise its gearing facility from Shawbrook Bank which provides it with headroom and liquidity. The balance drawn as at 31 May 2024 was £1.125m (30 November 2023: £2.9m).

### **Profit Share Projects**

There are currently four Profit Share projects in the portfolio (November 2023: 4).

## **BUYBACK PROGRAMME**

In November 2023, the Company announced the commencement of a share buyback programme. During the period, the Company purchased 1,256,024 shares in the market. The shares are held in treasury.

## **OUTLOOK**

### **Residential**

As at 31 May 2024, 72.6% of deployed funds were invested across 12 projects with a residential focus, with a further £0.7m committed to live projects.

This represents a 2.6% increase since November 2023.

### **Commercial**

As at 31 May 2024, 27.4% of deployed funds were invested across 5 projects with a commercial focus.

This represents a 9.7% increase since November 2023.

## **PIPELINE**

There is currently £3.6m at various stages of due diligence across three projects, with 62.6% in the North East.



## PERFORMANCE SINCE 2018

Since 1 June 2018, the Company has provided £44.3m of funding across twenty two new projects. These projects have generated an average IRR of 9.3% with only 0.2% of capital write offs which have been more than covered by associated exit and plot fees. These projects have also been lower risk projects with the LTVs lower than those of the historic projects.

The quality and experience of each management team that we are in discussions with will continue to enhance the Company's portfolio and strengthen its reputation in the market. This should lead to the creation of shareholder value that is sustainable in the longer term.

With input cost stability predicted to emerge, relative confidence in property as an asset class, a continuing shortage in housing and an increasing ability to compete in debt markets, the Investment Adviser is looking forward to growing fund deployment over the coming months and years.

**IAN MCELROY**  
**TIER ONE CAPITAL LTD**

31 JULY 2024

## THE INVESTMENT PORTFOLIO AS AT 31 MAY 2024

Sector	% Portfolio	LTV* (May 24)	Loan Value (May 24) £'000s	LTV* (Nov 23)	Loan Value (Nov 23) £'000s
<b>Residential</b>	71.8%	61.4%	14,611	61.3%	14,048
<b>Commercial</b>	27.0%	68.2%	5,495	75.9%	5,139
<b>Cash</b>	1.2%	–	239	–	1,154
<b>General Impairment</b>	–	–	(146)	–	(146)
<b>Total/Weighted Average</b>	<b>100.0%</b>	<b>63.3%</b>	<b>20,199</b>	<b>65.2%</b>	<b>20,195</b>

\*LTV has been calculated using the carrying value of the loans as at the balance sheet date

# INTERIM MANAGEMENT REPORT

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The principal and emerging risks and uncertainties that could have a material impact on the Company's performance have not changed from those set out on pages 15 and 16 of the Company's Annual Report for the year ended 30 November 2023.

The Directors consider that the Chairman's Statement and the Investment Adviser's Review on pages 2 to 7 of this Interim Report, the disclosure on related party transactions and the Statement of Directors' Responsibilities on page 9 together constitute the Interim Management Report of the Company for the six months ended 31 May 2024 and satisfy the requirements of the Disclosure Guidance and Transparency Rules 4.2.3 to 4.2.11 of the Financial Conduct Authority.

The Interim Report has not been reviewed or audited by the Company's Auditor.

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, the nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operational existence for at least twelve months from the date of the approval of this Interim Report. For these reasons they consider that there is sufficient evidence to continue to adopt the going concern basis in preparing the accounts.

# DIRECTORS' RESPONSIBILITIES STATEMENT

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We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with FRS 104 'Interim Financial Reporting' and gives a true and fair view of the assets, liabilities, financial position and profit of the Company, as at 31 May 2024, as required by the Disclosure Guidance and Transparency Rule 4.2.4R;
- The Interim Report includes a fair review of the information required by the Disclosure and Transparency Rule 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- The Interim Report includes a fair review of the information concerning related party transactions as required by Disclosure Guidance and Transparency Rule 4.2.8R.

On Behalf of the Board

JOHN NEWLANDS

CHAIRMAN

31 JULY 2024

# CONDENSED INCOME STATEMENT

				Six months ended 31 May 2024 (unaudited)	Six months ended 31 May 2023 (unaudited)	Year ended 30 November 2023 (audited)
	Note	Revenue £'000	Capital £'000	Total £'000	Total £'000	Total £'000
<b>REVENUE</b>						
Investment interest		953	—	953	946	1,722
<b>Total revenue</b>		953	—	953	946	1,722
Losses on investments held at fair value through profit or loss	5	—	—	—	(198)	(203)
Amortisation of exit fees		—	—	—	32	32
<b>Total net income</b>		953	—	953	780	1,551
<b>EXPENDITURE</b>						
Investment adviser fee		(31)	—	(31)	(33)	(65)
Impairments on investments held at amortised cost	6	(29)	(1)	(30)	(356)	(557)
Other expenses		(248)	—	(248)	(240)	(513)
<b>Total expenditure</b>		(308)	(1)	(309)	(629)	(1,135)
<b>Profit/(loss) before finance costs and taxation</b>		645	(1)	644	151	416
<b>FINANCE COSTS</b>						
Interest payable		(39)	—	(39)	(146)	(155)
<b>Profit/(loss) before taxation</b>		606	(1)	605	5	261
<b>TAXATION</b>						
<b>Profit/(loss) for the period/ year</b>		606	(1)	605	5	261
Basic earnings per share	3	2.38p	(0.00)p	2.38p	0.02p	0.97p

The notes on pages 15 to 20 form an integral part of the financial statements.

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

There is no other comprehensive income as all income is recorded in the statement above.



# CONDENSED STATEMENT OF FINANCIAL POSITION

		As at 31 May 2024 (unaudited) £'000	As at 31 May 2023 (unaudited) £'000	As at 30 November 2023 (audited) £'000
	Notes			
<b>NON-CURRENT ASSETS</b>				
Loans at amortised cost	6	3,064	5,662	6,208
		3,064	5,662	6,208
<b>CURRENT ASSETS</b>				
Investments held at fair value through profit or loss	5	3,056	3,908	3,024
Loans at amortised cost	6	14,759	14,145	10,496
Other receivables and prepayments		16	13	13
Cash and cash equivalents		239	807	1,154
		18,070	18,873	14,687
<b>TOTAL ASSETS</b>		<b>21,134</b>	<b>24,535</b>	<b>20,895</b>
<b>CURRENT LIABILITIES</b>				
Loan facility		(1,125)	(2,900)	–
Other payables and accrued expenses		(138)	(147)	(191)
<b>TOTAL LIABILITIES</b>		<b>(1,263)</b>	<b>(3,047)</b>	<b>(191)</b>
<b>NET ASSETS</b>		<b>19,871</b>	<b>21,488</b>	<b>20,704</b>
<b>SHARE CAPITAL AND RESERVES</b>				
Share capital	7	269	269	269
Share premium		9,094	9,094	9,094
Special distributable reserve		10,973	12,764	12,267
Capital reserve		(1,071)	(1,153)	(1,059)
Revenue reserve		606	514	133
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>19,871</b>	<b>21,488</b>	<b>20,704</b>
<b>Net asset value per ordinary share</b>	<b>8</b>	<b>79.55p</b>	<b>79.81p</b>	<b>78.92p</b>

The notes on pages 15 to 20 form an integral part of the financial statements.

The financial statements on pages 10 to 20 were approved by the Board of Directors of Develop North PLC (a public limited company incorporated in England and Wales with company number 10395804) and authorised for issue on 31 July 2024.

They were signed on its behalf by:

**JOHN NEWLANDS**  
CHAIRMAN

# CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ending  
31 May 2024  
(unaudited)

	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>AT BEGINNING OF THE PERIOD</b>	269	9,094	12,267	(1,059)	133	20,704
Total comprehensive profit for the period:						
Profit for the period	–	–	–	(1)	606	605
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY:</b>						
Dividends paid (note 4)	–	–	(386)	–	(133)	(519)
Repurchase of shares into treasury	–	–	(908)	(11)	–	(919)
<b>At 31 May 2024</b>	269	9,094	10,973	(1,071)	606	19,871

For the six months ending  
31 May 2023  
(unaudited)

	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>AT BEGINNING OF THE PERIOD</b>	269	9,094	12,849	(644)	453	22,021
Total comprehensive profit for the period:						
Profit for the period	-	-	-	(509)	514	5
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY:</b>						
Dividends paid (note 4)	-	-	(85)	-	(453)	(538)
<b>At 31 May 2024</b>	269	9,094	12,764	(1,153)	514	21,488

# CONDENSED STATEMENT OF CHANGES IN EQUITY

For the year ending  
30 November 2023  
(audited)

	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
<b>AT BEGINNING OF THE YEAR</b>	269	9,094	12,849	(644)	453	22,021
Total comprehensive profit for the year:						
Profit for the year	–	–	–	(411)	672	261
<b>TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY:</b>						
Dividends paid (note 4)	–	–	(85)	–	(992)	(1,077)
Repurchase of shares into Treasury	–	–	(497)	(4)	–	(501)
<b>At 30 November 2023</b>	269	9,094	12,267	(1,059)	133	20,704

# CONDENSED CASH FLOW STATEMENT

	Six months to 31 May 2024 (unaudited) £000	Six months to 31 May 2023 (unaudited) £000	Year ending 30 November 2023 (audited) £000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation	605	5	261
Losses on investments held at fair value through profit and loss	–	215	213
Impairments on loans at amortised cost	1	378	592
Gains on investments held at fair value through profit and loss	–	(17)	(10)
Uplifts on loans at amortised cost	–	(35)	(35)
Amortisation of exit fees	–	(32)	(32)
Interest expense	39	146	155
<b>Changes in working capital</b>			
Increase in loan interest receivable on investments held at fair value through profit and loss	(35)	(53)	(93)
Increase in loan interest receivable on loans at amortised cost	(238)	(66)	(133)
Increase in other receivables	(3)	(2)	(2)
(Decrease)/increase in other payables	(53)	38	82
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES AFTER TAXATION</b>	<b>316</b>	<b>577</b>	<b>998</b>
<b>INVESTING ACTIVITIES</b>			
Loans given	(3,291)	1,668	(3,369)
Loans repaid	2,412	3,044	8,620
<b>NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES</b>	<b>(879)</b>	<b>1,376</b>	<b>5,251</b>
<b>FINANCING</b>			
Equity dividends paid	(519)	(538)	(1,077)
Repurchase of shares into Treasury	(919)	–	(501)
Bank loan drawn down	2,325	–	–
Repayment of bank loan	(1,200)	(1,100)	(4,000)
Interest paid	(39)	(146)	(155)
<b>NET CASH OUTFLOW FROM FINANCING</b>	<b>(352)</b>	<b>(1,784)</b>	<b>(5,733)</b>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(915)</b>	<b>169</b>	<b>516</b>
Cash and cash equivalents at the start of the year	1,154	638	638
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR</b>	<b>239</b>	<b>807</b>	<b>1,154</b>



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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## 1. INTERIM RESULTS

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The condensed financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Company for the year ended 30 November 2023. The condensed financial statements do not include all of the information required for a complete set of financial statements and should be read in conjunction with the financial statements of the Company for the year ended 30 November 2023, which were prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under international accounting standards. There have been no significant changes to management judgements and estimates.

The condensed financial statements have been prepared on the going concern basis. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these financial statements.

## 2. INVESTMENT ADVISER

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In its role as the Investment Adviser, Tier One Capital Ltd is entitled to receive from the Company an investment adviser fee which is calculated and paid quarterly in arrears at an annual rate of 0.25 per cent. per annum of the prevailing Net Asset Value if less than £100m; or 0.50 per cent. per annum of the prevailing Net Asset Value if £100m or more.

There is no balance accrued for the Investment Adviser for the period ended 31 May 2024 (31 May 2023: £nil; 30 November 2023: £nil).

There are no performance fees payable.

### ALTERNATIVE INVESTMENT FUND MANAGER'S DIRECTIVE ('AIFMD')

The Company has been approved by the Financial Conduct Authority as a Small Registered UK Alternative Investment Fund Manager ('AIFM').

### 3. EARNINGS PER SHARE

The revenue, capital and total return per ordinary share is based on each of the profit after tax and on 25,515,318 ordinary shares, being the weighted average number of ordinary shares in issue throughout the period.

	Six months ended 31 May 2024		Six months ended 31 May 2023		Year ended 30 November 2023	
	£'000	Pence per share	£'000	Pence per share	£'000	Pence per share
Revenue earnings	606	2.38	514	1.91	672	2.50
Capital earnings	(1)	0.00	(509)	(1.89)	(411)	(1.53)
<b>Total earnings</b>	605	2.38	5	0.02	261	0.97
<b>Average number of shares in issue</b>	25,515,318		26,924,063		26,907,053	

Earnings for the period to 31 May 2024 should not be taken as a guide to the results for the year to 30 November 2024.

### 4. DIVIDENDS

	Six months ended 31 May 2024	Six months ended 31 May 2023	Year ended 30 November 2023
	£'000	£'000	£'000
<b>In respect of the prior year:</b>			
Interim dividend for the quarter ended August, paid in December	262	269	269
Interim dividend for the quarter ended November, paid in March	257	269	269
<b>In respect of the current year:</b>			
Interim dividend for the quarter ended February, paid in June	—	—	269
Interim dividend for the quarter ended May, paid in September	—	—	270
<b>Total</b>	519	538	1,077

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of interest distribution. On 31 May 2024, the Company declared an interim dividend of 1.00 pence per share for the quarter ended 28 February 2024, paid on 28 June 2024.

## 5. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's investment held at fair value through profit or loss represents its profit share arrangements whereby the Company owns at least 25.1% or has an exit fee mechanism for four companies.

	31 May 2024 £'000	31 May 2023 £'000	30 November 2023 £'000
Opening Balance	3,024	4,874	4,874
Loans deployed	–	59	59
Principal repayments	(2)	(883)	(1,802)
Movements in interest receivable	34	53	93
Unrealised losses on investments held at fair value through profit or loss	–	(198)	(203)
Amortisation of exit fees	–	3	3
<b>Total investments held at fair value through profit and loss</b>	<b>3,056</b>	<b>3,908</b>	<b>3,024</b>

Split:

Non-current assets: Investments held at fair value through profit and loss due for repayment after one year

– – –

Current assets: Investments held at fair value through profit and loss due for repayment under one year

3,056 3,908 3,024

## 6. LOANS AT AMORTISED COST

	31 May 2024 £'000	31 May 2023 £'000	30 November 2023 £'000
Opening Balance	16,704	20,607	20,607
Loans deployed	3,291	1,609	3,310
Principal repayments	(2,410)	(2,161)	(6,818)
Movements in interest receivable	268	79	133
Movement in impairments	(30)	(356)	(557)
Amortisation of exit fees	–	29	29
<b>Total Loans at amortised cost</b>	<b>17,823</b>	<b>19,807</b>	<b>16,704</b>

Split:

Non-current assets: Loans at amortised cost due for repayment after one year

3,064 5,662 6,283

Current assets: Loans at amortised cost due for repayment under one year

14,759 14,145 10,421

The Company's loans held at amortised cost are accounted for using the effective interest method. The carrying value of each loan is determined after taking into consideration any requirement for impairment provisions during the year, allowances for impairment losses amounted to £30,000 (May 2023: £356,000; November 2023: £557,000).

Continued

## 7. SHARE CAPITAL

Allotted, issued and fully paid:	31 May 2024 £'000	31 May 2023 £'000	30 November 2023 £'000
24,978,201 (May 2023: 26,924,063; November 2023: 26,234,225) ordinary shares of 1p each	249	269	262
1,945,862 (May 2023: nil; November: 689,838) ordinary shares of 1p held in Treasury	20	–	7
	269	269	269

\*The Ordinary Shares (excluding shares held in Treasury) are eligible to vote and have the right to participate in either an interest distribution or participate in a capital distribution (on winding up).

## 8. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £19,870,979 (31 May 2023: £21,488,034; 30 November 2023: £20,703,963) and on 24,978,201 ordinary shares (31 May 2023: 26,924,063; 30 November 2023: 26,234,225), being the number of ordinary shares in issue at the period/year end.

## 9. RELATED PARTIES

The Directors are considered to be related parties. No Director has an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Company.

The Directors of the Company received fees totalling £43,000 for their services during the period to 31 May 2024 (31 May 2023: £43,000; 30 November 2023: £85,000). £nil was payable at the period and prior year end.

Ian McElroy is Chief Executive of Tier One Capital Ltd and is a founding shareholder and director of the firm.

Tier One Capital Ltd received £31,000 investment adviser's fee during the period (31 May 2023: £33,000; 30 November 2023: £65,000) and £nil was payable at the period end (31 May 2023: £nil; 30 November 2023:

£nil). Tier One Capital Ltd receives up to a 20% margin and arrangement fee for all loans it facilitates.

There are various related party relationships in place with the borrowers as below:

The following related parties arise due to the opportunity taken to advance the 25.1% profit share contracts:

- **Thursby Homes (Springs)**

The Company owns 25.1% of the borrower Thursby Homes (Springs) Ltd. The loan amount outstanding as at 31 May 2024 was £36,000 (31 May 2023: £705,000; 30 November 2023: £36,000). Transactions in relation to loans repaid during the period amounted to £nil (31 May 2023: £626,000; 30 November 2023: £1.5). Interest due to be received as at 31 May 2024 was £nil (31 May 2023: £209,000; 30 November 2023: £1,000). Interest received during the period amounted to £1,000 (31 May 2023: £27,000; 30 November 2023: £33,000).

- **Northumberland**

The Company owns 25.1% of the borrower Northumberland Ltd. The loan amount outstanding as at 31 May 2024 was £40,000 (31 May 2023: £69,000; 30 November 2023: £42,000). Transactions in relation to loans repaid during the period amounted to £nil (31 May 2023: £258,000; 30 November 2023: £288,000). Interest due to be received as at 31 May 2024 was £3,000 (31 May



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2023: £2,000; 30 November 2023: £2,000). Interest received during the period amounted to £4,000 (31 May 2023: £3,000; 30 November 2023: £3,000).

- **Coalsnaughton**

The Company owns 40.17% (31 May 2023: 40.17%; 30 November 2023: 40.17%) of the borrower Kudos Partnership. The loan amount outstanding as at 31 May 2024 was £2.0m (31 May 2023: £2.0m; 30 November 2023: £2.0m). Transactions in relation to loans made during the period amounted to £nil (31 May 2023: £15,000; 30 November 2023: £nil). Interest due to be received as at 31 May 2024 was £459,000 (31 May 2023: £378,000; 30 November 2023: £424,000). Interest received during the period amounted to £54,000 (31 May 2023: £54,000; 30 November 2023: £108,000).

- **Oswald Street**

The Company owns 25.1% of the Riverfront Property Limited Partnership. The loan amount outstanding as at 31 May 2024 was £448,000 (31 May 2023: £447,000; 30 November 2023: £448,000). Transactions in relation to loans made during the period amounted to £nil (31 May 2023: £59,000; 30 November 2023: £59,000). Interest due to be received as at 31 May 2024 was £8,000 (31 May 2023: £8,000; 30 November 2023: £8,000). Interest received during the period amounted to £25,000 (31 May 2023: £22,000; 30 November 2023: £47,000).

## 10. OPERATING SEGMENTS

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The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Company is engaged in a single unified business, being the investment of the Company's capital in financial assets comprising loans and joint venture equity contracts and

in one geographical area, the United Kingdom, and that therefore the Company has no segments. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the total return on the Company's net asset value. As the total return on the Company's net asset value is calculated based on the IFRS net asset value per share as shown at the foot of the Consolidated Statement of Financial Position, the key performance measure is that prepared under IFRS. Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

## 11. FAIR VALUE HIERARCHY

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Accounting standards recognise a hierarchy of fair value measurements for financial instruments which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The classification of financial instruments depends on the lowest significant applicable input, as follows:

- Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would be investments listed or quoted on any recognised stock exchange.
- Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be forward exchange contracts and certain other derivative instruments.
- Level 3 – External inputs are unobservable. Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised

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valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument.

All loans are considered Level 3.

## 12. INTERIM REPORT STATEMENT

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These are not full statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year ended 30 November 2023, which received an unqualified audit report and which did not contain a statement under Section 498 of the Companies Act 2006, have been lodged with the Registrar of Companies. No full statutory accounts in respect of any period after 30 November 2023 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

# SHAREHOLDER INFORMATION

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## Share Register Enquiries

For shareholder enquiries, please contact the registrar, Computershare +44 (0) 370 702 0000.

## Share Capital and General Information

Ordinary £0.01 Shares	24,978,201
SEDOL Number	BD0ND66
ISIN	GB00BD0ND667
Ticker	DVNO

## Share Prices

The Company's shares are listed on the London Stock Exchange.

## Financial Reports

Copies of the Annual Reports are available from the Company Secretary on telephone number 01245 398950 and are also available on the Company's website [www.developnorth.co.uk](http://www.developnorth.co.uk). Interim Reports are available on the Company's website.

## Provisional Financial Calendar

July 2024	Interim period end results announced
September 2024	Payment of interim dividend
30 November 2024	Year end
December 2024	Payment of interim dividend
March 2025	Payment of interim dividend
April 2025	Annual General Meeting
31 May 2025	Interim period end
June 2025	Payment of interim dividend

# GLOSSARY

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## **AIC Association of Investment Companies**

This is the trade body for Closed-end Investment Companies ([www.theaic.co.uk](http://www.theaic.co.uk)).

## **AIFMD Alternative Investment Fund Managers Directive**

Issued by the European Parliament in 2012 and 2013, the Directive requires the Company to appoint an Alternative Investment Fund Manager (AIFM). The Board of Directors of a Closed-ended Investment Company, nevertheless, remains fully responsible for all aspects of the Company's strategy, operations and compliance with regulations.

## **AIFM Alternative Investment Fund Manager**

The Company has been approved by the Financial Conduct Authority as a Small Registered UK Alternative Investment Fund Manager.

**Basic Total Earnings per Share Total** profit after taxation divided by the weighted average number of Ordinary Shares in issue during the period.

**C share** This is a class of share issued by investment trusts. It allows the increase in number of shares in issue and funds under management without reducing the value of the existing ordinary shares. 'C' shares are quoted separately from the ordinary shares until the money raised from their issue has been fully invested. After that, they are converted to ordinary shares at a value based on the trust's net asset value.

## **Closed-end Investment Company**

A company with a fixed issued ordinary share capital which is traded on a stock exchange at a price not necessarily related to the Net Asset Value of the company and where shares can only be issued or bought back by the company in certain circumstances.

## **Discount (or Premium) of Share Price to NAV**

If the share price is less than the Net Asset Value per share, the shares are trading at a discount. If the share price is greater than the Net Asset Value per share, the shares are trading at a premium. The discount (or premium) is calculated by reporting the difference between the Net Asset Value per share and the Share Price as a percentage of the Net Asset Value per share.

## **Dividend Yield**

Calculated using the annual dividend as a percentage of the share price at the year end.

## **Dividends per Share**

Dividends declared for the year.

## **Gearing**

Total assets less all cash divided by shareholders' funds.

## **Increase/decrease in NAV**

The movement in NAV in the period, shown in total and as a movement per share. Expressed in whole numbers and as a percentage.

## **Investment Trust Qualification**

The Investment Trusts (Approved Company) (Tax) Regulations 2011 (SI 2011/2999) set out requirements for investment trust approval, amongst which is that an investment trust must not retain in respect of an accounting period an amount which is greater than 15% of its income for the accounting period.

## **Loan to Value**

Debt outstanding and drawn at the period end, net of any cash held in the Lender deposit account, expressed as a percentage of the market value of all property assets.

## **Net Assets (or Shareholders' Funds)**

This is calculated as the value of the investments and other assets of an Investment Company, plus cash and debtors, less borrowings and any other creditors. It represents the underlying value of an Investment Company at a point in time.

## **Net Asset Value (NAV) per Ordinary Share**

This is calculated as the net assets of the Company calculated under its accounting policies as set out in the year end report and financial statements divided by the number of shares in issue. This is the number disclosed at the foot of the Statement of Financial Position on page 11.

## **NAV Total Return**

The growth in NAV plus dividends reinvested, and this can be expressed as a percentage of NAV per share at the start of the year.



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### Ongoing Charges

All operating costs incurred by the Company, expressed as a proportion of its average Net Assets over the reporting year.

### Share Price Total Return

The percentage change in the Share Price assuming dividends are reinvested to purchase additional Ordinary Shares at the prevailing share price.

### SORP

Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the AIC.

### Total Assets

This is calculated as the value of the investments and other assets of the Company, plus cash and debtors.

### Total Return

The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets.

### UK Corporate Governance Code

A code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts.

### Alternative Performance Measures (APMs)

The Company uses the following APMs (as described in the glossary) to present a measure of profitability which is aligned with the requirements of our investors and potential investors, to draw out meaningful data around revenues and earnings to provide additional information not required for disclosure under accounting standards. All APMs relate to past performance.

- Dividend yield
- Increase / decrease in NAV
- Loan to value
- NAV total return
- Ongoing charges
- Share price total return

# CORPORATE INFORMATION

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## DIRECTORS

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### JOHN NEWLANDS

Chairman

### MATTHEW HARRIS

Chairman of the Audit Committee

### IAN MCELROY

### DOUGLAS NOBLE

Chairman of the Remuneration Committee

## REGISTERED OFFICE

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Hamilton Centre  
Rodney Way  
Chelmsford  
Essex CM1 3BY

## INVESTMENT ADVISER

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### TIER ONE CAPITAL LTD

16 Brenkley Way  
Seaton Burn  
Newcastle upon Tyne  
NE13 6DS

## BROKER AND FINANCIAL ADVISER

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### CAVENDISH CAPITAL MARKETS LIMITED

One Bartholomew Close,  
London EC1A 7BL

## SOLICITOR

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### GOWLING WLG (UK) LLP

4 More London  
Riverside  
London SE1 2AU

## SECRETARY AND ADMINISTRATOR

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### APEX FUND ADMINISTRATION SERVICES (UK) LIMITED

Hamilton Centre  
Rodney Way  
Chelmsford  
Essex CM1 3BY

## INDEPENDENT AUDITOR

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### MHA

### CHARTERED ACCOUNTANTS & STATUTORY AUDITOR

2 London Wall Place  
London  
EC2Y 5AU

## REGISTRAR

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### COMPUTERSHARE INVESTOR SERVICES PLC

The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

## WEBSITE

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[www.developnorth.co.uk](http://www.developnorth.co.uk)



