

RNS Half-year/Interim Report

## Half-year Report

### DEVELOP NORTH PLC

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#### DEVELOP NORTH PLC

Interim Report &amp; Financial Statements for the six months ending 31 May 2022

Announcement of Interim Results

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This announcement contains regulated information.

#### Chairman's Statement

##### Highlights

- Net Asset Value total return of 0.2%
- Dividend distributions totalling 1.0p (2021: 1.0p) for the first quarter
- Ordinary share mid-price equivalent to a premium of 1.1% as at 31 May 2022
- Gearing facility with Shawbrook Bank Limited renewed to May 2023
- Change of name to reflect more accurately the nature of the Company's activities

##### Background

The Company entered its sixth year of trading during the period under report, set against a continuing background of economic disruption, sharply rising inflation, upwards pressure on interest rates and a prolonging of the Covid-19 pandemic albeit at less virulent levels than during earlier phases.

In such circumstances the changes made to the Company's investment and lending policies a year or more ago, with the effect of reducing portfolio volatility and risk, while maintaining higher liquidity, have proved prudent. In short, the decision to target somewhat lower investment returns - in the nearer term, at least - and to "cherry pick" new investment opportunities continues to offer the best risk/reward trade off as the way forward clears.

##### Net Asset Value

The Company's Net Asset Value per share decreased from 83.9p to 83.1p over the six months ended 31 May 2022. Taking the effects of dividend distributions into account, this was equivalent to a NAV Total Return of 0.2%.

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 -1.2% and of the AIC's "Debt- Loans" sector of 2.7%. Meanwhile in a much broader context the FTSE 100 and FTSE All-Share Indices increased respectively by 9.8% and 6.2% over the same interval.

##### Dividends

An interim dividend of 1 penny per share will be paid on 30 June 2022. 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 investment trust qualification requirements.

##### Investment Portfolio

The total value of the Company's portfolio now stands at £23.9m, from 19 live projects, following growth of £6.7m in the gross value of loans and receivables.

**New Investments** - the Company agreed two new loans during the period, including a £2.2m, nine month facility to fund the construction of four family homes in Morpeth, Northumberland, and a £1.9m facility to fund the construction of executive homes across two sites in Darras Hall, Ponteland and Stocksfield, Northumberland. Further details are provided in the Investment Adviser's report.

In addition, further funds were invested in facilities created during the second half of last year. This has led to a significant increase in the total size of the loan book and which will support portfolio revenues over future months and years.

**Exits** - there were no portfolio exits, bar a small number of partial redemptions, during the period.

**Impairments** - there continue to be historic loans within the portfolio, which predate the formation of the Company, against which provisions have already been taken. These projects have now almost reached their conclusion and the directors expect the level of impairments to continue to reduce as the overall quality of the portfolio increases. The Directors, in conjunction with the Investment Adviser, continue to monitor the performance of all loans, and certain adjustments to impairments made to investments have consequently been made (although none at the scale of previous periods).

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, recently renewed for a further year until May 2023, with £2.7m drawn at the period end.

#### **Outlook**

Notwithstanding the testing backdrop described above, the Company is well positioned both to resist further economic headwinds and to deploy its considerable liquidity into the right projects at the right time.

Only a short time ago the country was amidst full or partial lockdown, characterised by deserted construction sites and empty travel depots. In this situation the much-lauded "working from home" initiative beloved of the UK public sector was quite useless and where productivity was forced towards zero.

We now see building sites coming to life, cranes moving, old projects re-starting and new schemes being placed on the drawing board. Under its much more dynamic and appropriate new name of Develop North PLC, the Company stands ready to move on to the next phase of its life.

John Newlands

**Chairman**

10 August 2022

#### **Investment Adviser's Review**

##### **ABOUT THE ADVISER**

Tier One Capital Ltd is a Newcastle upon Tyne based wealth management and property lending specialist providing financial advice services and bespoke tailored lending to the residential and commercial property development market.

##### **INVESTMENT ADVISER'S REPORT - REVIEW OF THE 6 MONTHS TO 31 MAY 2022**

##### **Investment Adviser's highlights:**

- NAV Total Return of 0.2% for the 6 months to 31 May 2022.
- Loan book, including interest receivable, increased from £18.1m at 30 November 2021 to £24.9m at 31 May 2021, an increase of 37.6%.
- Payment of dividends totalling 1.0p for the first quarter, equivalent to an annualised dividend yield of 4.8%.

This Interim Report and Accounts covers the end of the fifth and the beginning of the sixth year of performance of the Company, since its listing in January 2017.

The Company's primary purpose is to provide debt finance to the property sector. The Company also benefits from a number of equity positions attained at nil cost in a number of the borrowing entities which it supports.

The first six months of the financial year have seen the base rate increase above 1% for the first time since the global financial crisis of 2008. Market expectations see these increases continuing for the remainder of 2022 and into 2023 with some economists expecting a peak of 3%. This has been driven by inflation which reached 9.1% CPI for the twelve months to May 2022, primarily because of housing, water, electricity, gas and other fuels, transport and food and non-alcoholic beverages.

The Company used the first six months to protect shareholder value, deploying funds into the most recent portfolio loans while positioning some of the older loans for exit. There was a continued focus on liquidity, with the gearing facility renewed for a further twelve months in May 2022.

Despite the ongoing uncertainties, 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 two new facilities during the period:

- Fairmoor, North East England - £2.2m 9-month facility
- Moor Lane, North East England - £1.9m 18-month facility

During the year a total of £8.2m was deployed into six projects including the two new projects mentioned above.

##### **Portfolio Exits**

There were no portfolio exits during the period, leaving the number of exits since inception at twelve.

##### **Partial Redemptions Update**

During the period there were £1.6m of partial redemptions across five of the portfolio projects.

##### **Impairments**

The Company, in accordance with IFRS 9, 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 year, three projects were unable to meet their interest requirements.

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. In this period the Company has set the provision at £33,000, the same amount in place as at 30 November 2021. This provision is based on forward looking statements to withstand market-related shocks including those caused by the ongoing Covid-19 pandemic.

#### Gearing

In May 2022, the Company renewed the committed revolving credit facility with Shawbrook Bank for a further year. Again the key driver was headroom and liquidity and its renewal for a fifth year demonstrates the support that the Company has from its lender, and the growing confidence in future deployment given the current strength of pipeline.

#### Profit Share Projects

There are currently 6 Profit Share projects in the portfolio (Nov 2021: 6).

#### OUTLOOK

##### Economic Outlook

##### Residential

As at 31 May 2022, 70.5% of deployed funds were invested across 14 projects with a residential focus with a further £1.9m committed to live projects.

The housing market has continued to grow during 2022, continuing the strong performance of 2021. There are now strong indications that a slow down is coming with Savills' five year forecast, updated in May 2022, suggesting increases across the UK of 12.9%, a significantly slower rate of growth than the 20.5% over the five years predicted in November 2021. The slower growth is largely because stretched affordability, combined with interest rate rises, will limit the capacity for further growth in property values. The North East and Scotland are forecast to see rises of 17.4% and 15.7% respectively with London and the south of England falling below the UK average. It's important to note that most of the forecast growth is in 2022, with flat or even slightly negative numbers in 2023 before a return to 2-3% growth in 2024-26.

Supply chain issues for both availability and pricing of labour and materials reached unprecedented levels in 2021 and continued into 2022. There are now anecdotal signs that the material availability issues for most products is returning to normal but both pricing and labour shortage issues remain, and it will take the rest of 2022 to stabilise.

The Company's residential exposure is predominantly in the North East (91.2%). This region continues to have the best affordability with loan to income ratios remaining lower allowing the potential for greater price growth in the future. We continue to appraise projects using the views of market experts for sales values and build cost and delivery, with all assumptions stress tested.

##### Commercial

As at 31 May 2022, 29.5% of deployed funds were invested across five projects with a commercial focus.

The Company continues to be selective in the level of exposure to commercial developments. We believe our selective approach to the Company's deployment in the commercial property sector will continue to create shareholder value. The sectors within the commercial property space that the Company currently has exposure to are:

- bereavement (crematorium);
- strategic land; and
- shared office space.

Each of the above sub-sectors offer downside protection in the current uncertain economic times with the latter two also giving flexibility for the borrowers as and when trends change. We will continue to identify and support professional, experienced, and reliable management teams who have a clear vision and robust plan.

#### PIPELINE

There is currently £3.5m at various stages of due diligence across two projects in the North East.

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.

Ian McElroy

#### Tier One Capital

10 August 2022

#### THE INVESTMENT PORTFOLIO AS AT 31 MAY 2022

Sector	% Portfolio	LTV* (May 22)	Loan Value (May 22) £'000s	LTV* (Nov 21)	Loan Value (Nov 21) £'000s
Residential	66.0%	69.5%	15,947	73.7%	10,480
Commercial	33.1%	64.3%	8,005	66.7%	7,043
Cash	0.9%	-	221	-	4,545
General Impairment	-	-	(32)	-	(33)
<b>Total/Weighted Average</b>	<b>100.0%</b>	<b>67.8%</b>	<b>24,141</b>	<b>70.9%</b>	<b>22,035</b>

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

#### Interim Management Report

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 2021.

The Directors consider that the Chairman's Statement and the Investment Adviser's Review on pages 2 to 7 of this Interim Report, the above disclosure on related party transactions and the Statement of Directors' Responsibilities below, together constitute the Interim Management Report of the Company for the six months ended 31 May 2022 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

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 2022, 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**

10 August 2022

#### INCOME STATEMENT

	Note	Revenue	Capital	Six months ended 31 May 2022 (unaudited) Total £'000	Six months ended 31 May 2021 (unaudited) Total £'000	Year ended 30 November 2021 (audited) Total £'000
<b>REVENUE</b>						
Investment interest		864	-	864	879	1,643
<b>Total revenue</b>		864	-	864	879	1,643
(Losses)/gains on investments held at fair value through profit or loss		(38)	(96)	(134)	(39)	54
<b>Total net income</b>		826	(96)	730	840	1,697
<b>EXPENDITURE</b>						
Investment adviser fee		(34)	-	(34)	(34)	(68)
Impairments on investments held at amortised cost		7	(51)	(44)	(1)	(208)
Other expenses		(315)	-	(315)	(198)	(491)
<b>Total expenditure</b>		(342)	(51)	(393)	(233)	(767)
<b>Profit before finance costs and taxation</b>		484	(147)	337	607	930
<b>FINANCE COSTS</b>						

Interest payable	(16)	-	(16)	(1)	(1)
<b>Profit before taxation</b>	<b>468</b>	<b>(147)</b>	<b>321</b>	<b>606</b>	<b>929</b>
TAXATION	-	-	-	-	-
<b>Profit for the period/year</b>	<b>468</b>	<b>(147)</b>	<b>321</b>	<b>606</b>	<b>929</b>
Basic earnings per share	3	1.74p	(0.55p)	1.19p	2.25p
				2.25p	3.45p

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with UK adopted International Financial Reporting Standards ("UK adopted IFRS") 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.

#### STATEMENT OF FINANCIAL POSITION

		As at 31 May 2022 (unaudited) £'000	As at 31 May 2021 (unaudited) £'000	As at 30 November 2021 (audited) £'000
<b>NON-CURRENT ASSETS</b>				
Investments held at fair value	5	-	1,580	-
Loans at amortised cost	6	14,153	3,099	7,929
		14,153	4,679	7,929
<b>CURRENT ASSETS</b>				
Investments held at fair value	5	6,375	12,688	7,589
Loans at amortised cost	6	4,324	2,326	2,629
Other receivables and prepayments		17	7	27
Cash and cash equivalents		221	3,174	4,545
		10,937	18,195	14,790
<b>TOTAL ASSETS</b>		<b>25,090</b>	<b>22,874</b>	<b>22,719</b>
<b>CURRENT LIABILITIES</b>				
Loan facility		(2,656)	-	-
Other payables and accrued expenses		(67)	(75)	(135)
<b>TOTAL LIABILITIES</b>		<b>(2,723)</b>	<b>(75)</b>	<b>(135)</b>
<b>NET ASSETS</b>		<b>22,367</b>	<b>22,799</b>	<b>22,584</b>
<b>SHARE CAPITAL AND RESERVES</b>				
Share capital	7	269	269	269
Share premium		9,094	9,094	9,094
Special distributable reserve		12,849	13,093	13,093
Capital reserve		(313)	(166)	(166)
Revenue reserve		468	509	294
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<b>22,367</b>	<b>22,799</b>	<b>22,584</b>
<b>Net asset value per ordinary share</b>	<b>8</b>	<b>83.08p</b>	<b>84.68p</b>	<b>83.88p</b>

The accompanying notes form an integral part of the financial statements.

The financial statements 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 10 August 2022.

They were signed on its behalf by:

John Newlands  
Chairman

**STATEMENT OF CHANGES IN EQUITY**

For the six months ending 31 May 2022 (unaudited)	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
AT BEGINNING OF THE PERIOD	269	9,094	13,093	(166)	294	22,584
Total comprehensive profit for the period:						
Profit for the period	-	-	-	(147)	468	321
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY						
Dividends paid (note 4)	-	-	(244)	-	(294)	(538)
At 31 May 2022	269	9,094	12,849	(313)	468	22,367

For the six months ending 31 May 2021 (unaudited)	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
AT BEGINNING OF THE PERIOD	269	9,094	13,497	(263)	-	22,597
Total comprehensive profit for the period:						
Profit for the period	-	-	-	97	509	606
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY						
Dividends paid (note 4)	-	-	(404)	-	-	(404)
At 31 May 2021	269	9,094	13,093	(166)	509	22,799

For the year ending 30 November 2021 (unaudited)	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
AT BEGINNING OF THE PERIOD	269	9,094	13,497	(263)	-	22,597
Total comprehensive profit for the period:						
Profit for the period	-	-	-	97	832	929
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY						
Dividends paid (note 4)	-	-	(404)	-	(538)	(942)
At 30 November 2021	269	9,094	13,093	(166)	294	22,584

**Condensed Cash Flow Statement**

	Six months to 31 May 2022 (unaudited) £'000	Six months to 31 May 2021 (unaudited) £'000	Year ending 30 November 2021 (audited) £'000
<b>OPERATING ACTIVITIES</b>			
Profit after taxation	321	606	929
Impairments on investments held at fair value through profit and loss	123	67	152
Impairments on loans at amortised cost	51	187	542
Uplifts on investments held at fair value through profit and loss	(27)	(107)	(342)
Uplifts on loans at amortised cost	-	244	(473)
(Increase)/decrease in loan interest receivable on investments held at fair value through profit and loss	(109)	4	30
Increase in loan interest receivable on loans at amortised cost	(207)	(50)	(156)
Decrease/(increase) in other receivables	10	14	(6)
(Decrease)/increase in other payables	(68)	(56)	4

Interest paid	16	-	1
NET CASH INFLOW FROM OPERATING ACTIVITIES	110	421	681
INVESTING ACTIVITIES			
Loans given	(8,148)	(2,697)	(8,266)
Loans repaid	1,612	6,002	13,221
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(6,536)	3,305	4,955
FINANCING			
Equity dividends paid	(538)	(404)	(942)
Bank loan drawn down	2,656	-	-
Repayment of bank loan	-	(1,150)	(1,150)
Interest paid	(16)	-	(1)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	2,102	(1,554)	(2,093)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,324)	2,172	3,543
Cash and cash equivalents at the start of the year	4,545	1,002	1,002
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	221	3,174	4,545

#### Notes to the Condensed Financial Statements (unaudited)

##### 1. INTERIM RESULTS

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 2021. 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 2021, which were prepared in accordance with UK adopted International Financial Reporting Standards ("UK adopted IFRS") 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

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 2022 (31 May 2021: £nil; 30 November 2021: £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 26,924,063 ordinary shares, being the weighted average number of ordinary shares in issue throughout the period.

	Six months ended 31 May 2022		Six months ended 31 May 2021		Year ended 30 November 2021	
	£'000	Pence per share	£'000	Pence per share	£'000	Pence per share
Revenue earnings	468	1.74	509	1.89	832	3.09
Capital earnings	(147)	(0.55)	97	0.36	97	0.36
<b>Total earnings</b>	<b>321</b>	<b>1.19</b>	<b>606</b>	<b>2.25</b>	<b>929</b>	<b>3.45</b>
<b>Average number of shares in issue</b>		<b>26,924,063</b>		<b>26,924,063</b>		<b>26,924,063</b>



Earnings for the period to 31 May 2022 should not be taken as a guide to the results for the year to 30 November 2022.

#### 4. DIVIDENDS

	Six months ended 31 May 2022	Six months ended 31 May 2021	Year ended 30 November 2021
	£'000	£'000	£'000
<b>In respect of the prior year:</b>			
Third interim dividend	269	-	-
Fourth interim dividend	269	404	404
<b>In respect of the current year:</b>			
First interim dividend	-	-	269
Second interim dividend	-	-	269
Third interim dividend	-	-	-
<b>Total</b>	<b>538</b>	<b>404</b>	<b>942</b>

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 2022, the Company declared an interim dividend of 1.00 pence per share for the quarter ended 28 February 2022, payable on 30 June 2022.

#### 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 25.1% or has an exit fee mechanism for six companies.

	31 May 2022	31 May 2021	30 November 2021
	£'000	£'000	£'000
Opening Balance	7,589	16,809	16,809
Loans deployed	80	2,183	904
Principal repayments	(1,307)	(4,760)	(10,284)
Movements in interest receivable	147	75	106
Unrealised (losses)/gains on investments held at fair value through profit or loss	(134)	(39)	54
<b>Total investments held at fair value through profit and loss</b>	<b>6,375</b>	<b>14,268</b>	<b>7,589</b>
Split:			
Non-current assets: Investments held at fair value through profit and loss due for repayment after one year	-	1,580	-
Current assets: Investments held at fair value through profit and loss due for repayment under one year	6,375	12,688	7,589

#### 6. LOANS AT AMORTISED COST

	31 May 2022	31 May 2021	30 November 2021
	£'000	£'000	£'000
Opening Balance	10,558	6,046	6,046
Loans deployed	8,068	514	7,362
Principal repayments	(305)	(1,242)	(2,937)
Movements in interest receivable	200	108	295
Movement in impairments	(44)	(1)	(208)
<b>Total Loans at amortised cost</b>	<b>18,477</b>	<b>5,425</b>	<b>10,558</b>
Split:			
Non-current assets: Loans at amortised cost due for repayment after one year	14,153	3,099	7,929
Current assets: Loans at amortised cost due for repayment under one year	4,324	2,326	2,629

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 period; allowances for impairment losses amounted to £44,000 (May 2021: £1,000; November 2021: £208,000).

#### 7. SHARE CAPITAL

	Nominal Value £'000	Number of Ordinary shares of 1p
<b>Issued and fully paid as at 31 May 2021</b>	<b>269</b>	<b>26,924,063</b>
<b>Issued and fully paid as at 31 May 2022</b>	<b>269</b>	<b>26,924,063</b>

The ordinary shares are eligible to vote and have the right to participate in either an interest distribution or participate in a capital distribution (on a winding up).



## 8. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per ordinary share is based on net assets of £22,367,422 (31 May 2021: £22,798,683; 30 November 2021: £22,315,165) and on 26,924,063 ordinary shares (31 May 2021: 26,924,063; 30 November 2021: 26,924,063), 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 2022 (31 May 2021: £45,000; 30 November 2021: £90,000). £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 £34,000 investment adviser's fee during the period (31 May 2021: £28,000; 30 November: £68,000) and £nil was payable at the period end (31 May 2021: £nil; 30 November 2021: £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:

- **Gatsby Homes**

The Company owns 25.1% of the borrower Gatsby Homes Ltd. The loan amount outstanding as at 31 May 2022 was £13,000 (31 May 2021: £1.2m, 30 November 2021: £468,000). Transactions in relation to loans repaid during the year amounted to £441,000 (31 May 2021: £172,000, 30 November: £797,000). Interest due to be received as at 31 May 2022 was £nil (31 May 2021: £nil, 30 November 2021: £nil). Interest received during the period amounted to £38,000 (31 May: £nil, 30 November 2021: £136,000).

- **Bede and Cuthbert Developments**

The Company owns 25.1% of the borrower Bede and Cuthbert Developments Ltd. The loan amount outstanding as at 31 May 2022 was £80,000 (31 May 2021: £3.0m, 30 November 2021: £130,000). Transactions in relation to loans repaid during the period amounted to £50,000 (31 May 2021: £250,000, 30 November 2021: £3.2m). Interest due to be received as at 31 May 2022 was £nil (31 May 2021: £41,000, 30 November 2021: £nil). Interest received during the year amounted to £nil (31 May 2021: £127,000, 30 November 2021: £154,000).

- **Thursby Homes (Springs)**

The Company owns 25.1% of the borrower Thursby Homes (Springs) Ltd. The loan amount outstanding as at 31 May 2022 was £1.9m (31 May 2021: £2.6m, 30 November 2021: £2.4m). Transactions in relation to loans repaid during the period amounted to £381,000 (31 May 2021: £369,000, 30 November 2021: £502,000). Interest due to be received as at 31 May 2022 was £226,000 (31 May 2021: £185,000, 30 November 2021: £209,000). Interest received during the period amounted to £109,000 (31 May 2021: £131,000, 30 November 2021: £261,000).

- **Northumberland**

The Company owns 25.1% of the borrower Northumberland Ltd. The loan amount outstanding as at 31 May 2022 was £832,000 (31 May 2021: £1.8m, 30 November 2021: £1.3m). Transactions in relation to loans repaid during the period amounted to £435,000 (31 May 2021: £164,000, 30 November 2021: £683,000). Interest due to be received as at 31 May 2022 was £15,000 (31 May 2021: £26,000, 30 November 2021: £10,000). Interest received during the period amounted to £19,000 (31 May 2021: £78,000, 30 November 2021: £123,000).

- **Coalsnaughton**

The Company owns 40.17% (31 May 2021: 25.1%, 30 November 2021: 25.1%) of the borrower Kudos Partnership. The loan amount outstanding as at 31 May 2022 was £2.3m (31 May 2021: £1.9m, 30 November 2021: £2.3m). Transactions in relation to loans made during the period amounted to £80,000 (31 May 2021: £217,000, 30 November 2021: £404,000). Interest due to be received as at 31 May 2022 was £257,000 (31 May 2021: £128,000, 30 November 2021: £170,000). Interest received during the period amounted to £129,000 (31 May 2021: £110,000, 30 November 2021: £228,000).

- **Oswald Street**

The Company owns 25.1% of the Riverfront Property Limited Partnership. The loan amount outstanding as at 31 May 2022 was £382,000 (31 May 2021: £408,000, 30 November 2021: £10,000). Transactions in relation to loans made during the period amounted to £nil (31 May 2021: £nil, 30 November 2021: £nil). Interest due to be received as at 31 May 2022 was £5,000 (31 May 2021: £5,000, 30 November 2021: £5,000). Interest received during the period amounted to £15,000 (31 May 2021: £15,000, 30 November 2020: £31,000).

## 10. OPERATING SEGMENTS

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

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 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. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

## 13. INTERIM REPORT STATEMENT

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 2021, 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 2021 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

For further information please contact:  
Maitland Administration Services Limited, Secretary  
10 August 2022

ENDS

### *Interim Report 2022*

The Interim Report will be posted to shareholders and will shortly be available on the Company's website ([www.developnorth.co.uk](http://www.developnorth.co.uk)) or in hard copy format from the Company's Registered Office.

A copy of the Interim Report will be submitted to the FCA's National Storage Mechanism and will be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

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