FINAL RESULTS

DEVELOP NORTH PLC

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Develop North PLC
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CHAIRMAN'S STATEMENT

HIGHLIGHTS

- Net Asset Value total return of 2.3% (2021: 4.8%)
- Increase in earnings per share from 3.1p to 3.7p
- Total dividends of 4 pence per share paid or payable for the year
- Loan facility with Shawbrook Bank Limited renewed to May 2023
- Change of name to reflect more accurately the nature of the Company's activities

INTRODUCTION

I am pleased to present the Company's results for the year ended 30 November 2022, during which the Company entered its sixth year of trading. Key themes during 2022 have been rising interest rates, soaring inflation, much of it driven by rising energy prices after Russia's invasion of Ukraine and post-Covid supply chain issues. As to the real estate sector in which Develop North operates, potential property buyers are effectively being left with less money in their pockets just as mortgage rates have begun to rise.

Meanwhile building supplies and building energy costs have gone up along with domestic product affecting the market place. Later in the year, the destabilising effects of a government U-turn, covering a broad range of policies from windfall tax to fracking were reversed within weeks, which seriously unsettled business confidence, including the financial and foreign exchange markets.

This was the background against which Develop North continued to go about its business during the year, adding new and strongly financed project loans to the portfolio while managing older projects as they gradually exited.

OBJECTIVE; MANAGERIAL ARRANGEMENTS; COMPANY NAME

The Company seeks to achieve its investment objective through a diversified portfolio of fixed rate loans secured over land and/or property in the UK.

During the financial year under review, the Company changed its name to Develop North PLC. The change of name took effect on 4 May 2022. The London Stock Exchange stock ticker symbol, previously PBLT, became DVNO with effect from 6 May 2022. The Company's ISIN, SEDOL and LEI designations remain unchanged.

The Directors believe that the new name reflects the Company's refreshed investment strategy, existing portfolio exposure and regionally focused investment objective, while the underlying investment policy remains unchanged.

PERFORMANCE; REVENUE AND DIVIDENDS

Despite the testing market conditions described above, the Company has adhered to the dividend policy established in 2021, namely to pay dividends at a rate of 1 penny per share per quarter, equivalent to 4 pence per share per year in aggregate.

Depending upon the performance of the investment portfolio and considering broader market conditions, a final balancing payment may be made at the end
of the financial year to ensure that the Company continues to comply with HMRC's investment trust qualification criteria.

Revenue for the year to 30 November 2022 increased to 3.68 pence per share (2021: 3.09 pence). The Board has declared and paid three quarterly interim dividends of 1.0 pence per share for the year ended 30 November 2022 and I am pleased to report that a fourth interim dividend of 1.0 pence per share has been declared. This dividend will be paid on 31 March 2023 to shareholders on the register at the close of business on 17 March 2023 (ex-dividend date 16 March 2023).

NET ASSET VALUE

The Company's net asset value ('NAV') fell to 81.8 pence per share as at 30 November 2022, having been 83.9 pence twelve months earlier. Taking into account dividends paid and declared for the period, this equates to a positive net asset value total return for the financial year of approximately 2.3% and after an impairment charge reflecting tougher economic conditions expected in the year ahead.

This figure may be placed into context by comparison with the total return figures over the same period of the Association of Investment Companies' ('AIC') 'Property-Debt' sector, of which the Company is a component member, of +5.2% and of the AIC's 'Debt-Loans' sector of +6.6% (*Source: AIC*).

GEARING

Loan facilities during the year consisted of a £6.5 million credit facility with Shawbrook Bank Limited, with £4.0 million drawn down at the financial year end and £0.5 million repaid since the year end. The facility provided by Shawbrook Bank Limited was renewed to May 2023. The Directors understand from discussions with Shawbrook that the facility will be renewed and it is intended that this will take place in advance of its expiry date.

INVESTMENT PORTFOLIO; NEW INVESTMENTS; PROJECT IMPAIRMENTS

The total value of the Company's portfolio now stands at £25.5m, from 17 projects, an increase of £7.3m since last year.

<u>New Investments</u> The Company agreed two new loans during the year, including a £2.2 million, nine month facility to fund the construction of four family homes in Morpeth, Northumberland, and a £1.9 million facility to fund the construction of executive homes across two sites in Darras Hall, Ponteland and Stocksfield, Northumberland.

In addition, further funds were invested in facilities created during the second half of the previous financial year. This has led to a significant increase in the total size of the loan book which will support portfolio revenues over future months and years. The change in interest rate environment is also being reflected in the net rates of interest on new and refinanced projects. This will help to mitigate the higher interest and higher inflation that the Company is facing.

<u>Exits</u> There were three portfolio exits, bringing total exits to fifteen since inception. In addition, partial redemptions occurred for six other projects in the portfolio.

<u>Impairments</u> As specified by the requirements of accountancy standard IFRS 9, the Company has reflected the more uncertain economic conditions resulting in an increased general provision at year end.

All loans are written balancing risk and return, whereby contingencies are put in place, typically in the form of capital/equity in the projects subordinate to the Company's loan. This arrangement protects the Company in the event that the underlying properties being supported do not realise the full expected value and/or that the return of capital could be delayed by sales taking longer. The Board and the Investment Adviser believe that this substantially mitigates the risks associated with the downturn.

The Investment Adviser's Report provides more detail on performance and the activity within the loan portfolio. This includes information on deployment of capital, progress on projects undertaken as well as any profit share received, impairments and uplifts on loans and loan redemptions.

BOARD OF DIRECTORS

As described in last year's annual report, new and slightly lower levels of remuneration for board members were put in place during the financial year. The revised scheme was put before shareholders at the 2022 Annual General Meeting ('AGM') and the Resolution was approved.

In accordance with the requirements of the UK Corporate Governance Code all Directors will stand for re-appointment at the AGM.

CHANGE OF AUDITOR

The appointment by the Directors of MHA MacIntyre Hudson as the Company's auditor last year was ratified at the 2022 AGM, together with their reappointment this year.

ANNUAL GENERAL MEETING

The Company's AGM will be held at The Grey Street Hotel, 2-12 Grey Street, Newcastle on Thursday, 27 April 2023 at 12 noon.

The Board strongly encourages all shareholders to exercise their votes in respect of the meeting in advance, by completing and returning their proxy forms. This will ensure that the votes are registered. In addition, shareholders are encouraged to raise any questions in advance of the AGM with the Company Secretary via email to cosec@MaitlandGroup.com or by post to the Company Secretary at the address set out in the Annual Report. Any questions received will be replied to by the Company after the AGM.

OUTLOOK

While market conditions are clearly testing, there are signs on the horizon of improving markets. The British Chamber of Commerce ('BCC') recently estimated that core inflation, which passed 11% in the fourth quarter of 2022 should slow to 5% by the final quarter of 2023 and, optimistically, the BCC suggests inflation will return to the Bank of England's target of 2% per annum by late 2024.

Interest rates are also not expected to rise indefinitely. According to the Office of Budgetary Responsibility, the Bank Rate is expected to peak at 4.8% by the end of 2023 before falling back.

While economic forecasts may remain challenging in the months ahead, Develop North will continue to seek out investment opportunities of the highest quality. We are pleased to have successfully delivered on last year's aims of increasing deployment and investment income and by reducing the risk within the loan book. We expect more of the same in the year ahead.

John Newlands
Chairman

30 March 2023

INVESTMENT ADVISER'S REPORT:
REVIEW OF THE 12 MONTHS TO 30 NOVEMBER 2022

Investment Adviser's Highlights:

- Investment interest increased by 8% to £1.8m.
- £11m deployed into 6 projects, reflecting an increase of 40.9% in the size of the loan book by year end.
- NAV Total Return of 2.3% and an annualised dividend yield of 4.7% resulting in £1.1m of income distributed to shareholders.
- Exits of three portfolio projects, bringing the number of exits since inception to fifteen.
- Loan to Value (LTV) has dropped to 66.8% from 71%, delivering on our strategy to build risk resilience and improve the credit quality of our loan book.
- 68% of funds deployed in North East England reflecting the Company's ongoing commitment to focus operations on our chosen regional markets.

This Annual Report and Accounts covers the fifth full year of performance and sixth audit review of the Company since its 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 six of the borrowing entities which it supports. In addition, the Company benefits from exit fees on redemption of other projects that additionally contributes to the Senior and Profit lending type.

This financial year has seen the base rate increase above 1% for the first time since the global financial crisis of 2008. Market expectations see these increases continuing into 2023 with a peak of between 4% and 5%. These rises are the Bank of England's response to the return of inflation in the UK which reached double digit percentages during 2022. As a result, the UK economy is likely to go into recession during 2023, but that is forecast to be shallower yet longer than initially feared prior to the November 2022 government Autumn statement.

2022 saw house prices in the UK grow sharply with the forecast for 2023 to be a reversal of some of those increases before a return to moderate price rises from 2024 onwards. Build cost inflation and labour shortages in the construction sector have placed significant strain on development budgets and project profitability. Build costs are expected to return to more stable levels in 2023 which will relieve some of the challenges developers are facing.

We expect the changes in the economy to provide challenges and opportunities for the Company over the next twelve months and beyond. Interest rate rises will increase the weighted average cost of capital of the Company but we are already taking the opportunity to increase the net income by charging higher rates on new loans and to the existing loan book. The high street banks have withdrawn further from development finance and the Company is taking the opportunity to win further business by providing finance to experienced developers with strong track records.

Deployment
Despite the ongoing uncertainties faced, we are pleased to report an active year for new transactions, deployments to existing projects together with full and partial exits.

The Company agreed two new facilities during the year:

- 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 £11.0m was deployed into six projects including the two new projects mentioned above.

At the year-end, fund deployment totalled £25.5m, with 10.0% headroom for net growth. The quality of the underlying loan book continues to improve with the Loan to Value moving from 70.9% at 30 November 2021 to 66.8% at year end.

Portfolio Exits
Three loans were repaid during the year, bringing the number of exits in the portfolio to fifteen since inception.

Partial Redemptions
During the year there were £3.5m of partial redemptions across seven of the portfolio projects, including the three exits in the year.

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 year, there were two projects unable to meet their interest requirements 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 year. In this period the Company has increased the provision to £114,000 from the £33,000 that was in place at 30 November 2021. This provision is based on forward looking scenarios to withstand market-related shocks reflecting current economic uncertainties.

Gearing
In May 2022, the Company renewed its 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. As noted in the Chairman's Statement on page 5, it is intended that the facility will be renewed in advance of its expiry.

PROFIT SHARE PROJECTS
There are currently six Profit Share projects in the portfolio (November 2021: six).

REBRAND
In May 2022 the Company changed its name to Develop North PLC. The Investment Adviser supports the view that the new name reflects the Company's refreshed investment strategy, existing asset base exposures and regionally focused investment objective.

OUTLOOK
Economic Outlook
Residential
As at 30 November 2022, 70.4% of deployed funds were invested across 12 projects with a residential focus, with a further £0.3m committed to live projects.

The housing market has seen considerable increases over the past 12 months but the outlook from Savills is a reduction in house prices by some 8.5% in the North East and 9% in Scotland in 2023, ahead of growing 20% and 19% in the four years thereafter. That immediate decline is both lower than the UK average and is seen as a correction of steep rises in the post-Covid period, with house prices remaining significantly ahead of their 2016 to 2019 average.

Mortgage availability and affordability is also important to consider. There was significant disruption and uncertainty during September and October 2022 as the markets reacted to the short premiership of the then new prime minister. Stability quickly returned by the year end, rates dropped and there is no evidence of a contraction in bank liquidity or in mortgage lenders seeking to exit the market in the North. Our view, based on experience from within the portfolio, is that the mortgage market is still robust. It is worth noting that around 50% of house transactions nationally, according to Nationwide, were bought with either cash or mortgages at less than 50% LTV suggesting limited pressure on affordability of mortgages.

Turning to cost pressures, construction cost increases have been the biggest threat in the sector, with significant price rises absorbed by developers and contractors in the post-Covid recovery period across 2021 and 2022. Going forward, cost increases will remain, but at lower levels with BCIS forecasts for both materials and labour being far closer to the Bank of England target inflation rate of 2% in each of the next 5 years.

The Company's residential exposure is predominantly in the North East (90.5%). This will continue to be a key focus as this region continues to offer affordability for house buyers, despite the recent increase in prices. Projects are appraised using the views of market experts for sales values, build cost and delivery, with all assumptions stress tested.

Commercial
As at 30 November 2022, 29.6% of deployed funds were invested across five projects with a commercial focus.

The new investment strategy implemented in 2021 allows the Company to be more selective in the level of exposure to commercial developments. We believe that a 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. Our current pipeline offers further opportunities to increase our exposure to other sectors that we anticipate will be similarly resilient. 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 £2.5m at various stages of deployment across three projects with 47.0% 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.

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, we are looking forward to growing fund deployment post the year end.

Ian McElroy
Tier One Capital Ltd
30 March 2023

THE INVESTMENT PORTFOLIO AS AT 30 NOVEMBER 2022

Sector	% of Portfolio	LTV* (Nov 22)	Loan Value (Nov 22) £'000s	LTV* (Nov 21)	Loan Value (Nov 21) £'000s
Residential	67.8%	69.0%	17,111	73.7%	10,480
Commercial	29.7%	61.9%	7,508	66.7%	7,043
Cash	2.5%	-	638	-	4,545
General Impairment	-	-	(114)	-	(33)
Total/Weighted Average	**100.0%**	**66.8%**	**25,143**	**70.9%**	**22,035**

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

PRINCIPAL AND EMERGING RISKS
The Board of Directors has overall responsibility for risk management and internal control within the context of achieving the Company's objectives.

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, as they operated during the year and up to the approval of the Annual Report.

The Board agrees the strategy of the Company, taking into consideration the Company's risk appetite. With the assistance of the Investment Adviser, the Board has drawn up a risk matrix, which identifies the key risks to the Company, as well as emerging risks. In assessing the risks and how they can be mitigated, the Board has given particular attention to those risks that might threaten the viability of the Company. These key risks fall broadly under the following categories:

- **Investment and strategy risk**

The Company's targeted returns are targets only and are based on estimates and assumptions about a variety of factors including, without limitation, yield and performance of the Company's investments, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its targeted returns. Accordingly, the actual rate of return achieved may be materially lower than the targeted returns, or may result in a partial or total loss, which could have a material adverse effect on the Company's profitability, the Net Asset Value and the price of Ordinary shares.

Borrowers under the loans in which the Company invests may not fulfil their payment obligations in full, or at all, and/or may cause, or fail to rectify, other events of default under the loans.

The Board is responsible for setting the investment strategy to achieve the targeted returns and for monitoring the performance of the Investment Adviser and the implementation of the agreed strategy.

An inappropriate strategy could lead to poor capital performance and lower than targeted income yields.

This risk is mitigated through regular reviews and updates with the Investment Adviser, monitoring of the portfolio sectors against the investment restrictions on a quarterly basis and tracking of loan to value ratios of the underlying property projects.

- **Market risk**

The Company's investment strategy relies in part upon local credit and real estate market conditions. Adverse conditions may prevent the Company from making investments that it might otherwise have made leading to a reduction in yield and an increase in the default rate. The Board has considered and continues to keep under review the political, economic and investment risks to the Company associated with the UK's withdrawal from the EU at the beginning of 2021 and the UK's future relations with the EU. This withdrawal might lead to a reduced or increased demand for the Company's shares as a result of investor sentiment which may be reflected in a widening or narrowing of the discount.

The Company holds 100% of its assets in the United Kingdom.

To mitigate the market risks, the Board receives quarterly updates from the Investment Adviser containing information on the local market conditions and trends. This information is reviewed alongside the sector split of the portfolio to ensure the portfolio is aligned to meet future challenges.

- **Financial risk**

The Company's activities expose it to a variety of financial risks that include interest rate risk, liquidity risk and credit risk. Further details on these risks and the way in which they are mitigated are disclosed in the notes to the financial statements.

- **Operational risk**

The Company has no employees and relies upon the services provided by third parties. It is primarily dependent on the control systems of the Investment Adviser and Administrator who respectively maintain the assets and accounting records.

Failure by any service provider to carry out its obligation in accordance with the terms of their appointment could have a detrimental effect on the Company.
To mitigate these risks, the Board reviews the overall performance of the Investment Adviser and all other third party service providers on a regular basis and has the ability to terminate agreements if necessary. The business continuity plans of key third parties are subject to Board scrutiny.

- **Legal and Regulatory risk**

In order to qualify as an investment trust, the Company must comply with section 1158 of the Corporation Tax Act 2010. The Company has been approved by HM Revenue & Customs as an investment trust. The Company is listed on the London Stock Exchange. Non--compliance with the taxes act or a breach of listing rules could lead to financial penalties and reputational loss.

These risks are mitigated by the Board's review of quarterly financial information and the compliance with the relevant rules.

MANAGEMENT REPORT AND DIRECTORS' RESPONSIBILITY STATEMENT

Management report

Listed companies are required by the DTRs to include a management report in their Financial Statements. The information is included in the Strategic Report (together with the sections of the Annual Report and Accounts incorporated by reference) and the Directors' Report within the Annual Report. Therefore, a separate management report has not been included.

Directors' responsibility statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK adopted International Financial Reporting Standards ("UK adopted IFRS") and with the Companies Act 2006, as applicable to companies reporting under international accounting standards.

Under Company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In order to provide these confirmations and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK adopted IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business and the Directors confirm that they have done so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006, where applicable. They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The financial statements are published on www.DevelopNorth.co.uk which is a website maintained by the Company's Investment Adviser. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Under applicable UK law and regulations, the Directors are also responsible for preparing a Strategic Report, a Directors' Report, Statement of Corporate Governance and Directors' Remuneration Report that complies with that law and those regulations.

Directors' confirmation statement
Each of the Directors, whose names and functions appear in the Annual Report, confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with UK adopted IFRS and with the Companies Act 2006, as applicable to companies reporting under international accounting standards, give a true and fair view of the assets, liabilities and financial position and total return or loss of the Company; and
- The Management Report, referred to herein, which comprises the Chairman's Statement, the Investment Adviser's Report, Strategic Report (including risk factors) and note 17 of the Financial Statements includes a fair review of the development and performance of the business and position of the Company, together with the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy.

On Behalf of the Board
John Newlands, Chairman
30 March 2023

INCOME STATEMENT

		Year ending 30 November 2022			Year ending 30 November 2021		
	Notes	Revenue £'000	Capital £'000	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
REVENUE Investment interest	2	1,787	-	**1,787**	1,643	-	**1,643**
Total revenue		1,787	-	**1,787**	1,643	-	**1,643**
(Losses)/gains on investments held at fair value through profit or loss	4, 8	(36)	(342)	**(378)**	(136)	190	**54**
Total net income		1,751	(342)	**1,409**	1,507	190	**1,697**
EXPENDITURE Investment adviser fee	3	(67)	-	**(67)**	(68)	-	**(68)**
Impairments on investments held at amortised cost	4, 9	(12)	(136)	**(148)**	(139)	(69)	**(208)**
Other expenses	4	(548)	-	**(548)**	(467)	(24)	**(491)**
Total expenditure		(627)	(136)	**(763)**	(674)	(93)	**(767)**
Profit/(loss) before finance costs and taxation		1,124	(478)	**646**	833	97	**930**

FINANCE COSTS Interest payable		(132)	-	**(132)**	(1)	-	**(1)**
Profit/(loss) before taxation		992	(478)	**514**	832	97	**929**
TAXATION	5	-	-	**-**	-	-	**-**
Profit/(loss) for the year		992	(478)	**514**	832	97	**929**
Basic earnings per share	7	3.68p	(1.78)p	**1.90p**	3.09p	0.36p	**3.45p**

The total column of this statement represents the Company's Income Statement, prepared in accordance with UK adopted IFRS. 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

	Notes	As at 30 November 2022 £'000	As at 30 November 2021 £'000
NON-CURRENT ASSETS			
Loans at amortised cost	9	12,659	7,929
		12,659	7,929
CURRENT ASSETS			
Investments held at fair value through profit or loss	8	4,874	7,589
Loans at amortised cost	9	7,948	2,629
Other receivables and prepayments	10	11	27
Cash and cash equivalents		638	4,545
		13,471	14,790
TOTAL ASSETS		26,130	22,719
CURRENT LIABILITIES			
Loan facility	11	(4,000)	-
Other payables and accrued expenses	12	(109)	(135)
TOTAL LIABILITIES		(4,109)	(135)
NET ASSETS		22,021	22,584
SHARE CAPITAL AND RESERVES			
Share capital	13	269	269
Share premium		9,094	9,094
Special distributable reserve		12,849	13,093
Capital reserve		(644)	(166)
Revenue reserve		453	294
EQUITY SHAREHOLDERS' FUNDS		22,021	22,584
Net asset value per ordinary share		81.79p	83.88p

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

These 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 30 March 2023. They were signed on its behalf by:

John Newlands
Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ending 30 November 2022	Share capital	Share premium	Special distributable reserve	Capital reserve	Revenue reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
AT BEGINNING OF THE YEAR	269	9,094	13,093	(166)	294	22,584
Total comprehensive profit for the year:						
Profit for the year	-	-	-	(478)	992	514
TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY:						
Dividends paid	-	-	(244)	-	(833)	(1,077)
At 30 November 2022	269	9,094	12,849	(644)	453	22,021

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

CASH FLOW STATEMENT

		Year ending 30 November 2022	Year ending 30 November 2021
	Notes	£'000	£'000
OPERATING ACTIVITIES			
Profit before taxation		514	929
Losses on investments held at fair value through profit and loss		342	152
Impairments on loans at amortised cost		136	542
Gains on investments held at fair value through profit and loss		-	(342)
Uplifts on loans at amortised cost		-	(473)
(Increase)/decrease in loan interest receivable on investments held at fair value through profit and loss		(147)	30
Increase in loan interest receivable on loans at amortised cost		(249)	(156)
Interest expense		132	1
Changes in working capital			
Decrease/(increase) in other receivables		16	(6)

(Decrease)/(increase) in other payables		(26)	4
NET CASH INFLOW FROM OPERATING ACTIVITIES AFTER TAXATION		718	681
INVESTING ACTIVITIES			
Loans given		(10,986)	(8,266)
Loans repaid		3,570	13,221
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(7,416)	4,955
FINANCING			
Equity dividends paid		(1,077)	(942)
Bank loan drawn down	14	4,251	-
Repayment of bank loan	14	(251)	(1,150)
Interest paid		(132)	(1)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		2,791	(2,093)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,907)	3,543
Cash and cash equivalents at the start of the year		4,545	1,002
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		638	4,545

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES
SIGNIFICANT ACCOUNTING POLICIES
(A) BASIS OF PREPARATION

The financial statements of Develop North plc have been prepared in accordance with UK adopted International Financial Reporting Standards ("UK adopted IFRS") and with the Companies Act 2006, as applicable to companies reporting under international accounting standards. The financial statements were also prepared in accordance with the Statement of Recommended Practice, Financial Statements of Investment Trust Companies and Venture Capital Trusts ("SORP") issued by the AIC (as issued in July 2022), where this guidance is consistent with UK adopted IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for certain investment valuations which are measured at fair value.

The notes and financial statements are presented in pounds sterling (being the functional currency and presentational currency for the Company) and are rounded to the nearest thousand except where otherwise indicated.

The Company reviews forthcoming changes to UK adopted IFRS and does not anticipate material changes as a result of these.

NEW STANDARDS OR AMENDMENTS FOR 2022 FOR FORTHCOMING REQUIREMENTS
New standards, interpretations and amendments issued which are not yet effective and applicable for the periods beginning on or after 1 December 2022:
IAS 1 Amendments to improve accounting policies disclosure
Effective date accounting periods on or after 1 January 2023

IAS 12 Amendments to deferred tax related assets and liabilities arising from a single transaction
Effective date accounting periods on or after 1 January 2023

New standards, interpretations and amendments issued which are not yet effective and not applicable for the periods beginning on or after 1 December 2022
IFRS 17 Replacing IFRS 4 - Insurance contracts Effective date accounting periods on or after 1 January 2023

IFRS 16 Amendment to the accounting for the sale of leases and leaseback transactions
Effective date accounting periods on or after 1 January 2024

IAS 1 Amendments to accounting for non-current liabilities with covenants

Effective date accounting periods on or after 1 January 2024

GOING CONCERN

The financial statements have been prepared on a going concern basis. The disclosures on going concern set out in the Directors' Report within the Annual Report form part of these financial statements.

INTEREST INCOME

For financial instruments measured at amortised cost, the effective interest rate method is used to measure the carrying value of a financial asset or liability and to allocate associated interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. In calculating the effective interest rate, the cash flows are estimated considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees received and paid and costs borne that are an integral part of the effective interest rate.

On an ongoing basis the Investment Adviser assesses whether there is evidence that a financial asset is impaired. The basis of calculating interest income on the three stages of impairment (detailed below) are as follows:

Stage 1 Interest is calculated on the gross outstanding principal

Stage 2 Interest is calculated on the gross outstanding principal

Stage 3 Interest is calculated on the principal amount less impairment

EXPENSES

Expenses are accounted for on an accruals basis. The Company's administration fees, finance costs and all other expenses are charged through the Income Statement and are charged to revenue. Fees incurred in relation to operational costs of the loan portfolio, such as legal fees, are charged through the Income Statement and are charged to capital.

DIVIDENDS TO SHAREHOLDERS

Interim dividends declared during the year are recognised when they are paid. Any final dividends declared are recognised when they are approved by the Shareholders at the Annual General Meeting.

TAXATION

Taxation on the profit or loss for the period comprises current and deferred tax. Taxation 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 which case it is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws enacted or substantively enacted at the reporting date.

Deferred income taxes are calculated using rates and laws that are enacted or substantivity are expected to apply as or when the associated temporary differences reverse. Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred income is recognised in profit or loss unless it relates to a transaction recorded in other comprehensive income or equity, in which case it is also recognised in other comprehensive income or directly in equity respectively.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The financial assets and financial liabilities are classified at inception into the following categories:

Amortised cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI ("solely payment of principal and interest") and that are not designated at fair value through profit and loss are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance as described in the impairment note below.

The Company's cash and cash equivalents, other receivables, other payables and accruals, and the Company's loan facility are included within this category.

Fair value through profit and loss:

The Company has a number of borrower facilities in which it received a minority equity stake or exit fee mechanism in conjunction with providing those loan facilities. These loans are recognised at fair value through profit and loss. The fair value of the contracts is monitored and reviewed quarterly using discounted cash flow forecasts based on the estimated cash flows that will flow through from the underlying development project. A sensitivity analysis is included in note 16.

IMPAIRMENT

At initial recognition, an impairment allowance is required for expected credit losses ('ECL') resulting from possible default events within the next 12 months. When an event occurs that increases the credit risk, an allowance is required for ECL for possible defaults over the term of the financial instrument.

The key inputs into the measurement of ECL are probability of default ('PD'), loss given default ('LGD'), and exposure at default ('EAD'). These inputs are then considered and applied against residential and commercial facilities in the loan book. ECL are calculated by multiplying the PD by LGD and EAD.

PD has been determined by considering the local market where the underlying assets are situated, economic indicators including inflationary pressures on build costs, government policy, and market sentiment. For residential loans this has been further broken down into two scenarios; where only sales risk is still present, and where both construction risk and sales risk still exist. LGD is the magnitude of the likely loss if there is a default. The LGD models consider the structure, collateral, seniority of the claim, and recovery costs of any collateral that is integral to the financial asset. LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for lending collateralised by property, to reflect possible changes in property prices. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the borrower. The EAD of a financial asset is its gross carrying amount at the time of default. EAD for residential facilities has been further broken down into two scenarios; where the build is complete, and where construction is ongoing.

A financial asset is credit-impaired when one or more events that have occurred have a significant impact on the expected future cash flows of the financial asset. It includes observable data that has come to our attention regarding one or more of the following events:

- delinquency in contractual payments of principal and interest;
- cash flow difficulties experienced by the borrower;
- initiation of bankruptcy proceedings;
- the borrower being granted a concession that would otherwise not be considered;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio; and
- a significant decrease in assets values held as security.

Impairment of financial assets is recognised on a loan-by-loan basis in stages:

- **Stage 1:** A general impairment covering what may happen within the next 12 months, based on the adoption of BIS standards as outlined below.
- **Stage 2:** Significant increase in credit risk, where the borrower is in default, potentially in arrears, where full repayment is expected and the underlying asset value remains robust. The ECL calculation recognises the lifetime of the loan.
- **Stage 3:** Credit impaired, where the borrower is in default of their loan contract, in arrears, full loan repayment is uncertain and there is a shortfall in underlying asset value. The ECL calculation recognises likely failure of the borrower.

As at 30 November 2022, there were sixteen loans in the portfolio. Four of those projects supported included either an equity stake of 25.1% for the Company or an exit fee mechanism. Please see note 8 for details on these six projects.

The Board has deemed that five projects (2021: five); are currently impaired and specific additional provisions have been made against these facilities in these financial statements.

The other twelve loans have been assessed as not impaired.

The Company's response to IFRS 9 requirements has been based on the Bank for International Settlements (BIS) Basel Supervisory Committee liquidity risk tool recommendations.

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of three months or less from inception.

OTHER RECEIVABLES

Other receivables do not carry interest and are short-term in nature. There were no irrecoverable amounts accounted for at the year end or the prior period end.

RESERVES

SHARE PREMIUM

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account.

CAPITAL RESERVE

The following are accounted for in the capital reserve:

- Capital charges;
- Increases and decreases in the fair value of and impairments of loan capital held at the year end.

As at year end the Capital Reserve comprises only unrealised gains and losses and so does not contain distributable reserves.

REVENUE RESERVE

The net profit/(loss) arising in the revenue column of the Income Statement is added to or deducted from this reserve which is available for paying dividends.

SPECIAL DISTRIBUTABLE RESERVE

Created from the Court of Session cancellation of the initial launch share premium account and is available for paying dividends.

SEGMENTAL REPORTING

The Chief Operating Decision Maker is the Board of Directors. The Directors are of the opinion that the Company is engaged in a single segment of business, being the investment of the Company's capital in financial assets comprising loans. All loan income is derived from the UK. The Company derived revenue totalling £978,000 (2021: £488,000) where the amounts four (2021: two) individual borrowers each exceeded 10% or more of the Company's revenue. The individual amounts were £282,000, £256,000, £243,000 and £196,000 (2021: £260,000, £228,000).

USE OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenue and expenses during the year. The nature of the estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.
The key driver to determine whether loans are classified as fair value through profit or loss or amortised cost is if the facility has an exit fee or equity stake attached. Where these are present the loan is classified as fair value through profit or loss.
The following are areas of particular significance to the Company's financial statements and include the use of estimates or the application of judgement:

CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE COMPANY'S ACCOUNTING POLICIES - INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS:

The Company owns profit share holdings or has exit fees mechanism in relation to 6 of the borrowers in place as at the year end. The loans held have been designated at fair value through profit and loss. The determination of the fair value requires the use of estimates. A sensitivity analysis is included in note 16. The key uncertainties are around the timings and amounts of both drawdown and repayments as these are determined by construction progress and the timing of sales.

CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING THE COMPANY'S ACCOUNTING POLICIES - LOANS AMORTISED COST CLASSIFICATION AND IMPAIRMENTS:

The Company uses critical judgements to determine whether it accounts for its loans at either amortised cost using the effective interest rate method less impairment provisions or at fair value through profit and loss. The determination of the required impairment adjustment requires the use of estimates. The key uncertainties are around the timings and amounts of both drawdown and repayments as these are determined by construction progress and the timing of sales. See notes 8 and 9 for further details.

2. INCOME

	30 November 2022 £'000	30 November 2021 £'000
Interest from loans	1,787	1,643
Total income	1,787	1,643

3. INVESTMENT ADVISER'S FEES

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 30 November 2022 (year to 30 November 2021: £nil).

There are no performance fees payable.

	30 November 2022 £'000	30 November 2021 £'000
Investment Adviser fee	67	68

4. OPERATING EXPENSES

	30 November 2022		30 November 2021	
	Revenue	Capital	Revenue	Capital
	£'000	£'000	£'000	£'000
Legal & professional	13	-	28	24
Directors' fees	85	-	90	-
Audit fees related to the audit of the financial statements	57	-	41	-
Fund Administration and Company Secretarial	85	-	82	-
Brokers' fees	30	-	30	-
Marketing fees	18	-	-	-
AIFM fee	17	-	(12)	-
Impairments on loans amortised at cost*	12	136	139	542
Uplifts on loans amortised at cost*	-	-	-	(473)
Losses/(gains) on investments held at fair value through profit or loss	36	342	136	(190)
Other expenses	243	-	208	-
Total other expenses	596	478	742	97

*Loan impairments consist of impairments to interest on loans of £48,000 (2021: £275,000) and a capital impairment on the loan of £478,000 (2021: £542,000). Loan uplifts consist of a capital uplift on the loans of £nil (2021: £663,000).

All expenses are inclusive of VAT where applicable. Further details on Directors' fees can be found in the Directors' Remuneration Report within the Annual Report.

5. TAXATION

As an investment trust the Company is exempt from corporation tax on capital gains. The Company's revenue income from loans is subject to tax, but offset by any interest distribution paid, which has the effect of reducing the corporation tax. The interest distribution may be taxable in the hands of the Company's shareholders.

	30 November 2022 £'000	30 November 2021 £'000
Current corporation tax at 19% (2021:19%)	-	-
Deferred taxation	-	-
Tax on profit on ordinary activities	-	-
RECONCILIATION OF TAX CHARGE		
Profit on ordinary activities before taxation	514	929
Taxation at standard corporation tax rate 19% (2021: 19%)	98	176
EFFECTS OF:		

Income not subject to tax	91	(18)
Interest distributions	(205)	(153)
Utilisation of losses not recognised for deferred tax purposes	16	(5)
Tax charge for the year	-	-

There is an unrecognised deferred tax asset on losses of £230,408 (2021: £135,727) calculated at the relevant deferred tax rate of 25%.

6. ORDINARY DIVIDENDS

	30 November 2022		30 November 2021	
	Pence per share	£'000	Pence per share	£'000
Dividends paid in the year relating to previous year:				
Interim dividend for the quarter ended August, paid in December	1.0	269	-	-
Interim dividend for the quarter ended November, paid in April	1.0	269	1.5	404
Dividends paid during and relating to the year:				
Interim dividend for the quarter ended February, paid in June	1.0	269	1.0	269
Interim dividend for the quarter ended May, paid in September	1.0	270	1.0	269
Total dividends paid in the year		1,077		942

Of the dividends paid in the year, £244,000 has been paid from the Special Distributable reserve.

The Company intends to distribute at least 85% of its distributable income earned in each financial year by way of interest distribution. A third interim dividend of 1.00 pence per share was declared on 17 November 2022, payable on 29 December 2022. On 9 March 2023, the Company declared an interim dividend of 1.0 pence per share for the quarter ended 30 November 2022, payable on 31 March 2023.

7. 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 year. During the year there were no dilutive instruments held, therefore the basic and diluted earnings per share are the same.

8. 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 four companies.

	30 November 2022 £'000	30 November 2021 £'000
Opening Balance	7,589	16,809
Loans deployed	80	904
Principal repayments	(2,600)	(10,284)
Movements in interest receivable	183	106
Unrealised gains/(losses) on investments held at fair value through profit or loss	(378)	54
Total investments held at fair value through profit and loss	4,874	7,589
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	4,874	7,589

Please refer to note 16 for details of the approach to valuation and sensitivity analysis.

9. LOANS AT AMORTISED COST

	30 November 2022 £'000	30 November 2021 £'000
Opening balance	10,558	6,046
Loans deployed	10,906	7,362
Principal repayments	(970)	(2,937)

Movements in interest receivable	261	295
Movement in impairments	(148)	(208)
Total loans at amortised cost	20,607	10,558
Split: Non-current assets: Loans at amortised cost due for repayment after one year	12,659	7,929
Current assets: Loans at amortised cost due for repayment under one year	7,948	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 year, allowances for impairment losses amounted to £148,000 (2021: £208,000). Further details on impairment can be found within the accounting policies note above.

Movements in allowances for impairment losses in the year

	Nominal value £'000
at 1 December 2021	3,090
Provisions for impairment losses	137
at 30 November 2022	**3,227**
Stage 1 provisions at 1 December 2021	33
Provisions for impairment losses	81
Stage 1 provisions at 30 November 2022	**114**
Stage 2 provisions at 1 December 2021	-
Provisions for impairment losses	-
Stage 2 provisions at 30 November 2022	**-**
Stage 3 provisions at 1 December 2021	3,057
Provisions for impairment losses	56
Stage 3 provisions at 30 November 2022	**3,113**

Stage 1, 2, and 3 are referenced in more detail below.

10. RECEIVABLES

	30 November 2022 £'000	30 November 2021 £'000
Prepayments	11	27
Total receivables	11	27

11. LOAN FACILITY

	30 November 2020 £'000	30 November 2021 £'000
Bank loan	4,000	-

On 27 May 2022 the Company entered into a £6.5m committed revolving facility with Shawbrook Bank Limited, expiring on 26 May 2023. £4.0m was drawn down at the year end, at an interest rate of 7.31%. The facility is secured against a debenture over the assets of the Company.

12. OTHER PAYABLES

	30 November 2022 £'000	30 November 2021 £'000
Accruals	109	135
Total other payables	109	135

13. SHARE CAPITAL

	Nominal value £'000	Number of Ordinary shares of 1p
At 30 November 2021	269	26,924,063
Issued and fully paid as at 30 November 2022	269	26,924,063

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).

14. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 30 November 2021 £'000	Cash flows £'000	Non-cash flows £'000	At 30 November 2022 £'000
Short term borrowings	-	4,000	-	4,000
Total liabilities from financing activities	-	4,000	-	4,000

	At 30 November 2020 £'000	Cash flows £'000	Non-cash flows £'000	At 30 November 2021 £'000
Short term borrowings	1,150	(1,150)	-	-
Total liabilities from financing activities	1,150	(1,150)	-	-

15. 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 £85,000 fees for their services during the year to 30 November 2022 (30 November 2021: £90,000). £nil was payable at the year end (30 November 2021: £nil).

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 £67,000 investment adviser's fee during the year (30 November 2021: £68,000) and £nil was payable at the year end (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 profit share contracts:

- **Gatsby Homes**

The Company owns 25.1% of the borrower Gatsby Homes Ltd which was disposed of during the year. The loan amount outstanding as at 30 November 2022 was £nil (30 November 2021: £468,000). Transactions in relation to loans repaid during the year amounted to £441,000 (30 November 2021: £797,000). Interest due to be received as at 30 November 2022 was £nil (30 November 2021: £nil). Interest received during the year amounted to £36,000 (30 November 2021: £136,000).

- **Thursby Homes (Springs)**

The Company owns 25.1% of the borrower Thursby Homes (Springs) Ltd. The loan amount outstanding as at 30 November 2022 was £1.3m (30 November 2021: £2.4m). Transactions in relation to loans repaid during the year amounted to £918,000 (30 November 2021: £502,000). Interest due to be received as at 30 November 2022 was £213,000 (30 November 2021: £209,000). Interest received during the year amounted to £157,000 (30 November 2021: £261,000).

- **Northumberland**

The Company owns 25.1% of the borrower Northumberland Ltd. The loan amount outstanding as at 30 November 2022 was £356,000 (30 November 2021: £1.3m). Transactions in relation to loans repaid during the year amounted to £911,000 (30 November 2021: £683,000). Interest due to be received as at 30 November 2022 was £3,000 (30 November 2021: £10,000). Interest received during the year amounted to £32,000 (30 November 2021: £123,000).

- **Coalsnaughton**

The Company owns 40.17% (30 November 2021: 25.1%) of the borrower Kudos Partnership. The loan amount outstanding as at 30 November 2022 was £2.2m (30 November 2021: £2.3m). Transactions in relation to loans issued during the year amounted to £80,000 (30 November 2021: £404,000). Interest due to be received as at 30 November 2022 was £324,000 (30 November 2021: £170,000). Interest received during the year amounted to £196,000 (30 November 2021: £228,000).

- **Oswald Street**

The Company owns 25.1% of the Riverfront Property Limited Partnership. The loan amount outstanding as at 30 November 2022 was £388,000 (30 November 2021: £408,000). Transactions in relation to loans made during the year amounted to £nil (30 November 2021: £nil). Interest due to be received as at 30 November 2022 was £5,000 (30 November 2021: £5,000). Interest received during the year amounted to £31,000 (30 November 2021: £31,000).

16. FINANCIAL INSTRUMENTS

Consistent with its objective, the Company holds a diversified portfolio of fixed rate loans secured with collateral in the form of; land or property in the UK, charges held over bank accounts and personal or corporate guarantees. The benefit of a related profit share or exit fee mechanism may also be agreed. In addition, the Company's financial instruments comprise cash and receivables and payables that arise directly from its operations. The Company does not have exposure to any derivative instruments.

The Company is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk, interest rate risk and market price risk. There is no foreign currency risk as all assets and liabilities of the Company are maintained in pounds sterling.

The Board reviews and agrees policies for managing the Company's risk exposure. These policies are summarised below:

CREDIT RISK

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

In the event of default by a borrower if it is in financial difficulty or otherwise unable to meet its obligations under the agreement, the Company will suffer an interest shortfall and potentially a loss of capital. This potentially will have a material adverse impact on the financial condition and performance of the Company and/or the level of dividend cover. The Board receives regular reports on concentrations of risk and the performance of the projects underlying the loans, using loan to value percentages to help monitor the level of risk. The Investment Adviser monitors such reports in order to anticipate, and minimise the impact of, default.

There were financial assets which were considered impaired at 30 November 2022, with impairments amounting to £148,000 (30 November 2021: £208,000). Our maximum exposure to credit risk as at 30 November 2022 was £26,130,000 (30 November 2021: £22,719,000).

All of the Company's cash is placed with financial institutions with a long-term credit rating of A or better. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate, cash holdings would be moved to another bank.

Further details on the exposure to, and management of, credit risk by the Company is included in both the Investment Advisor's Report above and the Strategic Report in the Annual Report.

Loans held at amortised cost as at 30 November 2022

	Total £'000
Stage 1	20,000
Stage 2	378
Stage 3	229
	20,607

Loans held at amortised cost as at 30 November 2021

	Total £'000
Stage 1	9,456
Stage 2	378
Stage 3	724
	10,558

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The Company's investments comprise loans.

Property and property-related assets in which the Company invests via loans are not traded in an organised public market and are relatively illiquid assets, requiring individual attention to sell in an orderly way. As a result, the Company may not be able to liquidate quickly its investments in these loans at an amount close to their fair value in order to meet its liquidity requirements.

The Company's liquidity risk is managed on an ongoing basis by the Investment Adviser and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Company has a comprehensive three-year cash flow forecast that aims to have sufficient cash balances, taking into account projected drawdowns on the live facilities to meet its obligations for a period of at least 12 months. At the reporting date, the maturity of the financial assets and liabilities was:

Financial assets as at 30 November 2022

	In one year £'000	In two or more years £'000	Total £'000
Cash and cash equivalents	638	-	638
Loans at amortised cost	7,948	12,659	20,607
Investments held at fair value	4,874	-	4,874
Total	**13,460**	**12,659**	**26,119**

Financial assets as at 30 November 2021

	In one year £'000	In two or more years £'000	Total £'000
Cash and cash equivalents	4,545	-	4,545
Loans at amortised cost	2,629	7,929	10,558
Investments held at fair value	7,589		7,589
Total	**14,763**	**7,929**	**22,692**

Financial liabilities as at 30 November 2022

	In one year £'000	In two or more years £'000	Total £'000
Bank loan	4,000	-	4,000
Total	**4,000**	**-**	**4,000**

Financial liabilities as at 30 November 2021

	In one year £'000	In two or more years £'000	Total £'000
Bank loan	-	-	-
Total	**-**	**-**	**-**

INTEREST RATE RISK

The interest rate profile of the Company was as follows:

as at 30 November 2022

	Financial net assets on which no interest is paid £'000	Fixed rate Financial Assets £'000	Variable rate financial net assets £'000	Total £'000
Other receivables and prepayments	11	-	-	11
Loan Interest receivable	976	-	-	976
Other payables and accrued expenses	(109)	-	-	(109)
Cash and cash equivalents	-	-	638	638
Loan facility	-	-	(4,000)	(4,000)
Investments held at fair value through profit and loss	-	4,329	-	4.329
Loans at amortised cost	-	20,176	-	20,176
Total	**878**	**24,505**	**(3,362)**	**22,021**

as at 30 November 2021

	Financial net assets on which no interest is paid £'000	Fixed rate Financial Assets £'000	Variable rate financial net assets £'000	Total £'000
Other receivables and prepayments	27	-	-	27
Loan Interest receivable	657	-	-	657
Other payables and accrued expenses	(135)	-	-	(135)
Cash and cash equivalents	-	-	4,545	4,545
Loan facility	-	-	-	-
Investments held at fair value through profit and loss	-	7,191	-	7,191
Loans at amortised cost	-	10,299	-	10,299
Total	**549**	**17,490**	**4,545**	**22,584**

Shawbrook provide a working capital facility which is capped at 30% of the Net Asset value of the Company. Using forward looking SONIA figures as at November 2022, the forecast increases in interest rates will see an additional £188k of finance costs over the next twelve months assuming an average drawn balance of £3.6m in the year. These additional costs are and will be mitigated by an increase in the rates charged on new facilities written and a repricing of the back book. Since year end, the outlook for interest rate rises has eased.

Sensitising the equity discount rate has immaterial impact on the loans held at fair value.

MARKET PRICE RISK
The management of market price risk is part of the investment management process and is typical of an investment company. The portfolio is managed with an awareness of the effects of adverse valuation movements through detailed and continuing analysis, with an objective of maximising overall returns to shareholders. Investments in property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Such risk is minimised through the appointment of external property valuers. The basis of valuation of the loan portfolio is set out in detail in the accounting policies. The inputs into the DCF models are the forecast monthly cashflows including sales values and build costs, the discount rate which is the imputed interest rate at the time the facility was entered into adjusted for any movements in the risk free rate as at current year end, and a 30% (2021: 30%) discount rate for the equity element to reflect the higher level of uncertainty. Any changes in market conditions will directly affect the profit and loss reported through the Income Statement. Details of the Company's investment portfolio held at the balance sheet date are disclosed in the Investment Adviser's Review. A 10% fall in the sales value of the residential development projects and a 10% reduction in asset value of commercial and investment property assets for those loans held at fair value would have resulted in a further impairment to the portfolio of £330,000 as at 30 November 2022 (30 November 2021: £387,907). The calculations are based on the property valuations at the respective balance sheet date and are not representative of the year as a whole, nor reflective of future market conditions.

VALUATION OF FINANCIAL INSTRUMENTS
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.

30 November 2022

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000

Investments held at fair value	-	-	4,874	4,874
Total	**-**	**-**	**4,874**	**4,874**

30 November 2021

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments held at fair value	-	-	7,589	7,589
Total	**-**	**-**	**7,589**	**7,589**

A reconciliation of fair value measurements in Level 3 is set out in the following table:

	30 November 2022 £'000	30 November 2021 £'000
Opening Balance	7,589	16,809
Loans deployed	80	904
Principal repayments	(2,600)	(10,284)
Movements in interest receivable	183	106
Unrealised (losses)/gains on investments held at fair value through profit or loss	(378)	54
Closing Balance	**4,874**	**7,589**

17. CAPITAL MANAGEMENT

The Company's capital is represented by the Ordinary Shares, share premium, capital reserves, revenue reserve and special distributable reserve. The Company is not subject to any externally imposed capital requirements.

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective. Capital management activities may include the allotment of new shares, the buy back or re-issuance of shares from treasury, the management of the Company's discount to net asset value and consideration of the Company's net gearing level.

18. POST BALANCE SHEET EVENTS

On 26 January 2023, a new loan was Issued to Modnarway 2 Ltd with an initial drawdown of £1.13m.

For further information regarding the Company (Ticker: DVNO) (LEI: 213800EXPWANYN3NEV68) please call:

Tier One Capital Ltd (Investment Adviser) *Ian McElroy/Brendan O'Grady*	+44 (0) 191 222 0099
finnCap Ltd (Financial Adviser and Broker) *William Marle*	+44 (0) 207 220 0500
Maitland Administration Services Limited (Secretary)	+44 (0) 1245 398950

ENDS

Annual Report and Financial Statements

The Annual Report and Financial Statements will be posted to shareholders and will shortly be available on the Company's website (www.DevelopNorth.co.uk) or in hard copy format from the Company's Registered Office.

A copy of the annual 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

END

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