# ANNUAL FINANCIAL REPORT

DEVELOP NORTH PLC

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**CHAIRMAN'S STATEMENT**

**HIGHLIGHTS**

- Net Asset Value total return of 6.3% (2023: 1.4%)
- Increase in investment income to £1.94m, 13% higher than in previous year
- Total dividends of 4.00 pence per share paid or payable for the year
- Share buybacks during the year enhanced the NAV per share for remaining shareholders by 0.5p
- £9.2m deployed into seven projects and repayment of five projects, bringing the number of exits to twenty three since inception
- 69% of funds deployed in the North East of England, reflecting the Company's increased focus on selected regional markets

**INTRODUCTION**

I am pleased to present the Company's results for the year ended 30 November 2024, during which the Company entered its eighth year of trading.

Despite a notably volatile economic and geopolitical backdrop over the twelve months under report, Develop North PLC has met the targets set out by the Board and Investment Adviser, Tier One Capital Ltd (TOC) a year ago. These included identifying and investing in real estate projects of the highest quality, increasing the overall strength of the portfolio and continuing to pay out valuable and attractive dividends each quarter.

In the background, meanwhile, the net asset value per share has increased slightly over the period, with the potential to create further shareholder value over the longer term.

**OBJECTIVE**

The Company seeks to achieve its investment objective primarily through a diversified portfolio of fixed rate loans predominantly secured over land and/or property in the UK and managed by TOC. The Investment Adviser's Report may be found on pages 8 to 11.

**REGIONAL FOCUS**

As reported previously, the change of the Company's name to Develop North PLC has proved beneficial in gaining recognition of its purpose and regional focus. This is important at a time when the North East of England is very much in the ascendant, not least following the landmark devolution deal signed with the UK government in 2023, bringing with it a single Mayoral Combined Authority with access to significant new funding and powers. This subject is discussed in more detail in the Outlook section below.

The Company's web site, www.developnorth.co.uk, was significantly redeveloped a little over a year ago and is expected to be extended and upgraded over time as the Company expands.

**ECONOMIC BACKDROP**

On the domestic front, 2024 was marked primarily by the first general election victory for Labour since 2005, with a resounding majority of 174 seats and a manifesto of significant change, the full effects of which, at the time of writing, remain to be seen.

On a broader front, despite the continuing conflict in Ukraine, tensions in the Middle East and a range of reactions to the return of Donald Trump to the White House, global forecasters predict another solid year of economic growth.

Goldman Sachs, by way of example, expect worldwide GDP to expand by 2.7% in 2025. Predictions for the UK's growth figures are still positive though lower at around 1.6%.

The UK inflation figure for the twelve months to October 2024 was 3.2%, still above the Bank of England's 2% target, but at a level which allowed its Monetary Policy Committee (MPC) to consider cutting interest rates. Ending eleven consecutive months at 5.25%, the highest for 16 years, the MPC cut rates to 5% in August 2024 and then to 4.75% on 6 November the same year.

The Bank of England has reiterated its objective of cutting rates further during 2025. However, a number of independent commentators are currently forecasting "higher (rates) for longer".

Turning to UK house prices, these remained broadly static for much of the year with some increases being reported in the second half of the year. The Investment Adviser has adopted Savills' prediction of a 4% increase in House Prices across the UK, over the year ahead but with a slightly more optimistic forecast of a 5% increase in both the North East of England and in Scotland.

Building cost inflation and labour rates eased during the year, leading to increased confidence across the sector. Taken with the renewed focus upon the region in which the Company primarily invests, namely the North East of England, this can only be helpful for companies such as Develop North PLC. These factors are discussed further in the Outlook section, below.

**PERFORMANCE; NET ASSET VALUE**

The Company's net asset value NAV increased to 79.81 pence per share as at 30 November 2024, having been 78.92 pence per share twelve months earlier.

Taking into account dividends paid or declared for the period, this equates to a net asset value total return for the financial year of approximately 6.3% and after a modest decrease in the impairment charge, reflecting the Investment Adviser's expectations for the UK economy 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 -1.1% and of the AIC's 'Debt-Loans' sector of +8.7% (Source: Morningstar).

The total value of the Company's portfolio now stands at £21.1m.

**REVENUE AND DIVIDENDS**

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, while ensuring the Company continues to comply with the investment trust qualification requirements as prescribed by HMRC in accordance with Chapter 4 of Part 24 Corporation Tax Act 2010.

For the year to 30 November 2024, revenue increased to 5.0 pence per share (2023: 2.5 pence). The increase in earnings per share primarily reflects an increase in blended interest rates charged across the portfolio, as rates have increased and underperforming loans have exited the portfolio, alongside reduced impairments and capital losses as the newer loans continue to perform as expected. The Board has declared and paid three quarterly interim dividends of 1.0 pence per share for the year ended 30 November 2024 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 11 April 2025 to shareholders on the register at the close of business on 21 March 2025 (ex-dividend date 20 March 2025).

**SHARE BUYBACKS**

In November 2023 the Company announced the introduction of a share buyback programme to repurchase an initial figure of up to £500,000 of its Ordinary shares. The programme was extended until 31 December 2023. The programme's objective is to reduce the discount to net asset value at which the shares may be trading. In April 2024 the Company announced a new share buyback programme enabling it to purchase a further £500,000 of its Ordinary shares.

During the financial year ending 30 November 2024 the Company had repurchased 1,256,024 Ordinary shares at an average discount to NAV of 9.2%.

**GEARING**

Loan facilities during the year consisted of a £6 million credit facility with Shawbrook Bank Limited. £2.1m was drawn under the loan facility as at 30 November 2024.

The Shawbrook loan facility runs until May 2025, thereby providing adequate liquidity for the Investment Adviser to take advantage of lending opportunities as they arise. Shawbrook has indicated that it remains supportive of the Company and its objectives and expects to renew the loan facility upon expiry.

**INVESTMENT PORTFOLIO; NEW INVESTMENTS; PROJECT IMPAIRMENTS**

The total value of the Company's portfolio now stands at £21.1m, from 16 projects, an increase of £1.6m since last year.
The high quality of the underlying loan book continues to be maintained, while the average Loan to Value (LTV) figure moved from c. 65% at 30 November 2023 to c. 70% at the financial year end.

**New Investments** During the year £9.2m was invested in seven projects. Of these four were new loans, including a £2.7 million, 8 month facility to fund the construction of residential apartments and commercial units in Hexham, a £1.9m, 9 month facility to fund executive homes in rural Northumberland, a £1.35m, 21 month residential project in North West England and a £0.6m, 12 month loan to fund a roadside retail outlet in Sunderland.

**Portfolio Exits** Five loans were repaid over the period, bringing the number of exits in the portfolio to 23 since inception. There were also seven partial redemptions, totalling £6.9m during the year.

As required under the stringent requirements of accountancy standard IFRS 9, the Company recognises the gross interest receivable on all its Stage 1 and 2 loans and then recognises an impairment charge when 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.

For Stage 3 loans, interest income is calculated based on the net carrying amount, which is the gross carrying amount of the financial asset less the calculated impairment.

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 decreased the provision to £49,000 from the £146,000 that was in place at 30 November 2023. This provision is based on look-forward statements to withstand market-related shocks reflecting current economic uncertainties.

**Profit Share Projects** There are currently four Profit Share projects in the portfolio (Nov 2023: six) reflecting further progress in our strategic aim to simplify and focus on debt-only products.

As at 30 November 2024, 80.2% of deployed funds were invested across 11 projects with a residential focus with a further £0.82m committed to live projects.

**Pipeline** There is a pipeline of some £5.9m of potential new projects. These are at various stages of due diligence across four commercial sites, all of which are in the North East of England.

The Investment Adviser's Report on pages 8 to 11 provides further detail on performance and activity within the loan portfolio. This includes information on deployment of capital, progress on projects undertaken, any profit share received, impairments and uplifts on loans and loan redemptions.

**PERFORMANCE SINCE 2018**

Since 1 June 2018, the company has provided £49.8m across twenty five new projects. These projects have generated an average Internal Rate of Return (IRR) of 9.3% per annum, with only 0.5% of capital write offs, the latter more than covered by associated exit and plot fees.

These post-2018 projects have been completed with lower risk profiles, generally lower LTV ratios and better risk-adjusted investment returns than were achieved with historic "legacy" projects that pre-dated the listing of the Company.

**BOARD OF DIRECTORS**

In accordance with the requirements of the UK Corporate Governance Code and the AIC Code of Corporate Governance, published in February 2019 (AIC Code) all Directors will stand for re- appointment at the AGM.

**ANNUAL GENERAL MEETING**

The Company's AGM will be held at Royal Station Hotel, Neville Street, Newcastle NE1 5DH on Thursday, 1 May 2025 at 12 noon. Visitors are requested to arrive at the Hotel Reception no later than 11:50 a.m.

The Board strongly encourages all shareholders to exercise their votes in respect of the meeting in advance, by completing and returning their proxy forms to the Company's registrar. 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-uk@apexgroup.com or by post to the Company Secretary at the address set out on page 70 of this report.

Any questions received will be replied to by the Company after the AGM.

**OUTLOOK**

The year under report has proved a successful one for Develop North PLC, despite a testing economic background, with key achievements including an increase in net asset value per share and a rock-solid stream of valuable quarterly dividends being paid out.

New projects have been, and will continue to be, agreed at very satisfactory rates of interest, with the potential to create not just high income streams but to permit incremental improvements in the net asset value per share over the medium to longer term.

Having inherited government debt at levels not seen in a generation, the incoming Labour UK administration has taken a number of steps that will increase costs for all businesses, such as increases in National Insurance contributions and in minimum wage rates. These moves are likely to have effects on manpower-intensive sectors such as housebuilding.

Certain upcoming government initiatives, on the other hand, have the potential to have positive effects on the Real Estate and Construction sectors that could safely outweigh the added input costs referred to above. For instance, the National Planning Policy Framework published in December 2024 proposes the introduction of mandatory housing targets, requirements for local authorities to demonstrate a five-year supply of housing land and the re-categorisation of lower-quality areas of Green Belt land as "Grey Belt", on which planning consent may be sought and approved.

A further positive indication is given by the near-record figures for business start-ups which are being reported across the North East region, as well as the formation of The North East Combined Authority (NECA), following the signing of the "deeper devolution" deal by the Government on 18 March 2024. On top of that there is the potential for inward investment from countries and enterprises in the Middle East, aided at least to some extent by the investment in Newcastle United Football Club by Saudi and other business interests.

In summary, although sentiment has dipped following the Autumn budget, and businesses clearly face additional costs, we continue to have a positive outlook for 2025. This view is underpinned by stable inflation forecasts, improving house prices and government plans to encourage more ambitious housing planning and construction across the UK.

Lastly, and as described above, we consider the Company's core region, the North East of England, to be particularly well positioned for growth, to the long-term benefit of Develop North PLC and its shareholders.

**John Newlands**
**Chairman**

**18 March 2025**

**INVESTMENT ADVISER'S REPORT:**
**REVIEW OF THE 12 MONTHS TO 30 NOVEMBER 2023**

**Investment Adviser's Highlights:**

- NAV Total Return of 6.3% for the year to 30 November 2024 and an annualised dividend yield of 5.1% resulting in £1.1m of income distributed to shareholders
- £9.2m deployed into seven projects including four new projects
- Exits of five portfolio projects, bringing the number of exits since inception to twenty-three.
- Increase in investment income to £1.938m, a 13% increase on last year
- 68.6% 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 seventh full year of performance and eighth audit review of the Company, since it's listing in January 2017.

The Company's primary purpose is to provide debt finance to the property sector. The Company also benefits from exit fees on redemption of other projects that additionally contributes to the Senior & Profit lending type.

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

- Weighted Average interest generated was 9.8% - up from 8.2% on the prior year
- Portfolio year on year size decreased due to five exits
- Prudent cost control saw overheads maintained at £0.55m, a decrease of 5.7% year on year
- Portfolio LTV maintained at 71.2%
- Further progress in managing non-performing assets and improvement in loan book quality, including £0.81m repaid by legacy projects
- Fund liquidity further improved, with the continuation of the share buyback exercise

**The Economic Backdrop and Outlook:**

The political landscape in the UK underwent significant changes in 2024, with the Labour Party achieving a landslide victory in the general elections held in July. This marked a major shift from the Conservative Party's 14-year tenure as the primary governing party. Labour's focus on increased public spending and investment in infrastructure, green energy, and housing is likely to stimulate economic growth. However, the higher taxation and borrowing required to fund these initiatives may also lead to increased fiscal pressure and potential inflationary effects. Businesses will need to navigate these changes carefully, balancing the opportunities presented by new government initiatives with the challenges posed by higher costs and regulatory adjustments.

Inflation for the twelve months to October 2024 was at 3.2%, still above the Bank of England's 2% target, but at a level which allowed the MPC to cut rates from 5.25% to 4.75% over the past six months. They are forecasting for inflation to stay marginally above the 2% target which would still allow the base rate to be 3.75% by Q4 2025 supported by 1.7% GDP growth for the coming year.

2024 was a broadly flat year for house prices with a slight uptick in the latter half. Looking forward, we have adopted Savills prediction of a 4% increase in House Prices across the UK, and a 5% increase in both the Scottish and North East regions.

This financial year also saw continued easing to both build cost inflation and labour rates. BCIS are forecasting an increase in build costs by 15% over the next five years, while tender prices will rise by 20% over the same period. On the input costs side, labour remains the main driver, though annual growth in the BCIS Labour Cost Index is forecast to slow, increasing overall by 16% between Q3 2024 and Q3 2029. Materials cost inflation has been moderating since peaking in 2022 and annual growth in the BCIS Materials Cost Index has been in negative territory in recent quarters. BCIS expects the index to grow by 15% over the forecast period.

Business confidence remained steady during 2024, with the Construction sector now the most confident ahead of Banking, Finance and Insurance, IT and Communications and Business Services. Retail and Wholesale and Manufacturing remain below the average and confidence has slumped in Energy and Water and Transport and Storage. Most sectors are optimistic about domestic sales and exports of the coming year.

Although sentiment has dipped following the Autumn budget and business face additional costs, we continue to have a positive outlook for 2025 supported by stable inflation forecasts and improving house prices. We continue to see our core region, the North East of England, as well positioned for growth as the region continues to attract significant local and overseas investment.

The quality of the underlying loan book continues to be maintained with Loan to Value moving from 65.1% at 30 November 2023 to 71.2% at year end.

**Portfolio Exits**

There were five loans repaid during the year, bringing the number of exits in the portfolio to twenty three since inception.

**Partial Redemptions Update**

During the year there was £6.97m of partial redemptions across seven of the portfolio projects including the five exits in the year.

**Impairments**

The Company, in accordance with IFRS 9, recognises the gross interest receivable on all its Stage 1 and 2 loans, and then recognises an impairment charge when 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. For Stage 3 loans, interest income is calculated based on the net carrying amount, which is the gross carrying amount of the financial asset less the calculated impairment.

The ECL provision recognised as at 30 November 2024 has decreased by £1,558k to £584k compared to the previous year (2023: £2,142k). This reduction in ECL has been driven by two project closures and other provision movements recognized during the year.

**Gearing**

In May 2023, the Company refreshed a committed revolving credit facility with Shawbrook Bank for a further two years. Again the key driver was headroom and liquidity and its renewal 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 four Profit Share projects in the portfolio (Nov 2023: four) reflecting further progress in our strategic aim to simplify and focus on debt-only products.

**BUYBACK PROGRAMME**

In November 2023, the Company announced the commencement of a share buyback program. To date the Company has purchased 1,945,862 shares in the market. These shares will be held as treasury shares on the Company's balance sheet.

**OUTLOOK**

**Residential**

As at 30 November 2024, 80.2% of deployed funds were invested across 11 projects with a residential focus with a further £0.82m committed to live projects.

This represented a 21.3% increase over 2023.

**Commercial**

As at 30 November 2024, 19.3% of deployed funds were invested across 4 projects with a commercial focus. This represented a 17.2% decrease over 2023.

**PIPELINE**

There is currently £5.9m at various stages of due diligence across four commercial projects with 100% in the North East.

**PERFORMANCE SINCE 2018**

Since 1 June 2018, the company has provided £49.8m across twenty five new projects. These projects have generated an average IRR of 9.3% with only 0.5% of capital write offs which have been more than covered by associated exit and plot fees. These projects have also been lower risk projects with the LTVs than the historic projects.

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

**Ian McElroy**
**Tier One Capital Ltd**
18 March 2025

**THE INVESTMENT PORTFOLIO AS AT 30 NOVEMBER 2024**

| Sector | % of Portfolio | LTV* (Nov 24) | Loan Value (Nov 24) £'000s | LTV* (Nov 23) | Loan Value (Nov 23) £'000s |
|---|---|---|---|---|---|
| **Residential** | 80.2% | 75.3% | 17,032 | 62.1% | 14,221 |
| **Commercial** | 19.2% | 53.9% | 4,082 | 73.6% | 5,005 |
| **Cash** | 0.6% | - | 118 | - | 1,154 |
| **General Impairment** | - | - | (49) | - | (146) |
| **Total/Weighted Average** | **100.0%** | **71.2%** | **21,183** | **65.1%** | **20,235** |

*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 Board and the Investment Adviser seek to ensure that the Company's assets are invested in such a way as to spread investment risk, whilst adhering to its published investment policy. Further details of the management of the Company's key risks are set out below.

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 (NAV) 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 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 obligations 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 other key third-party service providers on a regular basis and has the ability to terminate agreements if necessary. The business continuity plans of key third-party service providers 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 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 on pages 12 to 19 inclusive (together with the sections of the Annual Report and Accounts incorporated by reference) and the Directors' Report on pages 22 to 26. 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 judgments 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 on pages 20 and 21, 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**
18 March 2025

**INCOME STATEMENT**

| | | Year ending 30 November 2024 | | | Year ending 30 November 2023 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Revenue £'000 | Capital £'000 | **Total £'000** | Revenue £'000 | Capital £'000 | Total £'000 |
| **REVENUE** | | | | | | | |
| Investment interest | 2 | 1,938 | - | **1,938** | 1,722 | - | 1,722 |
| **Total revenue** | | 1,938 | - | **1,938** | 1,722 | - | 1,722 |
| Losses on investments held at fair value through profit or loss | 4, 8 | - | (143) | **(143)** | (201) | (2) | (203) |
| Amortisation of exit fees | 8, 9 | - | 126 | **126** | - | 32 | 32 |
| **Total net income** | | 1,938 | (17) | **1,921** | 1,521 | 30 | 1,551 |
| **EXPENDITURE** | | | | | | | |
| Investment adviser fee | 3 | (61) | - | **(61)** | (65) | - | (65) |
| Impairments on investments held at amortised cost | 4, 9 | (47) | (75) | **(122)** | (116) | (441) | (557) |
| Other expenses | 4 | (484) | - | **(484)** | (513) | - | (513) |
| **Total expenditure** | | (592) | (75) | **(667)** | (694) | (411) | (1,135) |
| **Profit/(loss) before finance costs and taxation** | | 1,346 | (92) | **1,254** | 827 | (411) | 416 |
| **FINANCE COSTS** | | | | | | | |
| Interest payable | | (84) | - | **(84)** | (155) | - | (155) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Profit/(loss) before taxation** | | 1,262 | (92) | **1,170** | 672 | (411) | 261 |
| **TAXATION** | 5 | - | - | **-** | - | - | - |
| **Profit/(loss) for the year** | | 1,262 | (92) | **1,170** | 672 | (411) | 261 |
| Basic and diluted earnings per share | 7 | 5.00p | (0.36)p | **4.64p** | 2.50p | (1.53)p | 0.97p |

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

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**

| | | As at 30 November 2024 | As at 30 November 2023 |
|---|---|---|---|
| | Notes | £'000 | £'000 |
| **NON-CURRENT ASSETS** | | | |
| Loans at amortised cost | 9 | 1,000 | 6,208 |
| | | 1,000 | 6,208 |
| **CURRENT ASSETS** | | | |
| Investments held at fair value through profit or loss | 8 | 2,899 | 3,024 |
| Loans at amortised cost | 9 | 18,146 | 10,496 |
| Other receivables and prepayments | 10 | 17 | 13 |
| Cash and cash equivalents | | 115 | 1,154 |
| | | 21,177 | 14,687 |
| **TOTAL ASSETS** | | 22,177 | 20,895 |
| **CURRENT LIABILITIES** | | | |
| Loan facility | 11 | (2,100) | - |
| Other payables and accrued expenses | 12 | (141) | (191) |
| **TOTAL LIABILITIES** | | (2,241) | (191) |
| **NET ASSETS** | | 19,936 | 20,704 |
| **SHARE CAPITAL AND RESERVES** | | | |
| Share capital | 13 | 269 | 269 |
| Share premium | | 9,094 | 9,094 |
| Special distributable reserve | | 10,973 | 12,267 |
| Capital reserve | | (1,162) | (1,059) |
| Revenue reserve | | 762 | 133 |
| **EQUITY SHAREHOLDERS' FUNDS** | | 19,936 | 20,704 |

| | | |
|---|---|---|
| **Net asset value per ordinary share** | 79.81p | 78.92p |

The accompanying notes 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 18 March 2025. They were signed on its behalf by

**John Newlands**
Chairman

**STATEMENT OF CHANGES IN EQUITY**

| For the year ending 30 November 2024 | 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 | 12,267 | (1,059) | 133 | 20,704 |
| Total comprehensive income for the year: | | | | | | |
| Profit for the year | - | - | - | (92) | 1,262 | 1,170 |
| TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY: | | | | | | |
| Dividends paid (Note 6) | - | - | (386) | - | (633) | (1,019) |
| Repurchase of shares into treasury (Note 13) | - | - | (908) | (11) | - | (919) |
| At 30 November 2024 | 269 | 9,094 | 10,973 | (1,162) | 762 | 19,936 |

| For the year ending 30 November 2023 | 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 | 12,849 | (644) | 453 | 22,021 |
| Total comprehensive income for the year: | | | | | | |
| Profit for the year | - | - | - | (411) | 672 | 261 |
| TRANSACTIONS WITH OWNERS RECOGNISED DIRECTLY IN EQUITY: | | | | | | |
| Dividends paid (Note 6) | - | - | (85) | - | (992) | (1,077) |
| Repurchase of shares into treasury (Note 13) | - | - | (497) | (4) | - | (501) |
| At 30 November 2023 | 269 | 9,094 | 12,267 | (1,059) | 133 | 20,704 |

**CASH FLOW STATEMENT**

| | Year ending 30 November 2024 | Year ending 30 November 2023 |
|---|---|---|

| | Notes | £'000 | £'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 1,170 | 261 |
| Losses on investments held at fair value through profit and loss | | 143 | 213 |
| Impairments on loans at amortised cost | | 75 | 592 |
| Gains on investments held at fair value through profit and loss | | - | (10) |
| Uplifts on loans at amortised cost | 4 | - | (35) |
| Amortisation of exit fees | | (126) | (32) |
| Interest expense | | 84 | 155 |
| **Changes in working capital** | | | |
| Increase in loan interest receivable on investments held at fair value through profit and loss | 8 | (84) | (93) |
| Increase in loan interest receivable on loans at amortised cost | 9 | (152) | (133) |
| Increase in other receivables | 10 | (4) | (2) |
| (Decrease)/increase in other payables | 12 | (50) | 82 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES AFTER TAXATION | | 1,056 | 998 |
| **INVESTING ACTIVITIES** | | | |
| Loans given | 9 | (9,151) | (3,369) |
| Loans repaid | 8, 9 | 6,978 | 8,620 |
| NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES | | (2,173) | (5,251) |
| **FINANCING** | | | |
| Equity dividends paid | 6 | (1,019) | (1,077) |
| Repurchase of shares into Treasury | 13 | (919) | (501) |
| Bank loan drawn down | 14 | 6,125 | - |
| Repayment of bank loan | 14 | (4,025) | (4,000) |
| Interest paid | | (84) | (155) |
| NET CASH INFLOW/(OUTFLOW) FROM FINANCING | | 78 | (5,733) |
| **(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | (1,039) | 516 |
| Cash and cash equivalents at the start of the year | | 1,154 | 638 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 115 | 1,154 |

**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 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 2024 FOR FORTHCOMING REQUIREMENTS

The company has not early adopted the new or amended standards which have been issued but not yet effective:

- Presentation and Disclosure in Financial Statements (IFRS 18).
- Amendments to classification and measurement requirements for financial instruments (Amendments to IFRS 9 and IFRS 7)

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2024:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Non-Current Liabilities with Covenants ( Amendments to IAS 1)

The Directors do not expect the above new standards and interpretations to have a significant impact on the financial statements.

### GOING CONCERN

The Financial Statements have been prepared on a going concern basis. The disclosures on going concern within the Directors' 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 income is calculated based on the net carrying amount, which is the gross carrying amount of the financial asset less the calculated 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.

Any values attributed to the equity stakes of these borrowers are incorporated into the overall loan valuation.

**Exit fees:**

Some of the financial assets measured at amortised costs have an exit fee. There are two types of exit fees; those recognised at the end of the term of the financial asset once it has been repaid, and those recognised during the term of the financial instrument where here they are linked to specific events such as plot sales.

**IMPAIRMENT**

At initial recognition, an impairment allowance is required for 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 2024, there were sixteen loans in the portfolio. Four of those projects supported included either an equity stake of at least 25% for the Company or an exit fee mechanism. Please see note 8 for details on these four projects.

The Board has deemed that seven projects (November 2023: six); 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 both realised and 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 and the repurchase of shares. The Special distributable reserve is used to prevent the Revenue reserve going into a negative position when paying distributions.

**REPURCHASE OF SHARES TO HOLD IN TREASURY**

The cost of repurchasing ordinary shares to hold in Treasury is charged to the Special distributable reserve and the related stamp duty and transaction cost is charged to the 'capital reserve' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis.

**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 £789,000 (November 2023: £714,000) where the amounts from two (November 2023: two) individual borrowers each exceeded 10% or more of the Company's revenue. The individual amounts were £429,000 and £360,000, (November 2023: £354,000 and £360,000).

**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. REVENUE**

| | 30 November 2024 £'000 | 30 November 2023 £'000 |
|---|---|---|

| | | |
|---|---|---|
| Interest from loans | 1,938 | 1,722 |
| **Total income** | 1,938 | 1,722 |

**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 annum of the prevailing Net Asset Value if less than £100m; or 0.50%. 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 2024 (year to 30 November 2023: £nil).

There are no performance fees payable

| | 30 November 2024 £'000 | 30 November 2023 £'000 |
|---|---|---|
| Investment Adviser fee | 61 | 65 |

**4. OPERATING EXPENSES**

| | 30 November 2024 | | 30 November 2023 | |
|---|---|---|---|---|
| | Revenue | Capital | Revenue | Capital |
| | £'000 | £'000 | £'000 | £'000 |
| Legal & professional | 3 | - | 20 | - |
| Directors' fees | 85 | - | 85 | - |
| Audit fees related to the audit of the financial statements | 72 | - | 77 | - |
| Fund Administration and Company Secretarial | 101 | - | 97 | - |
| Brokers' fees | 30 | - | 30 | - |
| Marketing fees | 10 | - | 1 | - |
| AIFM fee | 18 | - | 18 | - |
| Impairments on loans amortised at cost* | 47 | 75 | 116 | 476 |
| Uplifts on loans amortised at cost* | - | - | - | (35) |
| Losses on investments held at fair value through profit or loss* | - | 143 | 201 | 2 |
| Other expenses | 165 | - | 185 | - |
| **Total other expenses** | 531 | 218 | 830 | 443 |

* Loan impairments consist of impairments to interest on loans of £47,000 (November 2023: £317,000) and a capital impairment on the loan of £218,000 (November 2023: £478,000). Loan uplifts consist of a capital uplift on the loans of £nil (November 2022: £35,000).

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 2024 £'000 | 30 November 2023 £'000 |
|---|---|---|
| Current corporation tax at 25% (November 2023:23%) | - | - |
| Deferred taxation | - | - |
| Tax on profit on ordinary activities | - | - |
| **RECONCILIATION OF TAX CHARGE** | | |
| Profit on ordinary activities before taxation | 1,170 | 261 |
| Taxation at standard corporation tax rate 25% (November 2023: 23%) | 293 | 60 |
| **EFFECTS OF:** | | |
| Expenses/(income) not subject to tax | 23 | 95 |
| Interest distributions | (255) | (248) |
| Tax losses not recognised within deferred tax | (61) | 93 |
| **Tax charge for the year** | - | - |

There is an unrecognised deferred tax asset not recognised on losses of £265,833 (November 2023: £331,409) calculated at the relevant deferred tax rate of 25%. There is no expiry date for the recognition of the unrecognised deferred tax asset.

**6. ORDINARY DIVIDENDS**

| | 30 November 2024 | | 30 November 2023 | |
|---|---|---|---|---|
| | 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 | 262 | 1.0 | 269 |
| Interim dividend for the quarter ended November, paid in April | 1.0 | 257 | 1.0 | 269 |
| **Dividends paid during and relating to the year:** | | | | |
| Interim dividend for the quarter ended February, paid in June | 1.0 | 250 | 1.0 | 269 |
| Interim dividend for the quarter ended May, paid in September | 1.0 | 250 | 1.0 | 270 |
| **Total dividends paid in the year** | | 1,019 | | 1,077 |

Of the dividends paid in the year, £386,000 (November 2023: £85,000) has been paid from the Special distributable reserve. This is to ensure the Revenue reserve doesn't go into a negative position.

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 1.0 pence per share was declared on 21 November 2024, payable on 27 December 2024. On 12 March 2025, the Company declared a fourth interim dividend of 1 pence per share for the quarter ended 30 November 2024, payable on 11 April 2025.

**7. EARNINGS PER SHARE**

The revenue, capital and total return per ordinary share is based on each of the profit after tax and on 25,246,760 ordinary shares (2023: 26,907,053), being the weighted average number of ordinary shares in issue (excluding shares held in Treasury of 1,945,862 (2023: 689,838)) 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 2024 £'000 | 30 November 2023 £'000 |
|---|---|---|
| Opening Balance | 3,024 | 4,874 |

| | | |
|---|---|---|
| Loans deployed | - | 59 |
| Principal repayments | (66) | (1,802) |
| Movements in interest receivable | 84 | 93 |
| Unrealised losses on investments held at fair value through profit or loss | (143) | (203) |
| Amortisation of exit fees | - | 3 |
| **Total investments held at fair value through profit and loss** | 2,899 | 3,024 |
| 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 | 2,899 | 3,024 |

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

### 9. LOANS AT AMORTISED COST

| | 30 November 2024 £'000 | 30 November 2023 £'000 |
|---|---|---|
| Opening balance | 16,704 | 20,607 |
| Loans deployed | 9,151 | 3,310 |
| Principal repayments | (6,912) | (6,818) |
| Movements in interest receivable | 152 | 133 |
| Movement in impairments | (75) | (557) |
| Amortisation of exit fees | 126 | 29 |
| **Total loans at amortised cost** | 19,146 | 16,704 |
| Split:<br>Non-current assets: Loans at amortised cost due for repayment after one year | 1,000 | 6,208 |
| Current assets: Loans at amortised cost due for repayment under one year | 18,146 | 10,496 |

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 £75,000 (November 2023: £557,000).

Movements in allowances for impairment losses in the year

| | Nominal value £'000 |
|---|---|
| at 1 December 2023 | 2,142 |
| Provisions for impairment losses | 75 |
| ECLs released due to project closures | (1,633) |
| **at 30 November 2024** | **584** |
| Stage 1 provisions at 1 December 2023 | 146 |
| Provisions for impairment losses | (97) |
| **Stage 1 provisions at 30 November 2024** | **49** |
| Stage 2 provisions at 1 December 2023 | - |

| | |
|---|---|
| Provisions for impairment losses | 132 |
| **Stage 2 provisions at 30 November 2024** | **132** |
| Stage 3 provisions at 1 December 2023 | 1,996 |
| Provisions for impairment losses | 40 |
| ECLs released due to project closures | (1,633) |
| **Stage 3 provisions at 30 November 2024** | **403** |

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

**10. RECEIVABLES**

| | 30 November 2024 £'000 | 30 November 2023 £'000 |
|---|---|---|
| Prepayments | 17 | 13 |
| **Total receivables** | 17 | 13 |

**11. LOAN FACILITY**

| | 30 November 2024 £'000 | 30 November 2023 £'000 |
|---|---|---|
| Bank loan | 2,100 | - |

In May 2023 the Company renewed its £6.5m committed revolving facility with Shawbrook Bank Limited, expiring in May 2025. This facility was reduced to £6m on 14 August 2024. £2.1m was drawn down at the year end.

The facility is secured against a debenture over the assets of the Company.

**12. OTHER PAYABLES**

| | 30 November 2024 £'000 | 30 November 2023 £'000 |
|---|---|---|
| Accruals | 141 | 191 |
| **Total other payables** | 141 | 191 |

**13. SHARE CAPITAL**

| | 2024 | 2023 |
|---|---|---|
| Allotted, issued and fully paid | £'000 | £'000 |
| 24,978,201 (November 2023: 26,234,225) ordinary shares of 1p each* | 250 | 262 |
| 1,945,862 (November 2023: 689,838) ordinary shares of 1p held in Treasury | 19 | 7 |
| **26,924,063 (November 2023: 26,924,063) total ordinary shares of 1p each** | 269 | 269 |

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

No shares were issued by the Company during the year (November 2023: nil).

During the year, the Company bought back 1,256,024 shares to be held in Treasury at a cost of £919,000 (November 2023: 689,838 at a cost of £501,000).

There were no shares bought back between 1 December 2024 and 18 March 2025.

**14. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

| | At 30 November 2023 £'000 | Cash flows £'000 | Non-cash flows £'000 | At 30 November 2024 £'000 |
|---|---|---|---|---|
| Short term borrowings | - | 2,100 | - | 2,100 |
| **Total liabilities from financing activities** | - | 2,100 | - | 2,100 |

| | At 30 November 2022 £'000 | Cash flows £'000 | Non-cash flows £'000 | At 30 November 2023 £'000 |
|---|---|---|---|---|
| Short term borrowings | 4,000 | (4,000) | - | - |
| **Total liabilities from financing activities** | 4,000 | (4,000) | - | - |

**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 2024 (30 November 2023: £85,000). £nil was payable at the period and prior year end.

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

Tier One Capital Ltd received £61,000 investment adviser's fee during the year (30 November 2023: £65,000) and £nil was payable at the year end (30 November 2023: £nil). Tier One Capital Ltd receives up to a 20% margin and arrangement fee for all loans it facilitates.

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

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

- **Thursby Homes (Springs)**
  The Company owns 25.1% of the borrower Thursby Homes (Springs) Ltd. The loan was repaid during the year and the balance was £nil (30 November 2023: £36,000). Transactions in relation to loans repaid during the year amounted to £24,000) (30 November 2023: £1.5m). Interest due to be received as at 30 November 2024 was £nil (30 November 2023: £1,000). Interest received during the year amounted to £2,000 (30 November 2023: £33,000).

- **Northumberland**
  Develop North PLC owns 25.1% of the borrower Northumberland Ltd. The loan was repaid during the year and the balance was £nil (30 November 2023: £42,000). Transactions in relation to loans repaid during the year amounted to (£42,000) (30 November 2023: £288,000). Interest due to be received as at 30 November 2024 was £nil (30 November 2023: £2,000). Interest received during the year amounted to £6,200 (30 November 2023: £3,000).

- **Coalsnaughton**
  Develop North PLC owns 40.1% of the borrower Kudos Partnership. The loan amount outstanding as at 30 November 2024 was £1.9m (30 November 2023: £2.0m). Transactions in relation to loans made during the year amounted to £nil (30 November 2023: £nil). Interest due to be received as at 30 November 2024 was £513,000 (30 November 2023: £424,000). Interest received during the year amounted to £25,000 (30 November 2023: £108,000).

- **Oswald Street**
  Develop North PLC owns 25.1% of the Riverfront Property Limited Partnership. The loan amount outstanding as at 30 November 2024 was £448,000 (30 November 2023: £448,000). Transactions in relation to loans made during the year amounted to £nil (30 November 2023: £59,000). Interest due to be

received as at 30 November 2024 was £8,000 (30 November **2023: £8,000). Interest received during the year amounted to £49,000 (30 November 2023: £47,000).**

**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. Management determines concentrations of risk by assessing the characteristics of each borrower and including these in the underwriting process. The most applicable of these are the geographical location of the projects and the economic sector the borrowers operate in. 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 2024, with impairments amounting to £75,000 (30 November 2023: £557,000). Our maximum exposure to credit risk as at 30 November 2024 was £22,177,000 (30 November 2023: £20,895,000).

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.

The carrying amount for investments held at fair value through profit or loss best represents the maximum exposure to credit risk. The Company holds assets as collateral against loans issued. The Company does not have assets held as collateral.

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

**Loans held at amortised cost as at 30 November 2024**

| | Total<br>£'000 |
|---|---:|
| Stage 1 | 9,821 |
| Stage 2 | 9,050 |
| Stage 3 | 275 |
| | **19,146** |

**Loans held at amortised cost as at 30 November 2023**

| | Total<br>£'000 |
|---|---:|
| Stage 1 | 16,390 |
| Stage 2 | 275 |
| Stage 3 | 39 |
| | **16,704** |

**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 2024**

| | In one year £'000 | In two or more years £'000 | Total £'000 |
|---|---|---|---|
| Cash and cash equivalents | 115 | - | 115 |
| Loans at amortised cost | 18,146 | 1,000 | 19,146 |
| Investments held at fair value | 2,899 | - | 2,899 |
| **Total** | **21,160** | **5,117** | **22,160** |

**Financial assets as at 30 November 2023**

| | In one year £'000 | In two or more years £'000 | Total £'000 |
|---|---|---|---|
| Cash and cash equivalents | 1,154 | - | 1,154 |
| Loans at amortised cost | 10,421 | 6,283 | 16,704 |
| Investments held at fair value | 3,024 | - | 3,024 |
| **Total** | **14,674** | **6,283** | **20,882** |

**Financial liabilities as at 30 November 2024**

| | In one year £'000 | In two or more years £'000 | Total £'000 |
|---|---|---|---|
| Bank loan | 2,100 | - | 2,100 |
| **Total** | **2,100** | **-** | **2,100** |

**Financial liabilities as at 30 November 2023**

| | 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 2024**

| | Financial net assets on which | Variable rate financial net |
|---|---|---|

| | no interest is paid £'000 | Fixed rate Financial Assets £'000 | assets £'000 | Total £'000 |
|---|---|---|---|---|
| Other receivables and prepayments | 17 | - | - | 17 |
| Loan Interest receivable | 979 | - | - | 979 |
| Other payables and accrued expenses | (141) | - | - | (141) |
| Cash and cash equivalents | - | - | 115 | 115 |
| Loan facility | - | - | (2,100) | (2,100) |
| Investments held at fair value through profit and loss | - | 2,378 | - | 2,378 |
| Loans at amortised cost | - | 18,688 | - | 18,688 |
| **Total** | **855** | **21,066** | **(1,985)** | **19,936** |

**as at 30 November 2023**

| | 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 | 13 | - | - | 13 |
| Loan Interest receivable | 766 | - | - | 766 |
| Other payables and accrued expenses | (191) | - | - | (191) |
| Cash and cash equivalents | - | - | 1,154 | 1,154 |
| Investments held at fair value through profit and loss | - | 2,588 | - | 2,588 |
| Loans at amortised cost | - | 16,374 | - | 16,374 |
| **Total** | **588** | **18,962** | **1,154** | **20,704** |

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 2024, the forecast decrease in interest rates will see £3k decrease in finance costs over the next twelve months assuming an average drawn balance of £0.9m in the year. 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% (November 2023: 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 on page 11. 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 £439,000 as at 30 November 2024 (30 November 2023: £254,000). 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 2024**

| | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| Investments held at fair value through profit and loss | - | - | 2,899 | 2,899 |
| **Total** | **-** | **-** | **2,899** | **2,899** |

**30 November 2023**

| | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| Investments held at fair value through profit and loss | - | - | 3,024 | 3,024 |
| **Total** | **-** | **-** | **3,024** | **3,024** |

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

| | 30 November 2024<br>£'000 | 30 Novembe |
|---|---|---|
| Opening Balance | 3,024 | |
| Loans deployed | - | |
| Principal repayments | (67) | |
| Movements in interest receivable | 85 | |
| Unrealised losses on investments held at fair value through profit or loss | (143) | |
| Amortisation of exit fees | - | |
| **Closing Balance** | **2,899** | |

**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**

- Since the year end £900,000 has been repaid/ drawndown on the Shawbrook loan facility

- On 21 November 2024, a third interim dividend of 1.0 pence per share was declared, paid on 27 December 2024

- On 12 March February 2025, a fourth interim dividend of 1 pence per share was declared, payable on 11 April 2025


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

| | |
|---|---|
| Tier One Capital Ltd (Investment Adviser)<br>*Ian McElroy/Brendan O'Grady* | +44 (0) 191 222 0099 |
| Cavendish Capital Markets Ltd (Financial Adviser and Broker)<br>*Andrew Worne* | +44 (0) 207 220 0500 |
| Apex Fund Administration Services (UK) 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



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