LDC (MANAGERS) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

MEMBER OF LLOYDS BANKING GROUP PLC

LDC (MANAGERS) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Registered office

One Vine Street, London W1J 0AH

Registered number

02495714

Directors

W L D Chalmers (Chairman)
A J Cumming (Non-Executive Director)
M J Draper (Chief Executive Officer)
C R Hurley (Chief Portfolio Officer)
H A McKay (Non-Executive Director)
A T Rougier (Director)

Contents

Strategic Report

Despite the impacts of the Coronavirus pandemic, we have continued to back ambitious management teams, partnering with them to add tangible value to regional businesses. We continue to support local communities and charities across the United Kingdom.

Business review and principal activities

LDC (Managers) Limited ('the company') is a private company limited by shares, domiciled and incorporated in England.

The company's registered number is 02495714. The principal activity of the company is private equity fund management and services to Lloyds Development Capital (Holdings) Limited ("LDC (Holdings) Ltd") and its group undertakings ("LDC Business").

The company is authorised and regulated by the Financial Conduct Authority ("FCA") and registered number is 147964.

As shown in the company's Statement of Comprehensive Income on page 12, the company's revenue for the year ended 31 December 2020 was £41.7m compared to £48.1m for the year ended 31 December 2019. The profit before taxation is £0.2m for the year ended 31 December 2020 compared to £0.2m for the year ended 31 December 2019.

No dividends were paid in the year (2019: nil).

The Statement of Financial Position on page 13 shows the company's financial position at the year end, in net asset terms it decreased compared to 31 December 2019.

Key performance indicators (KPIs)

The company's KPIs are the level and quality of new investments written per annum and the returns on assets under management within the LDC Business. On new business written, for the year to 31 December 2020, the latest fund invested £241 million in 14 new deals (2019: £365 million in 18 deals), the significant majority of which were management buyouts.

For the year ended 31 December 2020, the company achieved 14 exits (2019: 12).

No Non-Financial KPI's are disclosed within this report.

Section 172(1) Statement and Statement of Engagement with Employees and Other Stakeholders

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide the following statement describing how they have had regard to the matters set out in section172(1) of the Act, when performing their duty to promote the success of the company under section 172. Further details on key actions in this regard are also contained within the Directors' Report on page 7.

The Directors acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the company, as aligned to that of Lloyds Banking Group plc ('LBG'), achieves long-term success and generates sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct. This approach has during the course of the year been central to the activities of the Directors, as discussed below. The company is a subsidiary of LBG, and as such follows many of the processes and practices of LBG, which are further referred to in this statement where relevant.

Shareholders

As a wholly owned subsidiary of LBG, the Directors ensure that the strategy, priorities, processes and practices of the company are fully aligned where required to those of LBG, ensuring that the interests of LBG as the company's ultimate shareholder are duly acknowledged. Further information in respect of the relationship of LBG with its shareholders is included within the Strategic Report of the LBG Annual Report and Accounts for 2020, available on the LBG website.

Customers

The Directors ensure the company as part of LBG works toward achieving LBG's customer ambitions, to treat all customers fairly, and to make it easy for customers to find, understand and access products that are right for them. To ensure Directors truly understand the needs of customers, every opportunity is taken to consider direct customer feedback and related management information, including as part of the Directors' strategic decision making process.

Brexit and Coronavirus impact

While overall the business has performed resiliently in 2020, the impact of Coronavirus ("Covid-19") and its associated policy restrictions on a small number of businesses has been significant. That impact has primarily affected investments in the international travel and domestic leisure sectors. Performance against all Covid-19 recovery plans continues to be monitored closely, however, with provisions continuing to be taken as appropriate.

As at the end of the reporting period, there was anticipation of some potential impact of Brexit across all sectors, with the core areas of concern being supply chain and logistics, VAT and customs. Following Brexit, the impact on those core areas on the investments has not been material, with trade, services and goods movement steadily continuing albeit with reduced volumes.

Streamlined Energy and Carbon Reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("The 2018 Regulations") came into effect on 1 April 2019. The 2018 Regulations impose requirements on large companies as defined by sections 465 and 466 of the Companies Act 2006 to prepare an equivalent report to the Directors' Report (the "Energy and Carbon Report") for each financial year including their energy and carbon information. Though the Company is within scope for Streamlined Energy and Carbon Reporting ("SECR"), the Directors have elected for an exemption from SECR based on LBG's consolidated financial statements providing sufficient SECR details for all its subsidiaries.

Supporting the UK Economy

Young people interested in business and entrepreneurship are critical to the future of the UK economy. During 2020, the company have partnered with The Prince's Trust to support young entrepreneurs across the UK over the next three years, providing both financial and practical support. In addition to The Prince's Trust, we continue to support local communities and charities across the United Kingdom.

Colleagues and culture

Colleagues' wellbeing is critical to the operations of the business, with an aim of ensuring all colleagues can feel confident in bringing their true selves to work and reaching their full potential. The Board and senior management have a vital role to play in shaping and embedding a healthy culture, and this has been one of the major focuses at Board level. The values and standards of behaviour we set are an important influence and there are strong links between governance, strategy and establishing a culture that supports long-term success. Our aim is a culture where every colleague is encouraged to take responsibility for ensuring we do the right thing.

Suppliers

The company has adopted a similar approach to supplier management and is consistent with LBG's Sourcing & Supply Chain Management Policy. This policy has been designed to assist in managing the inherent risk in outsourcing services and dealing with third party suppliers.

Regulators

The company and its Directors have a strong, open and transparent relationship with relevant regulators and other authorities (including the Financial Conduct Authority). The Board has received regular updates on regulatory interaction, providing a view of key areas of focus as required. The status of regulatory relationships continues to be closely monitored, enhancing proactive engagement across key regulatory changes and areas of focus. The approach of LBG, including that of the Company, to managing regulatory change is discussed further in the LBG Annual Report and Accounts for 2020, available on the LBG website.

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to relate to the ability of the funds managed by the company to generate sufficient profits to settle management fees. This is ultimately dependent on the continued performance of the underlying portfolio companies.

In line with IFRS 7, the company has disclosed its financial risk management policy within note 4 to the financial statements.

On behalf of the board

A T Rougier
Director
31 March 2021

Report of the Directors for the year ended 31 December 2020

LDC (Managers) Limited ('the company') is a company limited by shares, domiciled and incorporated in the United Kingdom.

Directors

The directors who were in office during the year and up to the point of signing the financial statements were: W L D Chalmers, A J Cumming, M J Draper, H A McKay and A T Rougier.

C R Hurley resigned from the company on 3 February 2021.

Future outlook

Despite the economic impacts of the Coronavirus pandemic, the company has maintained a consistent level of performance. The company continues to actively monitor the situation and is working closely with each investment company to mitigate risks identified during the course of this difficult period.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Report of the Directors for the year ended 31 December 2020 continued

Going Concern

Following our assessment, we are satisfied that it is the intention of LBG for its subsidiaries including LDC (Holdings) Ltd and the Company to continue to receive funding in the future and accordingly, the financial statements have been prepared on a going concern basis.

Engagement with Employees and Other Stakeholders and Risk management

Details of the engagement with stakeholders and risk management are disclosed in the Strategic report on Pages 4 – 6.

Third party indemnity

Lloyds Banking Group plc has granted to the directors of the Company, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the director who joined the Board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a director's period of office. The deed indemnifies the directors to the maximum extent permitted by law. The Deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

On behalf of the board

A T Rougier
Director
31 March 2021

Independent auditors’ report to the Directors of LDC (Managers) Limited

Report on the audit of the financial statements

Opinion

In our opinion, LDC (Managers) Limited’s financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the “Annual Report”), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors for the year ended 31 December 2020, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Report of the Directors for the year ended 31 December 2020

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 31 December 2020 for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors for the year ended 31 December 2020.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries in recognition of revenue including management fee and monitoring fee income. Audit procedures performed included:

- Agreeing the existence/occurrence of monitoring fees to signed investment agreements and recalculating in line with LPAs between funds, co-investments and portfolio companies to ensure revenue has been accurately calculated and recorded for the appropriate period the investment was held ensuring correct cut off;
- Reperforming management fee income calculation, agreeing key terms of the calculation to the LPAs/investment agreements between funds, co-investments and portfolio companies and other inputs (i.e. investment costs, year one commitments, Managers expenses) to ensure revenue has been accurately calculated;
- Enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's Directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
01 April 2021

Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue			
Management Fees	**2e**	34,860	41,296
Monitoring Fees	**2e**	6,874	6,797
Total Revenue		**41,734**	**48,093**
Operating Expenses	**5**	(41,499)	(47,870)
Profit Before Taxation		**235**	**223**
Taxation	**7**	(358)	(869)
Profit/(Loss) after Taxation		**(123)**	**(646)**

The notes on pages 16 to 31 form part of the financial statements. All operations are continuing.

Statement of Financial Position
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Property, Plant and Equipment	**8**	3,283	3,209
Trade and other receivables	**9**	4,457	3,504
Intercompany Receivable	**10**	66,235	70,039
Deferred Taxation	**7**	635	391
Cash and Cash Equivalents	**11**	11,789	6,646
Total Assets		**86,399**	**83,789**
Liabilities			
Trade and other payables	**12**	13,855	17,756
Intercompany Payable	**14**	68,283	60,215
Taxation	**7**	347	1,627
VAT		303	457
Total Liabilities		**82,788**	**80,055**
Equity			
Share Capital	**15**	200	200
Retained Earnings		3,411	3,534
Total Equity		**3,611**	**3,734**
Total Equity and Liabilities		**86,399**	**83,789**

The financial statements on pages 12 to 31 have been signed on behalf of the board by

A T Rougier
Director
31 March 2021

The notes on page 16 to 31 form part of these financial statements.
The registered number for the company is 02495714.

Statement of Changes in Equity
For the year ended 31 December 2020

	Note	Number of Shares '000	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2020		**200**	**200**	**3,534**	**3,734**
Total Comprehensive Income		-	-	(123)	(123)
Dividend paid	**16**	-	-	-	-
At 31 December 2020		**200**	**200**	**3,411**	**3,611**
At 1 January 2019		200	200	4,180	4,380
Total Comprehensive Income		-	-	(646)	(646)
Dividend paid	**16**	-	-	-	-
At 31 December 2019		**200**	**200**	**3,534**	**3,734**

The notes on pages 16 to 31 form part of the financial statements.

Statement of Cash Flows
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash Flows from operating activities			
Management fees received		38,761	36,230
Monitoring Fees received		4,332	6,958
Taxation Paid		(1,881)	(1,407)
VAT payments		(1,501)	(1,340)
Operating Expenses recovered		2	12
Net cash flows generated from operating activities		**39,713**	**40,453**
Cash flows from financing activities			
Net transfers to Lloyds Development Capital (Holdings) Ltd	**10, 17**	(34,570)	(36,230)
Net cash outflow from financing activities		**(34,570)**	**(36,230)**
Net increase in cash and cash equivalents		**5,143**	**4,223**
Cash and cash equivalents at start of year		6,646	2,423
Cash and cash equivalents at end of year	**11**	**11,789**	**6,646**

The notes on pages 16 to 31 form part of the financial statements.

Notes to the financial statements for the year ended 31 December 2020

1. General information

The company's immediate parent company is Lloyds Development Capital (Holdings) Limited ("LDC (Holdings) Ltd"). The company's ultimate parent company is Lloyds Banking Group plc ("LBG"), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. LBG Equity Investments Limited is the parent undertaking of the smallest of such group of undertakings with previous parent undertaking being Lloyds Bank Plc. Copies of both financial statements may be obtained from the Company Secretary's Department, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

The Company is reliant on funding provided by LDC (Holdings) Ltd. The Company produces a four-year plan based on the expected activities of LDC (Holdings) Ltd and the Company. The four-year plan includes assumptions on expected future investment activities, funding and expenditure activities as well as associated cash flows including the impacts of the current Coronavirus (COVID-19) disease. The Company also produces a detailed 6-monthly cash forecast on a regular basis for LDC (Holdings) Ltd and the Company based on management's best estimate of future cash flows to assess funding requirements from LBG. The Directors are satisfied that it is the intention of LBG that its subsidiaries including LDC (Holdings) Ltd and the Company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

All amounts are expressed in pound sterling, which is the company's functional and presentation currency, unless stated otherwise.

2. Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on the historical cost basis. A summary of the principal accounting policies is set out below.

b. Changes in accounting policy and presentation

The company has applied, for the first time, certain standards and amendments, which are effective for annual periods on or after 1 January 2020.

IAS 1 Presentation of Financial Statements
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 1 and IAS 8 have both been amended to provide a consistent definition of materiality and clarification when information is material. In particular, the amendments clarify the definition of primary users of the financial statements, that obscuring information where the effect is similar to omitting or misstating that information, and that the assessment of materiality should be in the context of the financial statements as a whole.

Conceptual Framework for Financial Reporting
The Conceptual Framework has also been revised, notably increasing the prominence of stewardship in the objective of financial reporting, reinstating prudence as a component of neutrality, clarity on defining a reporting entity, revising the definitions of an asset and a liability, removing the probability threshold for recognition and adding guidance on derecognition, and adding guidance on different measurement basis.

These amendments do not have a material impact on the company.

Notes to the financial statements for the year ended 31 December 2020 continued

2. Accounting Policies continued

c. **Management estimates and judgements**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. There are no individually significant assumptions where a reasonable alternative assumption would have a material impact on these financial statements.

d. **Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, demand deposits and highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

All cash or cash equivalent balances disclosed in the Statement of Financial Position are carried at nominal value and are available for use by the company.

e. **Revenue recognition**

Revenue is recognised in the Statement of Comprehensive Income using the five steps approach. Revenue consists of management fees and investee company's monitoring fees where an investee company is defined as an investment portfolio company in the funds under management. All investee companies are UK based and consequently all revenue recognised is from the UK.

Management fees
Management fees are outlined in the Limited Partnership Agreement ('LPA') which serves as the contract between the company and its customer. Under the LPA the company is obligated to perform management services for the fund in return for an annual management fee. This is considered to be the performance obligation of the company.

The promised consideration as per the LPA, is a variable consideration which is dependent on the market and thus highly susceptible to factors outside the company's influence. Although the company has experience with similar contracts, that experience is of little predictive value in determining future performance of the market. Consequently, concluding that the actual amount of the management fee can be included as revenue as the uncertainty is then resolved. The company concludes that it is not highly probable that a significant reversal in the cumulative amount of the revenue recognised would occur if the company included its actual amount of the management fee.

At each reporting date, the company will need to update its estimate of the transaction price. Consequently, concluding that the actual amount of the management fee can be included as revenue as the uncertainty is then resolved.

At the end of each year, the company allocates the annual management fee to the distinct services provided during the year. The fee is considered to be related specifically to the company's efforts to transfer the services for that year, which are distinct from the services provided in other years and the resulting allocation will be consistent with the allocation objective of IFRS 15. The company assesses the costs incurred in providing management services to its customer in any particular period and determines that only costs incurred relating to that period are recoverable as revenue. Payment is received from customers in the following financial period.

This assessment is performed for each new contract entered into by the company.

Notes to the financial statements for the year ended 31 December 2020 continued

2. Accounting Policies continued

e. Revenue recognition continued

Monitoring fees

Monitoring fees are outlined in the Investment Agreement ('IA') which serves as the contract between the company and its customer. Under the IA the company is obligated to perform management services for the portfolio company in return for an annual monitoring fee. This is considered to be the performance obligation of the company. Payment is received from customers on terms as agreed in each individual IA.

The promised consideration is a fixed amount that is detailed in the IA.

At each reporting date, the company updates its estimate of the transaction price. Consequently, concluding that the actual amount of the management fee can be included as revenue as the uncertainty is then resolved.

At the end of each year, the company allocates the annual monitoring fee to the distinct services provided during the year. The fee is considered to be related specifically to the company's efforts to transfer the services for that year, which are distinct from the services provided in other years and the resulting allocation will be consistent with the allocation objective of IFRS 15.

This assessment is performed for each new contract entered into by the company.

f. Staff Costs

Some long-term benefits are calculated with reference to the annual performance of the company and are conditional on staff members' continued employment at the point at which they become payable. Such benefits are recognised in the Statement of Comprehensive Income and the Statement of Financial Position until the date of payment.

g. Pensions and other post-retirement benefits

The company's ultimate parent company operates several group-wide defined contribution schemes for employees including those employees of the company.

The costs of the Company's defined contribution plans are charged to the Statement of Comprehensive Income in the period in which they fall due.

h. Provisions for liabilities

Provisions are valued at management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period and are not discount.

Other payables include provisions for assets under management fees for the year and subsequent periods.

Notes to the financial statements for the year ended 31 December 2020 continued

2. Accounting Policies continued

i. **Property, plant and equipment**

Property, plant and equipment comprises furniture, fittings and office equipment and are carried at cost less accumulated depreciation and any recognised impairment loss. Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

- Fixtures, fittings and furnishings: 2-10 years
- Office equipment (including computers): 3-6 years

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

While each asset's residual value and useful life is reviewed and changed if appropriate, at the end of each reporting period as a result of the cost model being adopted, third party revaluations of property, plant and equipment will not be completed.

j. **Taxation**

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in The Statement of Comprehensive Income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside The Statement of Comprehensive Income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Notes to the financial statements for the year ended 31 December 2020 continued

2. Accounting Policies continued

j. **Taxation continued**

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

k. **Financial instruments**

Classification
In accordance with IFRS 9, the company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(i) Financial assets
The company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost
The company includes in this category non-financing receivables including intercompany receivables, fee debtors and other trade receivables.

(ii) Financial liabilities
The company classifies its financial liabilities as subsequently measured at amortised cost or measured at fair value through profit or loss as described below:

Financial liabilities measured at amortised cost
This category includes all financial liabilities, other than those measured at FVPL. The company includes in this category intercompany payables and other short-term trade payables.

(iii) Recognition
The company recognises a financial asset or financial liability when it becomes a party to the contractual provisions of the instrument.

Notes to the financial statements for the year ended 31 December 2020 continued

2. Accounting Policies continued

k. **Financial instruments continued**

(iv) Initial measurement
Financial assets and financial liabilities at FVPL are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measure initially at their fair value plus any attributable incremental costs of acquisition or issue.

(v) Subsequent measurement
After initial measurement, the company measures financial instruments which are classified as at FVPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gains and losses on financial assets and liabilities at FVPL in the Statement of Comprehensive Income.

Financial assets and financial liabilities which are classified as measured at amortised cost are subsequently measured using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instruments but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(vi) Derecognition
A financial asset is derecognised where the rights to receive cash flows from the asset have expired, or the company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the company has:

- Transferred substantially all of the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the company has transferred its right to receive cash flows from an asset (or entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company’s continuing involvement in the asset. In that case, the company also recognises and associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligation that the company retain.

The company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Notes to the financial statements for the year ended 31 December 2020 continued

2. Accounting Policies continued

k. Financial instruments continued

(vii) Impairment

The company holds only trade and intercompany receivables with no financing component at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its intercompany receivables and trade receivables. Therefore, the company does not track changes in the credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The company's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The company has made an assessment based on historical observed loss rates when measuring ECLs on trade receivables. Provisions are based on historical observed loss rates over the expected life of the receivables and has been applied accordingly.

l. Future accounting developments

No standards and interpretations have been issued, up to the date of the issuance of the company's financial statements which are expected to have a material impact on the company's financial statements.

3. Capital management

The company's objective in managing capital is to maintain share capital and retained earnings at an appropriate level to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for its shareholder.

The company is FCA regulated and required to hold a minimum regulatory capital of £5,000.

Notes to the financial statements for the year ended 31 December 2020 continued

4. Financial risk management

The emergence of the coronavirus (COVID-19) disease has caused significant volatility and uncertainty within the global economy and financial markets. Management have considered the impact of COVID-19 on market risk, liquidity risk and credit risk, which are deemed minimal, as part of daily operations. The company has not experienced any deterioration in its ability to collect debts nor meet its obligations as they fall due. The company continues to monitor the situation as it unfolds in collaboration with key stakeholder groups.

4.1 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices:

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The only financial instruments held by the company are intercompany and trade related receivables and payables which are interest free. Therefore, there is no anticipated impact on profit or loss due to changes in interest rates in the market.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The only financial instruments held by the company are intercompany and trade related receivables and payables and all transactions of the company are completed using pounds sterling. Therefore, the company is not exposed the currency risk.

Price risk
Price risk is the risk of unfavourable changes in the fair values of equity instruments or equity-linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. The company does not hold any such instruments; therefore the company is not exposed to price risk.

4.2 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company’s exposure to this risk is considered to be minimal as payables are primarily held with the immediate parent company LDC (Holdings) Ltd, which is highly unlikely to demand payment. All financial assets and liabilities are due on demand with the exception of trade and other receivables and trade and other payables which are due within 1 to 3 months.

4.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the company by failing to discharge an obligation. Receivables are primarily held with LDC GP LLP ("General Partner") and LDC (Holdings) Ltd in relation to management fees and therefore the risk exposure is considered to be minimal.

These financial assets are intercompany, trade and other receivables subject to IFRS 9’s ECL impairment model. At 31 December 2020, the total intercompany, trade and other receivables was £70 million on which no loss allowance had been provided (2019: total of £74 million on which no loss had been incurred).

As the company only holds intercompany and trade receivables which are impacted by the IFRS 9 ECL model, the company has adopted the simplified approach. The loss allowance shown is therefore based on lifetime ECLs. In calculating the loss allowance, the company has made an assessment based on historical observed loss rates over the expected life of the receivables and has been applied accordingly.

Notes to the financial statements for the year ended 31 December 2020 continued

5. Operating expenses

	2020 £'000	2019 £'000
Auditors' remuneration - statutory audit	72	55
Auditors' remuneration - other	776	637
Legal & Professional	5,368	7,513
Staff costs	24,200	27,578
Depreciation	1,100	685
Marketing	1,669	1,217
IT	1,901	1,844
Indirect costs	4,074	3,730
Other	2,339	4,611
Total	**41,499**	**47,870**

Operating expenses (excluding indirect costs) are primarily settled by LDC (Holdings) Ltd on behalf of the company.

For the year ended 31 December 2020 £0.8m has been accrued to date for audit fees to be paid on behalf of the funds under management and included as other audit fees (2019: £0.6m).

Indirect costs of £4.1m has been accrued relating to property rental costs and finance staff costs incurred by LBG which is recharged to the company (2019: £3.7m).

6. Staff costs

a) Compensation

	2020 £'000	2019 £'000
Wages and salaries	19,468	23,378
Social security costs	3,596	3,130
Other Pension Costs	1,136	1,070
Total	**24,200**	**27,578**

The average number of persons employed by the company, including Executive Directors, during the period was 96 (2019: 95).

Notes to the financial statements for the year ended 31 December 2020 continued

6. Staff costs continued

b) Key management compensation

Key management comprise the Executive Directors of the company in office during the year. Amounts disclosed in note 6(b) represent the aggregate key management compensation payable to Directors in respect of amounts incurred in LDC (Managers) Limited.

	2020 **£'000**	**2019** **£'000**
Salaries and other short and long term benefits	2,130	2,163
Post Employment benefits	99	89

c) Directors

The Directors' emoluments were as follows:

	2020 **£'000**	**2019** **£'000**
Aggregate emoluments	2,311	2,336
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	-	-

The aggregate of the emoluments of the highest paid Director was £1,253,275 (2019: £1,221,066). No contributions were paid to the defined contribution pension scheme in respect of Directors' qualifying services (2019: £nil). No share options were exercised in the year.

7. Taxation

a) Analysis of charge in year

	2020 **£'000**	**2019** **£'000**
Analysis of Charge in year:		
Current tax for the year – current year	356	597
Current tax for the year – prior year	246	356
Deferred taxation - current year	57	212
Deferred taxation – prior year	(228)	(274)
Deferred taxation - impact of change in tax rate	(73)	(22)
Tax charge/(credit)	**358**	**869**

Corporation tax is calculated at a rate of 19.00% (2019: 19.00%) of the taxable profit for the year.

Notes to the financial statements for the year ended 31 December 2020 continued

7. Taxation continued

b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax charge for the year is given below:

	2020 £'000	2019 £'000
Profit before taxation	235	223
Tax charge at UK corporation tax rate of 19.00% (2019: 19.00%)	45	42
Factors affecting credit:		
Effect of change in tax rate and related impacts	(73)	(22)
Disallowed items	392	802
Adjustments in respect of prior years	18	82
Other timing differences	(24)	(35)
Tax charge on profit on ordinary activities	**358**	**869**

c) Deferred tax asset

	2020 £'000	2019 £'000
As at 1 January	391	307
Adjustment in relation to prior year	228	274
Income statement credit – current year	(57)	(212)
Effect of reduction in deferred tax rate - Income statement	73	22
As of 31 December	**635**	**391**

On 3 March 2021, the UK Government announced its intention to increase the rate of corporation tax from 19% to 25% with effect from 1 April 2023. The effect of this proposed rate change on the Company's deferred tax balances has been assessed and is not significant.

Notes to the financial statements for the year ended 31 December 2020 continued

8. Property, plant and equipment

2020	Office Equipment £'000	Fixtures, fittings and furnishings £'000	Total £'000
At 1 January 2020			
Cost	1,847	5,115	6,962
Accumulated depreciation	(1,536)	(2,217)	(3,753)
Net Book Amount	311	2,898	3,209
Opening net book amount	311	2,898	3,209
Additions	680	494	1,174
Disposals	-	-	-
Depreciation charge	(175)	(925)	(1,100)
Closing net book amount	816	2,467	3,283
At 31 December 2020			
Cost	2,527	5,609	8,136
Accumulated depreciation	(1,711)	(3,142)	(4,853)
Net Book Amount	**816**	**2,467**	**3,283**

2019	Office Equipment £'000	Fixtures, fittings and furnishings £'000	Total £'000
At 1 January 2019			
Cost	1,847	2,807	4,654
Accumulated depreciation	(1,387)	(1,681)	(3,068)
Net Book Amount	460	1,126	1,586
Opening net book amount	460	1,126	1,586
Additions	-	2,308	2,308
Disposals	-	-	-
Depreciation charge	(149)	(536)	(685)
Closing net book amount	311	2,898	3,209
At 31 December 2019			
Cost	1,847	5,115	6,962
Accumulated depreciation	(1,536)	(2,217)	(3,753)
Net Book Amount	**311**	**2,898**	**3,209**

Notes to the financial statements for the year ended 31 December 2020 continued

8. Property, plant and equipment continued

The Directors' review of each asset's residual value and relevant useful life and their review of impairment indications did not result in any changes to depreciation methods.

There are no restrictions on title or use of recognised property, plant and equipment nor are there any items pledged as security for financial instruments.

There are no contractual commitments to purchase property plant and equipment at the 31 December 2020 (2019: nil).

9. Trade and other receivables

	2020 £'000	2019 £'000
Fee debtors	3,736	2,895
Sundry debtors	68	11
Prepayments	653	598
Total	**4,457**	**3,504**

Receivables do not carry any interest and are stated at their nominal value, being their initial fair value, as reduced by appropriate allowances for impairment. They are recognised at performance date and derecognised on settlement by the debtor. At 31 December 2020, write-off against fee or sundry debtors of £0.5m had been incurred however, an ECL of £nil has been recognised (2019: £0.1m write-off against fee or sundry debtors but a provision for doubtful debts of nil was recognised).

10. Intercompany Receivable

	2020 £'000	2019 £'000
Receivable from LDC (Holdings) Limited	31,794	30,503
Receivable from LDC GP LLP	34,441	39,536
Total	**66,235**	**70,039**

Receivables do not carry any interest and are stated at their nominal value, being their initial fair value, as reduced by appropriate allowances for impairment. They are recognised at performance date and derecognised on settlement by the debtor. At the end of the financial year, none of the debtors were considered uncollectable. These are repayable on demand, therefore the carrying value is approximate to the fair value, refer to Note 17.

Notes to the financial statements for the year ended 31 December 2020 continued

11. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and cash equivalents	11,789	6,646
Total	**11,789**	**6,646**

There is no restricted cash held at the Statement of Financial Position date.

12. Trade and other payables

	2020 £'000	2019 £'000
Provisions for Liabilities	2,244	3,084
Other Payables	11,611	14,672
Total	**13,855**	**17,756**

Trade and other payables do not carry any interest and are stated at their nominal value, being their initial fair value, are unsecured and are not interest bearing. Included in Trade and other payables is an amount of £1.6m to be settled outside the 12 months after the reporting period (2019: £0.9m).

Notwithstanding the above and provisions mentioned in Note 13, typically trade and other payables are repayable on demand, therefore the carrying value is approximate to the fair value.

13. Provisions for Liabilities

	2020 £'000	2019 £'000
Opening balance	3,029	2,606
Additional provisions made in the period:		
Legal and professional charges	2,244	3,029
Amounts used/released	(3,029)	(2,606)
Closing balance	**2,244**	**3,029**

The company has provided for the costs on 15 (2019: 9) potential investments on which legal and professional work has been carried out. In the event that these investments do not complete, these costs become abort fees and the obligation to settle the costs will lie with the company. Once it is known that an investment will not complete, the cost is immediately due and payable by the company.

Notes to the financial statements for the year ended 31 December 2020 continued

14. Intercompany Payable

	2020 £'000	2019 £'000
Payable to LDC (Holdings) Limited	68,283	60,215
Total	**68,283**	**60,215**

15. Share Capital

The company is 100% owned by LDC (Holdings) Limited with all shares having equal voting and dividend distribution rights.

The share capital consists of £1 ordinary shares that are authorised, issued and fully paid.

16. Dividend

No dividend was paid in 2020 or to date (2019: £nil).

Notes to the financial statements for the year ended 31 December 2020 continued

17. Related party transactions

Ultimate Parent
LBG is the ultimate parent of the company and meet the IAS 24 definition of related parties. The company utilises banking facilities of LBG, as at 31 December 2020 £11.8m (2019: £6.6m) were held within LBG undertakings.

Operating expenses include indirect costs of £4.1m (2019: £3.7m) relating to property rental costs and finance staff costs incurred by LBG which is recharged to the company.

Immediate Parent
LDC (Holdings) Ltd is the immediate parent of the company and meet the IAS 24 definition of related parties. LDC (Holdings) Ltd settles cash payments on behalf of the company. The amounts accrued as at 31 December 2020 are set out in note 14.

Manager of Partnerships
The company has been appointed as the 'Manager' by the LDC GP LLP to manage numerous partnerships it is involved in and LDC (Holdings) Ltd through an Investment Management Agreement and meets the IAS 24 definition of related parties. During the period, in relation to services provided, the company recognised management fees amounting to £34.7m (2019: £41.1m) in the Statement of Comprehensive Income. The amounts accrued as at 31 December 2020 are set out in note 10.

The LDC Co–investment Plans and Opportunity Clubs also meet the IAS 24 definition of a related party. The company acts as the manager of each plan. Under the terms of the limited partnership agreements, the company operates co-investment plans whereby a predetermined percentage of the investment into the investee companies is offered to certain Directors and executives of the company. The proportion available for this investment is determined by the plan committee. During the period, the LDC Co-investment Plans and Opportunity Clubs invested £4.4m (2019: £4.4m) in new investments. During the period, in relation to services provided, the company recognised management fees amounting to £0.2m (2019: £0.2m) in the Statement of Comprehensive Income.

Investee companies
The investment portfolio companies of the LDC group of entities from 2020 is also defined as a related party. During the period the company recognised monitoring fees amounting to £6.9m (2019: £6.8m) in these companies. As at 31 December 2020 £3.8m (2019: £2.9m) was accrued to the Statement of Financial Position.

Key Management

Key management compensation has been disclosed in full in Note 6.

Key management refers to persons who have authority and responsibility over planning, directing and controlling the activities of the company. Key management participate as Limited Partners in the LDC Co-investment Plans and Opportunity Clubs, with the proportion determined by the plan committee. There were no other related party transactions in the period relating to the Directors of the company in post at the period end.

Other
The Company contributes to its ultimate parent's defined contribution pension.

18. Events after the reporting date

There were no events after the reporting date that require disclosure.