LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

MEMBER OF LLOYDS BANKING GROUP PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Registered office

One Vine Street, London W1J 0AH

Registered number

01107542

Directors

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

Contents Page

Strategic Report

Business review and principal activities

Lloyds Development Capital (Holdings) Limited ("LDC") acts as a holding vehicle and is the main Limited Partner in LDC I LP, LDC II LP, LDC III LP, LDC IV LP, LDC V LP, LDC VI LP, LDC VII LP and LDC VIII LP ("the funds"). Collectively, as a whole LDC is a regionally based private equity house providing loan and equity finance to unquoted UK companies. LDC invests between £2m and £100m in companies with an enterprise value ordinarily between £10m and £150m. LDC's primary focus is on management buy-outs and it invests across a range of sectors. The valuation of the portfolio, including investments via subsidiaries as at 31 December 2019 was £1,866m (2018: £1,593m) held across 95 (2018: 95) entities.

The results of the company show a profit before tax of £197m for the year ended 31 December 2019 (2018: £275m).

Performance

2019 has been a period of strong performance in investment activity. We continue to back ambitious management teams, partnering with them to add tangible value to regional businesses.

To date, it has become clear that the spread of the COVID-19 virus will have a material impact on many economies globally, including the UK, both through the effects of the virus itself and the measures taken by governments to restrict its spread. LDC (Managers) Limited ('the manager') is monitoring the situation and is working closely with each investment company on the matter to mitigate risks identified during the course of this difficult period.

Key performance indicators

Notably, a significant proportion of income for the year ended 31 December 2019 was generated through realised gains. Exits completed per annum, the level of new investment written per annum and net asset value (see note 8 to the financial statements) are significant KPIs that are applicable to the business. LDC's KPIs are detailed below:

KPIs	2019	2018	Definition
Exits	12	23	Number of exits made during the year
	£330m	£1,029m	Total exit proceeds during the year
New investments	18	23	Number of new investments made during the year
	£365m	£437m	Value of new investments made during the year
Net asset value of investments including subsidiaries at FV	£1,866m	£1,593m	The NAV of all investments held and the company's subsidiaries at fair value

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 6

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 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 Lloyds Banking Group plc ('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 Lloyds Banking Group plc ('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 within the LBG Annual Report and Accounts for 2019, 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.

Supporting the UK Economy

Young people interested in business and entrepreneurship are critical to the future of the UK economy. During 2019, 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

The company has no employees (2018:nil). It uses the services of the manager for which a management fee, included in operating expenses, is made.

Suppliers

The company's approach to supplier management is in line with that of LBG. LBG's Sourcing & Supply Chain Management Policy applies to all businesses, divisions, and subsidiaries of LBG, including the company and has been designed to assist in managing the inherent risk in outsourcing services, and dealing with third party suppliers.

Principal risks and uncertainties

The key business risks and uncertainties affecting LDC are considered to relate to the performance of the wider UK economy. The potential impact of these risks and uncertainties is mitigated, however, by the diversified nature of the investment portfolio both by sector exposure and vintage and through the regular monitoring of the LDC's portfolio at operational and investment committee level. In line with IFRS 7, LDC has disclosed its financial risk management policy within note 4 to the financial statements.

On behalf of the board

C R Hurley
Director
26 August 2020

Report of the Directors
For the year ended 31 December 2019

Lloyds Development Capital (Holdings) 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:

M J Draper
C R Hurley
A T Rougier
W L D Chalmers (appointed 12 September 2019)
M G Culmer (appointed 21 June 2018, resigned 1 August 2019)

Future outlook

To date, it has become clear that the spread of the COVID-19 virus will have a material impact on many economies globally, including the UK, both through the effects of the virus itself and the measures taken by governments to restrict its spread.

The company is monitoring the situation and is working closely with each investment company on the matter to mitigate risks identified during the course of this difficult period. The directors remain confident that the company will to continue to deliver a good level of performance in the current challenging external environment.

Statement of directors' responsibilities

The directors are responsible for preparing the 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 Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the 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 IFRSs as adopted by the European Union 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 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.

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.

Report of the Directors continued
For the year ended 31 December 2019

Statement of disclosure of information to auditors

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

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and have been re-appointed.

Dividends

A dividend of £350m was paid to LBG Equity Investments Ltd in the year (2018: £250m).

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

C R Hurley
Director
26 August 2020

Independent auditors' report to the members of Lloyds Development Capital (Holdings) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lloyds Development Capital (Holdings) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 2019, the Statement of Comprehensive Income, the Statement of Cash Flows, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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 2019, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

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 2019 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.

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 set out on page 6, 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.

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 members 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 received 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.

Darren Meek

Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 August 2020

Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019	2018
		£000	£000
Revenue			
Movements in financial instruments at fair value	8	30,215	(112,635)
Movements in fair value of subsidiaries	8	200,128	442,914
Total Revenue		**230,343**	**330,279**
Operating expenses	5	(6,573)	(43,244)
Operating profit		**223,770**	**287,035**
Finance costs		(27,224)	(12,217)
Profit before taxation and total comprehensive income		**196,546**	**274,818**
Taxation	7	151	28,340
Profit after taxation and total comprehensive income		**196,697**	**303,158**

There is no other comprehensive income for the year.

All operations are continuing.

The notes on pages 14 to 38 form part of these financial statements.

Statement of Financial Position
As at 31 December 2019

	Note	2019	2018
		£000	£000
Assets			
Investment in subsidiaries	8 & 9	1,806,328	1,524,225
Financial assets at fair value	8	59,726	68,304
Taxation		-	51,491
Trade and other receivables	11	71,129	64,179
Cash and cash equivalents	12	60,052	185,938
Total assets		**1,997,235**	**1,894,137**
Liabilities			
Borrowed funds	13	1,350,197	1,079,235
Deferred Taxation	10	2,955	2,682
Taxation		5,634	-
Trade and other payables	14	77,462	97,930
Total liabilities		**1,436,248**	**1,179,847**
Equity			
Issued share capital	17	4,750	4,750
Retained earnings		556,237	709,540
Total equity		**560,987**	**714,290**
Total equity and liabilities		**1,997,235**	**1,894,137**

The financial statements on pages 10 to 38 were approved by the board of directors and signed on its behalf by

C R Hurley
Director

26 August 2020

The notes on pages 14 to 38 form part of these financial statements.
The registered number for the company is 01107542.

Statement of Changes in Equity
For the year ended 31 December 2019

	Note	Number of shares 000	Issued Share capital £000	Retained earnings £000	Total Equity £000
At 1 January 2019		4,750	4,750	709,540	714,290
Profit after taxation and total comprehensive income		-	-	196,697	196,697
Dividend paid	**16**	-	-	(350,000)	(350,000)
At 31 December 2019		**4,750**	**4,750**	**556,237**	**560,987**
At 1 January 2018		4,750	4,750	656,382	661,132
Profit after taxation and total comprehensive income		-	-	303,158	303,158
Dividend paid	**16**	-	-	(250,000)	(250,000)
At 31 December 2018		**4,750**	**4,750**	**709,540**	**714,290**

The notes on pages 14 to 38 form part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Profit after taxation	196,697	303,158
Adjustments for:		
Fair value through profit and loss	(230,343)	(330,279)
Finance Costs	27,224	12,217
Taxation	(151)	(28,340)
Operating profit before working capital changes	**(6,573)**	**(43,244)**
Changes in working capital		
Receivables and accrued income	(5,345)	34,217
Payables and accruals	1,338	(2,085)
Intercompany transactions	(22,659)	23,923
Changes in operational capital		
Purchase of investments	(462,616)	(437,430)
Sales proceeds	418,033	870,616
Cash used in / generated from operations	**(77,822)**	**445,997**
Interest received	5,821	1,576
Interest paid	(32,396)	-
Taxation received from group relief	57,549	2,405
Net cash used / generated from operating activities	**(46,848)**	**449,978**
Cash flows from / (used by) financing activities		
Dividends paid to the shareholder	(350,000)	(250,000)
Intercompany borrowing	270,962	(15,167)
Net cash used in financing activities	**(79,038)**	**(265,167)**
Increase / (Decrease) in cash and cash equivalents	**(125,886)**	**184,811**
Cash and cash equivalents at 1 January	**185,938**	**1,127**
Cash and cash equivalents at 31 December	**60,052**	**185,938**

The notes on pages 14 to 38 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2019

1. General information

The company's principal activity is the provision of loan and equity finance to unquoted UK companies and the company is incorporated and domiciled in England, United Kingdom. The company is a private company limited by shares.

The company's ultimate parent company and controlling party is Lloyds Banking Group plc, 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. As at 10 October 2017, 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 LBG Equity Investments Ltd. The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

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 as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets. A summary of the principal accounting policies is set out below.

b. Changes in accounting policy and presentation

The company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The nature and impact of each new standard and amendment is described below:

IFRS 16 Leases
IFRS 16 replaces IAS 17 'Leases' and eliminates the classification of leases as either operating leases or finance leases for a lessee and requires lease assets and lease liabilities to be recognised in the Statement of Financial Position, initially measured at present value of future lease payments. In addition, the depreciation of lease assets and interest on lease liabilities will be recognised in the Statement of Comprehensive Income. Cash payments will be separated into principal and interest in the Statement of Cash flows. This standard was effective from 1 January 2019.

The standard has had no impact on the company.

c. Consolidation of subsidiaries

Under the provisions of IFRS 10.4(a) and section 400 of the Companies Act 2006, consolidated group financial statements have not been prepared as the company is a wholly owned subsidiary of Lloyds Banking Group plc and are included by full consolidation in the consolidated financial statements of its parent, LBG.

Notes to the financial statements for the year ended 31 December 2019 continued

2. Accounting policies continued

d. 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, trade and other trade receivables.

Financial assets measured at fair value through profit or loss ("FVPL")
A financial asset is measured at FVPL if:

- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on the on different bases.

The company includes in this category:

- Equity instruments - These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains. Therefore they are considered to be held for trading. These investments attract dividend income.
- Debt instruments – These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains. Loan advances, which include preference shares, fall into this category. Preference shares carry mandatory dividend payments or are redeemable on a specified date or at the option of the shareholder and they attract a mixture of fixed interest and floating interest income.
- Investment in subsidiaries – In accordance with the exception under IFRS 10, the company does not consolidate subsidiaries in the financial statements. Investments in subsidiaries (including loans to subsidiaries) are accounted for as a financial instrument at FVPL.
- Investment is associates – In accordance with the exemption within IAS 28, the company does not account for its investments in associates using the equity method. Instead, it has elected to measure its investments in associates at FVPL.

2. Accounting policies continued

d. Financial instruments continued

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

Financial liabilities measured at fair value through profit or loss (FVPL)
A financial liability is measured at FVPL if it meets the definition of held for trading. The company currently does not hold any financial liabilities which would fall into this category.

Financial liabilities measured at amortised cost
This category includes all financial liabilities, other than those measured at FVPL. The company includes in this category borrowed funds, intercompany payables and other 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. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the company commits to purchase or sell the asset.

(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. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

Financial assets and financial liabilities which are classified as measured at amortised cost 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.

Notes to the financial statements for the year ended 31 December 2019 continued

2. Accounting policies continued

d. Financial instruments continued

(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 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.

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.

Notes to the financial statements for the year ended 31 December 2019 continued

2. Accounting policies continued

e. Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

f. Interest revenue and expense

Interest revenue and expense are recognised in the statement of comprehensive income for all interest bearing financial instruments using the effective interest method.

g. Dividend revenue

Dividend revenue is recognised on the date when the company's right to receive the payment is established.

Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. No dividend revenue was recognised in the year.

h. Net gain or loss on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at FVPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the first-in, first-out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

i. Dividends paid

Dividends are recognised in equity in the period in which they are declared.

j. 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 when conditions are fully satisfied.

2. Accounting policies continued

k. Taxation, including deferred income taxes

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.

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.

l. 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

2. Accounting policies continued

m. Foreign currency translation

The company's functional and presentation currency is British sterling. Foreign currency transactions are translated into British sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

n. Future accounting developments

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

3. Management estimates and judgements

There are no critical judgements associated with the application of the company's accounting policies.

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 estimates or individually significant assumptions where a reasonable alternative assumption would have a material impact on these financial statements, except the valuation of instruments.

Financial instruments
The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on international private equity and venture capital valuation guidelines. These include cost pricing for recent transactions, comparative industry price earnings ratios discounted for marketability and performance of the investee and net asset valuations for asset based investees, as an estimate of fair value. Key inputs and assumptions used in the models at 31 December 2019 include valuation multiples and multiple discounts (see note 8 to the financial statements for further and sensitivity analysis).

Deferred Tax
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.

4. Financial risk management

4.1 Introduction
The company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the company's continuing profitability. The company is exposed to market risk (which includes interest rate risk, currency risk and price risk), liquidity risk and credit risk.

Notes to the financial statements for the year ended 31 December 2019 continued

4. Financial risk management continued

4.2 Risk Mitigation and excessive risk concentration

By investing in established businesses with good growth prospects, the company exposes itself to various operational and financial risks. The company is exposed to fair value changes based on the performance of investee companies. The company protects the fair value of its investments by monitoring the accounts of its investees and through attendance at investee board meetings. Internal reporting allows management to inform the LDC board of developments and changes in the investment portfolio. Management also ensure that investees operate in a wide range of industries to reduce risk concentration.

4.3 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 company is exposed to fair value changes based on interest rates for loan advances designated at fair value. However, this risk is considered minimal in the context of the overall valuation of each investment. Additional disclosures are included in note 8.

Exposure to this risk is in regards to borrowed funds. The borrowing is unsecured and has a blended fixed interest rate of 2.68% (2018: 2.47% The borrowing is contractually repayable in multiple tranches with the first tranche maturing on 31 January 2020, the immediate parent undertaking has confirmed its long term support and ongoing funding of the company. The carrying amount of the borrowing as at 31 December 2019 is £1,350 million (2018: £1,078 million).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Investments in companies where the currency is different to that of the company are relatively small as a proportion of the total statement of financial position. Where an investment is made in a foreign currency, a loan of a matching amount is taken out to mitigate against any adverse movement in the foreign currency. The carrying amount of the foreign currency investments held at 31 December 2019 is £42m (2018: £71m).

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 is also exposed to price risk in relation to the price of shares listed on the London Stock Exchange and the Alternative Investment Market. Listed equity investments are relatively small as a proportion of the total statement of financial position. The carrying amount of the listed equity investments held at 31 December 2019 is £40k (2018: £32k).

4.4 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. Liquidity risk is minimal given the cash flow position and the continuing support of the ultimate parent entity. A maturity profile of the company's borrowings has been included as part of the disclosures included in note 8.

4.5 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.

Notes to the financial statements for the year ended 31 December 2019 continued

4. Financial risk management continued

4.5 Credit risk continued

The company is also exposed to credit risk through its loan advances to investee companies who are required to make cash payments to the company and cash flow risk as interest income fluctuates with the movement in market interest rates. The company's maximum credit exposure is represented by the carrying value in the statement of financial position or in the case of commitments to provide funds the contractual nominal amounts (see note 15). The credit quality of the whole investment portfolio and collectability of debt is reviewed quarterly as part of the portfolio valuations process.

The nature of the company's business indicates a different credit risk concentration of amounts owed by investee entities compared to those that are related parties or those who are third party to the company. The credit quality of these investments is based on the financial performance of the individual portfolio company.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

Financial assets subject to IFRS 9's impairment requirements

The company's financial assets subject to the expected credit loss model within IFRS 9 are only intercompany receivables and trade and other receivables. At 31 December 2019, the total of intercompany receivables and trade and other receivables was £71m, on which £1.4m loss allowance had been provided (2018: total of £64 million on which £18.2m loss had been incurred). There is not considered to be any material concentration of credit risk within these assets

As only the company only holds intercompany and trade and other 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.

Financial assets not subject to IFRS 9's impairment requirements

The company is exposed to credit risk on debt instruments, equity instruments and investments in subsidiaries and associates. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets, under both IFRS 9 represents the company's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments. Refer to additional disclosures on these financial assets included in note 8.

5. Operating expenses

The following items have been included in arriving at operating profit:

	2019	**2018**
	£000	**£000**
Management fees due to LDC (Managers) Limited	2,375	2,497
Auditors' remuneration – statutory audit	134	134
Impairment expense	1,405	18,156
Write off of intercompany balances	-	8,075
Other expenses	-	5,000
Indirect costs	2,659	9,382
Total	**6,573**	**43,244**

Notes to the financial statements for the year ended 31 December 2019 continued

6. Staff costs

a) Compensation

	2019 £'000	2018 £'000
Wages and salaries	-	-
Social security costs	-	-
Other Pension Costs	-	-
Total	**-**	**-**

The company does not have any employees aside from the directors, and did not incur any staff related costs during the year ended 31 December 2019 (2018: nil). All employee costs are now absorbed and paid by LDC (Managers) Limited.

b) Key management compensation

	2019 £'000	2018 £'000
Salaries and other short and long term benefits	2,163	2,337
Post Employment benefits	89	77

Key management comprise the directors of the company in office during the year. Amounts disclosed above represent the aggregate key management compensation payable to directors in respect of amounts incurred in both Lloyds Development Capital (Holdings) Limited and LDC (Managers) Limited.

c) Directors

	2019 £'000	2018 £'000
Aggregate emoluments	2,252	2,414
Aggregate amounts (excluding shares) receivable under long-term incenive schemes	-	-

The aggregate of the emoluments of the highest paid director for qualifying services to the company was £1,221,066 (2018: £1,344,514). No contributions were paid to the defined contribution pension scheme in respect of directors' qualifying services (2018: £nil). No share options were exercised in the year.

Notes to the financial statements for the year ended 31 December 2019 continued

7. Taxation

a) Analysis of charge for the year

	2019 £'000	2018 £'000
Analysis of Charge in year:		
Current tax for the year – current year	(5,072)	36,548
Current tax for the year – prior year	5,496	(9,324)
Deferred taxation - current year	(273)	2,508
Deferred taxation – prior year	-	(1,392)
Tax credit	**151**	**28,340**

Corporation tax is calculated at a rate of 19.00% (2018 : 19.00%) of the taxable profit for the year

b) Factors affecting the tax credit 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 credit for the year is given below.

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	196,546	274,818
Tax charge at UK corporation tax rate of 19.00% (2018:19.00%)	(37,344)	(52,215)
Effects of:		
Non-taxable fair value revaluations	35,539	82,105
Non-taxable UK dividends	8	-
Advanced Thin Capitalisation Agreement adjustment	3,094	4,755
Chargeable gains qualifying for exemption	5,391	33
Effect of reduction in deferred tax rate	32	(44)
Taxable loan relationship credits from partnerships brought in to tax	(12,065)	7,242
Other items	-	(2,821)
Tax for the year	(5,345)	39,055
Adjustments in respect of prior periods	5,496	(10,715)
Tax credit	**151**	**28,340**

Notes to the financial statements for the year ended 31 December 2019 continued

8. Financial Instruments

a) Financial Assets at fair value through profit or loss

	2019 £000	2018 £000
Equity Investments		
Listed equity	40	32
Unlisted equity	9,171	20,992
Investment in subsidiaries	1,806,328	1,524,225
Debt Instruments		
Loan advances	50,515	47,280
Total financial assets at fair value through profit or loss	**1,866,054**	**1,592,529**
Total financial liabilities at fair value through profit or loss	**-**	**#N/A**
Net changes in fair value of financial assets and financial liabilities through profit or loss		
Movement in investment in subsidiaries	200,128	442,914
Movement in other financial instruments at FV	30,215	(112,635)
Total net changes	**230,343**	**330,279**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for idenaletical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

Notes to the financial statements for the year ended 31 December 2019 continued

8. Financial Instruments continued

b) Movement in fair value – valuation hierarchy

2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets carried at fair value				
Assets				
Financial assets designated at fair value through profit or loss:				
Listed equity	40	-	-	40
Unlisted equity	-	-	9,171	9,171
Loan advances	-	-	50,515	50,515
Investment in subsidiaries	-	-	1,806,328	1,806,328
Total financial assets carried at fair value 31 December	**40**	**-**	**1,866,014**	**1,866,054**

2018	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets carried at fair value				
Assets				
Financial assets designated at fair value through profit or loss:				
Listed equity	32	-	-	32
Unlisted equity	-	-	20,992	20,992
Loan advances	-	-	47,280	47,280
Investment in subsidiaries	-	-	1,524,225	1,524,225
Total financial assets carried at fair value 31 December	**32**	**-**	**1,592,497**	**1,592,529**

Assets included in Level 1 of the valuation hierarchy are quoted UK equities, valued using the listed price at the end of the reporting period.

Notes to the financial statements for the year ended 31 December 2019 continued

8. Financial Instruments continued

Movements in Level 3 portfolio

Financial assets and liabilities carried at fair value	**Unlisted Equity**	**Loan Advances**	**Investment in Subsidiaries**	**Total level 3 assets carried at fair value**
	£000	**£000**	**£000**	**£000**
At 1 January 2019	20,992	47,280	1,524,225	1,592,497
Movements in fair value of subsidiaries			200,128	200,128
Movements in financial instruments at fair value	16,893	10,766	-	27,659
				-
Additions	-	8,664	453,952	462,616
Disposals	(28,714)	(16,195)	(371,977)	(416,886)
At 31 December 2019	**9,171**	**50,515**	**1,806,328**	**1,866,014**

Financial assets and liabilities carried at fair value	**Unlisted Equity**	**Loan Advances**	**Investment in Subsidiaries**	**Total level 3 assets carried at fair value**
	£000	**£000**	**£000**	**£000**
At 1 January 2018	36,761	228,055	1,440,584	1,705,400
Movements in fair value of subsidiaries	-	-	442,914	442,914
Movements in financial instruments at fair value	(15,769)	(96,686)	-	(112,455)
Additions	-	2,001	478,267	480,268
Disposals	-	(86,090)	(837,540)	(923,630)
At 31 December 2018	**20,992**	**47,280**	**1,524,225**	**1,592,497**

Financial assets include investments in the equity of medium-sized companies and loan advances to them. These financial assets are designated as fair value through profit or loss. Typically the fair value of an equity investment and loan advances to the same investee are intrinsically linked. Uncollectable loan advances are recognised in the fair valuation process and written down accordingly.

The revenue, in the form of dividends, from shares in subsidiary investments was £nil (2018: £nil million).

Notes to the financial statements for the year ended 31 December 2019 continued

8. Financial Instruments continued

Other financial assets and liabilities
The fair value of borrowed funds as at 31 December 2019 is £1,368m (2018: £1,061m).

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including: intercompany receivables; trade and other receivables; cash and cash equivalents; intercompany payables and trade and other payables.

Transfers between Level 1 and Level 3
There have been no transfers between Level 1 and Level 3 during the reporting year ended 31 December 2019 (2018: none).

c) Loan advances – interest rate and cash flow interest rate risk

Interest rate risk arises from the different repricing characteristics of the assets and liabilities. The contractual re-pricing dates of the loan advances at the end of the reporting year:

Interest rate, re-set period	**Less than 1 month**	**1- 3 months**	**3 – 12 months**	**Over 12 months**	**Floating Interest**	**Total Debt**
Fair value	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 December 2019	-	19,251	26,264	5,000	-	50,515

Interest rate, re-set period	**Less than 1 month**	**1- 3 months**	**3 – 12 months**	**Over 12 months**	**Floating Interest**	**Total Debt**
Fair value	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 December 2018	-	-	39,276	8,004	-	47,280

Changes in interest rates do not have a material impact on the fair value of loan advances and consequently do not materially impact the profit and loss. The interest rates of these loan advances are fixed with no-predetermined interest rate re-set date.

The company manages its interest rate risk through its investment process as each loan instrument is agreed on a case by case basis.

The revenues arising from interest and dividends for the year were £2.5m (2018: £1.2m) and £nil (2018: £nil) respectively.

d) Financial asset – credit and equity risk exposure

By investing in emerging businesses, directly and through its subsidiaries, the company exposes itself to credit and equity risk from its investee companies.

The nature of a private equity investor results in a concentration of credit and equity risk in 'unrated entities.' This is due to the lack of publicly available information from which to rate entities and the fact that the majority of investees are new businesses with limited financial history. The company and its parent are aware of this concentration and mitigate credit and equity risk by monitoring the financial performance of its investees and through attendance at investee board meetings. The company is not exposed to significant market price risk for listed shares due to the low value of listed shares held.

Notes to the financial statements for the year ended 31 December 2019 continued

8. Financial Instruments continued

e) Financial instrument maturity

At 31 December 2019	On Demand £000	Up to 1 month £000	1 - 3 months £000	3 - 12 months £000	1 - 5 years £000	Over 5 years £000	Undated £000	Total £000
Cash and short term funds	60,052	-	-	-	-	-	-	60,052
Current trade and other receivables	-	-	10,125	788	-	-	-	10,913
Non current receivables	-	-	-	-	-	-	-	-
Receivables from subsidiaries	60,216	-	-	-	-	-	-	60,216
Equity investments	-	-	-	-	-	-	10,368	10,368
Loan advances	-	-	19,251	25,107	5,000	-	-	49,358
Investments in subsidiaries	-	-	-	-	-	-	1,806,328	1,806,328
Trade and other payables	-	-	(1,435)	-	-	-	-	(1,435)
Payables to subsidiaries	(82,489)	-	-	-	-	-	-	(82,489)
Payables to parent undertaking	(2,216)	-	-	-	-	-	-	(2,216)
Borrowed Funds	-	(8,846)	-	(338,038)	(1,003,313)	-	-	(1,350,197)
Total assets	120,268	-	29,376	25,895	5,000	-	1,816,696	1,997,235
Total liabilities	(84,705)	(8,846)	(1,435)	(338,038)	(1,003,313)	-	-	(1,436,337)
Net liquidity gap	**35,563**	**(8,846)**	**27,941**	**(312,144)**	**(998,313)**	**-**	**1,816,696**	**560,898**

At 31 December 2018	On Demand £000	Up to 1 month £000	1 - 3 months £000	3 - 12 months £000	1 - 5 years £000	Over 5 years £000	Undated £000	Total £000
Cash and short term funds	185,938	-	-	-	-	-	-	185,938
Current trade and other receivables	-	-	5,882	5,507	-	-	-	11,389
Non current receivables	-	-	-	-	-	-	-	-
Receivables from subsidiaries	52,790	-	-	-	-	-	-	52,790
Equity investments	-	-	-	-	-	-	21,024	21,024
Loan advances	-	-	-	39,276	8,004	-	-	47,280
Investments in subsidiaries	-	-	-	-	-	-	1,524,225	1,524,225
Trade and other payables	-	-	(6,670)	-	-	-	-	(6,670)
Payables to subsidiaries	(68,561)	-	-	-	-	-	-	(68,561)
Payables to parent undertaking	(22,699)	-	-	-	-	-	-	(22,699)
Borrowed Funds	-	(71,235)	-	(224,000)	(784,000)	-	-	(1,079,235)
Total assets	238,728	-	5,882	44,783	8,004	-	1,545,249	1,842,646
Total liabilities	(91,260)	(71,235)	(6,670)	(224,000)	(784,000)	-	-	(1,177,165)
Net liquidity gap	**147,468**	**(71,235)**	**(788)**	**(179,217)**	**(775,996)**	**-**	**1,545,249**	**665,481**

The company is reliant on funding provided by LBG Equity Investments Limited. Included in 'borrowed funds' is the loan amount owed to LBG Equity Investments Limited of £1,350 million (2018: £1,079 million).The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the company will continue to receive funding in the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

The profiling of the company's loan advances has been made on the basis of redemption date of the company's loan note. Where this cannot be predicted with accuracy, due to the uncertainty regarding the timing of sale, the maturity date of the asset has been shown as 'undated'. The company manages liquidity risk by monitoring mismatches between asset and liability maturity. In general, the company seeks to ensure that it has sufficient short-term assets to meet its liquidity needs.

The interest expense for the year is disclosed on the face of the statement of comprehensive income.

Notes to the financial statements for the year ended 31 December 2019 continued

8. Financial Instruments continued

f) Valuation methodology for financial assets

Assets included in level 3 in the valuation hierarchy fall into two categories, described below:

Fund investments
Third party valuations are used to obtain the fair value of investments in private equity funds. Management take account of any pertinent information, such as recent transactions and information received on particular investments, to adjust the third party valuations where necessary. Additionally for Fund Investments the most recent capital account value calculated by the fund manager is used as the basis for the valuation and adjusted, if necessary, to align valuation techniques with the Group's valuation policy.

Unlisted equities
Unlisted equity are valued using different techniques in accordance with the Group's valuation policy and International Private Equity and Venture Capital (IPEV) Guidelines.

Depending on the business sector and the circumstances of the investment, unlisted equity valuations are based on earnings multiples, net asset values or discounted cash flows.

- A number of earnings multiples are used in valuing the portfolio including price earnings, earnings before interest and tax and earnings before interest, tax, depreciation and amortisation. The particular multiple selected being appropriate for the type of business being valued and is derived by reference to the current market-based multiple. Consideration is given to the risk attributes, growth prospects and financial gearing of comparable businesses when selecting an appropriate multiple.

- Discounted cash flow valuations use estimated future cash flows, usually based on management forecasts, with the application of appropriate exit yields or terminal multiples and discounted using rates appropriate to the specific investment, business sector or recent economic rates of return. Recent transactions involving the sale of similar businesses may sometimes be used as a frame of reference in deriving an appropriate multiple.

Also included are investments in subsidiaries, valued at fair value using the most recent audited financial statements. The fair value of subsidiaries is based on the net asset value which are determined by valuing underlying fund investments and unlisted equities on the basis as outlined above.

Key inputs and assumptions used in the models at 31 December 2019 include valuation multiples and multiple discounts. The valuation multiples are based on the median of comparator company multiples which are then discounted as appropriate. It is reasonably possible that an alternative discount factor of plus or minus 10% could be applied to the multiple used in these valuations. The effect of this is shown in the table below.

	Favourable	**Unfavourable**
At 31 December 2019	**£000**	**£000**
Movement in financial assets at fair value	94,243	(94,243)

	Favourable	**Unfavourable**
At 31 December 2018	**£000**	**£000**
Movement in financial assets at fair value	53,673	(53,673)

Notes to the financial statements for the year ended 31 December 2019 continued

9. Investments in subsidiaries

The company's direct interests in unconsolidated structured entities comprise investments in limited partnerships with a total carrying value of £1,806m as at 31 December 2019 (2018: 1,524m), included within investment in subsidiaries. The table below outlines the carrying value of assets and liabilities relating to the Company's interest in each structured entity as well as LDC Managers which is a fully owned subsidiary. The remaining subsidiaries are dormant entities with no material assets or liabilities.

31 December 2019	LDC (Managers) £'000	LDC I LP £'000	LDC II LP £'000	LDC III LP £'000	LDC IV LP £'000	LDC V LP £'000	LDC VI LP £'000	LDC VII LP £'001	LDC VIII LP £'001	Total £'000
Current										
Cash and Cash equivalents	6,646	27	81	16	80	316	144	29,661	10	36,981
Other current assets	3,895	6,991	1,950	1,087	5,031	10,726	28,404	22,535	20,095	100,714
Total current assets	**10,541**	**7,018**	**2,031**	**1,103**	**5,111**	**11,042**	**28,548**	**52,196**	**20,105**	**137,695**
Financial liabilities	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(80,055)	(1,136)	(905)	(952)	(1,890)	(4,191)	(7,953)	(7,650)	(14,066)	(118,798)
Total current liabilities	**(80,055)**	**(1,136)**	**(905)**	**(952)**	**(1,890)**	**(4,191)**	**(7,953)**	**(7,650)**	**(14,066)**	**(118,798)**
Non current assets	**73,248**	**91,364**	**65,513**	**59,548**	**110,734**	**258,408**	**475,184**	**429,088**	**372,153**	**1,935,240**
Financial liabilites	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**-**	-	-	-	-	-	-	-	-	**-**
Net assets	**3,734**	**97,246**	**66,639**	**59,699**	**113,955**	**265,259**	**495,779**	**473,634**	**378,192**	**1,954,137**

31 December 2018	LDC (Managers) £'000	LDC I LP £'000	LDC II LP £'000	LDC III LP £'000	LDC IV LP £'000	LDC V LP £'000	LDC VI LP £'000	LDC VII LP £'001	Total £'000
Current									
Cash and Cash equivalents	2,423	3,359	802	6,481	72,330	752	3,547	666	90,360
Other current assets	4,197	7,924	8,649	1,930	3,047	13,227	19,862	24,983	83,819
Total current assets	**6,620**	**11,283**	**9,451**	**8,411**	**75,377**	**13,979**	**23,409**	**25,649**	**174,179**
Financial liabilities	-	-	-	-	-	-	-	-	-
Other current liabilities	(16,057)	(1,515)	(3,962)	(1,428)	(1,801)	(4,848)	(6,665)	(17,536)	(53,812)
Total current liabilities	**(16,057)**	**(1,515)**	**(3,962)**	**(1,428)**	**(1,801)**	**(4,848)**	**(6,665)**	**(17,536)**	**(53,812)**
Non current assets	**66,558**	**89,818**	**158,354**	**89,229**	**144,170**	**305,262**	**387,874**	**413,355**	**1,654,620**
Financial liabilites	-	-	-	-	-	-	-	-	-
Other liabilities	(52,741)	-	-	-	-	-	-	-	(52,741)
Total non-current liabilities	**(52,741)**	-	-	-	-	-	-	-	**(52,741)**
Net assets	**4,380**	**99,586**	**163,843**	**96,212**	**217,746**	**314,393**	**404,618**	**421,468**	**1,722,246**

Notes to the financial statements for the year ended 31 December 2019 continued

9. Investments in subsidiaries continued

The Company has 100% interest in subsidiaries listed below:

Company	Principal activity	Registered Address
LDC (Managers) Limited	Venture capital fund manager	One Vine Street, London, W1H 0AH
LDC (General Partner) Limited	General partner in venture capital funds	One Vine Street, London, W1H 0AH
LDC (Nominees) Limited	Nominee company	One Vine Street, London, W1H 0AH
LDC Parallel (Nominees) Limited	Nominee company	One Vine Street, London, W1H 0AH
LDC I LP	Investment Vehicle	37 Queen's Road, Aberdeen, AB15 4ZN
LDC II LP	Investment Vehicle	37 Queen's Road, Aberdeen, AB15 4ZN
LDC III LP	Investment Vehicle	37 Queen's Road, Aberdeen, AB15 4ZN
LDC IV LP	Investment Vehicle	37 Queen's Road, Aberdeen, AB15 4ZN
LDC V LP	Investment Vehicle	37 Queen's Road, Aberdeen, AB15 4ZN
LDC VI LP	Investment Vehicle	37 Queen's Road, Aberdeen, AB15 4ZN
LDC VII LP	Investment Vehicle	37 Queen's Road, Aberdeen, AB15 4ZN
LDC VIII LP	Investment Vehicle	One Vine Street, London W1J 0AH

The company has an interest in 100% of the issued share capital of each of the above companies. In addition to the above, the company is the sole limited partner in the direct investment vehicles LDC I LP, LDC II LP, LDC III LP, LDC IV LP, LDC V LP, LDC VI LP, LDC VII LP and LDC VIII LP.

Investments in associated undertakings

Associate investees are those investee entities where the company or any of its subsidiaries has voting rights of between 20 and 49.9 per cent. Voting rights and potential voting rights are restricted to a maximum combined total of 49.9%. The company has between 20.0% and 49.9% equity voting rights in the following entities which it holds directly itself or indirectly through it's subsidiaries:

Included in the below list of companies are a number of entities where LDC (Holdings) Limited has restricted thier voting rights so as to remain below 49.9% of the votes.

Company	Country	Direct / Indirect	LDC Voting %	Company	Country	Direct / Indirect	LDC Voting %
Woodbury Residual Limited	England & Wales	Direct	49.9%	PPCE Holdings Limited	England & Wales	Indirect	43.0%
Personal Touch Holdings Limited	England & Wales	Direct	49.9%	Hamsard 3468 Limited	England & Wales	Indirect	42.9%
Khl 2017 Limited	England & Wales	Direct	49.9%	Scenic Topco Limited	England & Wales	Indirect	42.4%
Angus International Safety Group Limited	England & Wales	Indirect	49.9%	Applied Composites Group Limited	England & Wales	Indirect	42.3%
Fishawack Limited	England & Wales	Indirect	49.9%	United House Group Holdings Ltd	England & Wales	Direct	41.9%
Adler & Allan Group Limited	England & Wales	Indirect	49.5%	Ssp Topco Limited	England & Wales	Indirect	41.1%
Express Engineering (Group) Limited	England & Wales	Indirect	49.4%	Stratus (Holdings) Ltd	England & Wales	Direct	40.4%
Eley Group Limited	England & Wales	Indirect	49.4%	Onapp (Topco II) Ltd	England & Wales	Direct	40.4%
Croud Holdings Limited	England & Wales	Indirect	49.4%	Onapp (Topco) Ltd	England & Wales	Direct	40.4%
Ensco 1320 Limited	England & Wales	Indirect	49.4%	Ingleby (2016) Limited	England & Wales	Indirect	40.2%
Ensco 1322 Limited	England & Wales	Indirect	49.4%	Global Autocare Holding Limited	England & Wales	Indirect	40.1%
Ensco 1327 Limited	England & Wales	Indirect	49.4%	Temple Topco Limited	England & Wales	Indirect	39.4%
Ensco 1337 Limited	England & Wales	Indirect	49.4%	Linley & Simpson Holdings Limited	England & Wales	Indirect	39.3%
Ensco1314 Limited	England & Wales	Indirect	49.4%	Iglufastnet Limited	England & Wales	Indirect	39.1%
Escapade Bidco Limited	England & Wales	Indirect	49.4%	Specialist People Services Group Limited	England & Wales	Direct	39.1%
Highlands Bidco Limited	England & Wales	Indirect	49.4%	Ciphr Group Limited	England & Wales	Indirect	38.6%
Jupiter Bidco Limited	England & Wales	Indirect	49.4%	Addo Food Group (Holdings) Limited	England & Wales	Indirect	38.4%
Measured Identity Hub Limited	England & Wales	Indirect	49.4%	Williams Topco Limited	England & Wales	Indirect	37.9%
Mfs Groupco Limited	England & Wales	Indirect	49.4%	Ellis Whittam (Holdings) Limited	England & Wales	Indirect	37.8%
Sgi Holdings Limited	England & Wales	Indirect	49.4%	Shoo 802Aa Limited	England & Wales	Indirect	37.2%
Panther Partners Limited	England & Wales	Indirect	49.1%	Everest Acquisition Company Limited	England & Wales	Indirect	36.8%
Solo Topco Limited	England & Wales	Indirect	47.6%	Rocket Science Holdings Limited	England & Wales	Indirect	35.7%
Pimco (Holdings) Ltd	England & Wales	Direct	46.9%	Duncan And Todd Holdings Limited	England & Wales	Indirect	35.7%
Ramco Acquisition Limited	England & Wales	Indirect	46.8%	Project Chicago Newco Limited	England & Wales	Indirect	35.7%
Airline Services And Components Group Limited	England & Wales	Indirect	46.3%	Zwpv Limited	England & Wales	Indirect	35.7%
Evolution Funding Group Limited	England & Wales	Indirect	44.6%	Blue Bay Travel Group Limited	England & Wales	Indirect	35.6%
Bacchus Newco Limited	England & Wales	Indirect	44.5%	Neilson Active Holidays Group Limited	England & Wales	Indirect	35.6%
Magicard Holdings Limited	England & Wales	Indirect	44.5%	Stroma Group Limited	England & Wales	Indirect	35.5%
Mitrefinch Holdings Limited	England & Wales	Indirect	44.5%	Ensek Holdings Limited	England & Wales	Indirect	33.7%
Sigmat Group Limited	England & Wales	Indirect	44.5%	HTF Finco Limited	England & Wales	Indirect	33.3%
Aghoco 1472 Limited	England & Wales	Indirect	44.5%	The Power Industrial Group Limited	England & Wales	Direct	32.2%
Babble Cloud Holdings Limited	England & Wales	Indirect	44.5%	Timec 1667 Limited	England & Wales	Indirect	31.7%
Cardel Group Limited	England & Wales	Indirect	44.5%	Citysprint (Uk) Holdings Limited	England & Wales	Indirect	28.3%
Ginger Acquisition Company Limited	England & Wales	Indirect	44.5%	London Topco Limited	England & Wales	Indirect	28.3%
Asset Solutions Group Ltd	England & Wales	Indirect	44.5%	Paladone Holdings Limited	England & Wales	Indirect	26.5%
Project Belize Limited	England & Wales	Indirect	44.5%	Archer Topco Ltd	Jersey	Indirect	25.6%
Project Sketch Limited	England & Wales	Indirect	44.5%	Pertemps Network Group Limited	England & Wales	Indirect	25.5%
Seahawk Bidco Limited	England & Wales	Indirect	44.5%	Right Choice Holdings Limited	England & Wales	Indirect	22.8%
Timec 1634 Limited	England & Wales	Indirect	44.5%	Project Polka Bidco Limited	England & Wales	Indirect	21.8%
Aqualisa Holdings (International) Limited	England & Wales	Indirect	44.5%	Lf (Holdco) Limited	England & Wales	Indirect	21.2%
Osprey Aviation Services (Uk) Limited	England & Wales	Indirect	44.5%	Couple Holdco Limited	England & Wales	Indirect	20.0%
Dino Newco Limited	England & Wales	Indirect	44.5%				

Notes to the financial statements for the year ended 31 December 2019 continued

9. Investments in subsidiary undertakings continued

All investments are accounted for at fair value through profit and loss. The total assets for all related associates are £4,745m (2018: £4,087m) and the total liabilities are £5,021m (2018: £4,334m). The total turnover of all associate investees is £4,285m (2018: £4,522m) and made an aggregate loss before tax of approximately £187m (2018: £125m loss). In addition, the company and its subsidiaries have provided £1,265m (2018: £1,141m) of financing to these companies on which earned £86m (2018: £48m) of interest income in the year.

10. Deferred taxation

	2019 £000	2018 £000
At 1 January	2,682	3,798
Income statement charge – prior year	-	1,392
Income statement charge – current year	306	(2,552)
Movement in equity	-	-
Effect of reduction in deferred tax rate	(33)	44
At 31 December	2,955	2,682
Deferred taxation at 31 December comprises:		
Short-term temporary timing differences	2,955	2,682
Other timing differences	-	-
	2,955	2,682

A deferred tax asset of £2.9 million (2018: £4.3 million) relating to unrealised fair value losses has not been recognised on the basis that the Company has insufficient certainty around the timing of forecast taxable gains to recover the asset in future periods. Once crystallised following the disposal of assets, capital losses can be carried forward indefinitely.

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. Within the March 2020 budget, the UK government stated its intention to maintain the corporation tax rate at 19 per cent with effect from 1 April 2020. This intention to maintain the corporation tax rate was enacted under the Provisional Collection of Taxes Act 1968 on 17 March 2020. The effect of this proposed rate change on the Company's deferred tax balances has been assessed and is not significant

11. Trade and Other Receivables

	2019 £000	2018 £000
Trade and Other Receivables	10,125	5,882
Receivables from subsidiaries	60,216	52,790
Accrued Income	788	5,507
	71,129	**64,179**

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. Typically debtors are settled monthly and are not secured by collateral. At the end of the reporting year, none of the debtors were considered uncollectable.

Notes to the financial statements for the year ended 31 December 2019 continued

12. Cash and Cash Equivalents

	2019 £000	2018 £000
Cash and Cash Equivalents	60,052	185,938
Total	**60,052**	**185,938**

There is no restricted cash held at the balance sheet date.

13. Borrowed funds

	2019 £000	2018 £000
Loan owed to Lloyds Bank Plc	-	71,235
Loan owed to LBG Equity Investments Ltd	1,350,197	1,008,000
Total	**1,350,197**	**1,079,235**

The borrowing is unsecured and has a blended fixed interest rate of 2.68% (2018: 2.47%). The loan is contractually repayable in 9 tranches with the maturity dates every 6 months with the first tranche maturing on 11 January 2019, although the immediate parent undertaking has confirmed its long term support and ongoing funding of the company. Interest charges are payable quarterly.

The fair value of borrowed funds as at 31 December 2019 is £1,368m (2018: £1,061m).

14. Trade and other payables

	2019 £000	2018 £000
Trade and other payables	945	623
Current accruals and deferred income	490	6,047
Payables to parent undertaking	2,216	22,699
Payables to subsidiaries	73,811	68,561
	77,462	**97,930**

Trade and other payables are stated at their nominal value, being their initial fair value, are repayable on demand, unsecured and are not interest bearing. The carrying value approximates the fair value.

Notes to the financial statements for the year ended 31 December 2019 continued

15. Contingent liabilities and commitments

Commitments

At 31 December 2019 the company had given commitments to provide additional funds to no investment (2018: 2, totalling £3.2 million). The magnitude of the interest rate risk inherent in these commitments will not be understood until the loans are drawn down.

Guarantees

At 31 December 2019 the company had issued guarantees to third parties in respect of liabilities of 2 investee companies (2018: 3) amounting to £1.8 million (2018: £5.5 million).

Expiry within	**Up to 1 month**	**1- 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Dec-19	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Investment Commitment	-	-	-	-	-	-
Guarantees	-	-	-	4,338	-	4,338
	-	**-**	**-**	**4,338**	**-**	**4,338**

Expiry within	**Up to 1 month**	**1- 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
Dec-18	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Investment Commitment	3,000	-	213	-	-	3,213
Guarantees	-	-	5,500	-	-	5,500
	3,000	**-**	**5,713**	**-**	**-**	**8,713**

16. Dividends paid

	2019	**2018**
	£000	**£000**
Dividend paid	350,000	250,000
Total	**350,000**	**250,000**

17. Issued Share Capital

The company is 100% owned by LBG Equity Investments 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.

Notes to the financial statements for the year ended 31 December 2019 continued

18. 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 shareholders.

19. Related party transactions and balances

Lloyds Banking Group plc, investee companies, and the company's subsidiary companies all meet the IAS 24 definition of related parties. These entities are involved in the majority of transactions with the company and are typically counterparties to all statement of financial position items. A breakdown of the amounts due to group undertakings are shown in Notes 13 and 14 and the amounts due from group undertakings are shown in Note 11, while interest accrued is disclosed in the statement of comprehensive income.

The LDC Co–investment Plans and Opportunity Clubs also meet the IFRS definition of a related party as a subsidiary of the company acts as manager of each plan. The full list of these entities to which the company is a related party is disclosed in Note 19.

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 employees of the company. The proportion available for this investment is determined by the plan committee and is funded by the respective individuals.

LDC (Managers) Limited is a related party to Lloyds Developments Capital (Holdings) Limited. LDC (Managers) Limited is a company limited by shares, domiciled and incorporated in the United Kingdom.

During the year, the LDC Co-investment Plans and Opportunity Clubs invested £4.4m (2018: £3.4m) in new investments in which the company also has an interest.

The investment portfolio of the LDC group of entities also defined as a related party. In compliance with Section 409 of the Companies Act 2006, the following comprises of a list of all related undertakings of LDC, as at 31 December 2019. The list includes each undertaking's country of incorporation (UK unless otherwise stated) and the percentage of class(es) of shares held. LDC held an investment in the following companies as at 31 December 2019.

Key management compensation has been disclosed in full in Note 6. There were no other related party transactions in the year relating to the Directors of the company.

Subsidiary undertakings

Lloyds Development Capital (Holdings) Limited directly holds a majority of the voting rights of the following subsidiary undertakings:

Name of Subsidiary	LDC Voting %	Name of Subsidiary	LDC Voting %
LDC Managers) Limited	100%	LDC I LP	100%
LDC (General Partner) Limited	100%	LDC II LP	100%
LDC (Nominees) Limited	100%	LDC III LP	100%
LDC Parallel (Nominees) Limited	100%	LDC IV LP	100%
		LDC V LP	100%
		LDC VI LP	100%
		LDC VII LP	100%

Notes to the financial statements for the year ended 31 December 2019 continued

19. Related party transactions and balances continued

Associate undertakings

Lloyds Development Capital (Holdings) Limited holds the voting rights of the associate undertakings as detailed in Note 9.

Related Undertakings

Lloyds Development Capital (Holdings) Limited has a participating interest in the following undertakings:

Name of Related Undertaking	Direct/ Indirect	LDC Voting %	Name of Related Undertaking	Direct / Indirect	LDC Voting %
Keoghs Topco Limited	Indirect	18.7%	LDC Co-investment Plan 2000B		n/a
Aquila Bidco Limited	Indirect	18.7%	LDC Co-investment Plan 2001A		n/a
Kite Topco Limited	Indirect	17.5%	LDC Co-investment Plan 2001B		n/a
Rainbow Holdco Limited	Direct	17.2%	LDC Co-investment Plan 2002		n/a
Chiron Bidco Limited	Indirect	15.0%	LDC Co-investment Plan 2005		n/a
Kmhd Flooring Holdco Limited	Indirect	14.0%	LDC Co-investment Plan 2006		n/a
Project Seattle Topco Limited	Indirect	14.0%	OBS 2007		n/a
Helsinki Topco Limited	Indirect	13.9%	OBS 2008		n/a
Atlantic Healthcare Plc	Indirect	13.0%	OBS 2009		n/a
Ce Topco Limited	Indirect	12.3%	OBS 2010		n/a
Adp Primary Care Acquisitions Limited	Direct	10.1%	OBS 2011		n/a
Bh Group Topco Limited	Indirect	10.1%	LDC Opportunity Club 2010		n/a
Safety Topco Limited	Indirect	10.0%	LDC Opportunity Club 2009		n/a
Clean Topco Limited	Indirect	9.8%	LDC Parallel I LP		n/a
Lhtca Bidco Limited	Indirect	9.7%	LDC Parallel II LP		n/a
Canopy Holdco Limited	Indirect	9.1%	LDC Parallel III LP		n/a
Kirk Topco Limited	Indirect	6.4%	LDC Parallel IV LP		n/a
Black Swan Data Ltd	Indirect	5.4%	LDC Parallel V LP		n/a
Panacea Healthcare Group Holdings Limited	Indirect	0.0%	LDC Parallel VI LP		n/a
Alchemilla I LP		n/a	LDC Parallel VII LP		n/a
Bergamot II LP		n/a	LDC Parallel VIII LP		n/a
Calendula III LP		n/a	LDC Equity II LP		n/a
Damera IV LP		n/a	LDC Equity III LP		n/a
LDC Carry V LP		n/a	LDC Equity IV LP		n/a
LDC Carry VI LP		n/a	LDC Equity V LP		n/a
LDC Carry VII LP		n/a	LDC Equity VI LP		n/a
LDC Carry VIII LP		n/a	LDC Equity VII LP		n/a
LDC Co-investment Plan 2000A		n/a	LDC GP LLP		n/a

Notes to the financial statements for the year ended 31 December 2019 continued

20. Subsequent Events

Since the year end, it has become clear that the spread of the COVID-19 coronavirus will have a material impact on many economies globally, including the UK, both through the effects of the virus itself and the measures taken by governments to restrict its spread.

Given the timing of the emergence and the spread of the COVID-19 virus, this is considered to be a non-adjusting post balance sheet event and so the measurement of assets and liabilities in the accounts have not been adjusted for its potential impact.

While it is too early to determine the full extent and duration of this or make an estimate of its financial effect, the virus is likely to have a material impact on the investment portfolio and its valuation. The potential impact cannot be reliably quantifies at this stage. The manager is monitoring the situation and is working closely with each portfolio company on this matter.