LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

MEMBER OF LLOYDS BANKING GROUP PLC

Registered office

One Vine Street, London W1J 0AH

Registered number

01107542

Directors

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

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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.

Business review and principal activities

Lloyds Development Capital (Holdings) Limited ("LDC" or " the company") 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, LDC VIII LP and LDC IX 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 2020 was £1,757m (2019: £1,866m) held across 92 (2019: 95) entities.

The results of the company show a profit before tax of £233m for the year ended 31 December 2020 (2019: £197m).

The net assets of the company as at 31 December 2020 was £616m (2019: £561m).

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.

Key performance indicators ("KPIs")

Notably, a significant proportion of income for the year ended 31 December 2020 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	2020	2019	Definition
Exits	14	12	Number of exits made during the year
	£667m	£330m	Total exit proceeds during the year
New investments	14	18	Number of new investments made during the year
	£241m	£365m	Value of new investments made during the year
Net asset value of investments including subsidiaries at FV	£1,757m	£1,866m	The NAV of all investments held and the company's subsidiaries at fair value

Strategic Report continued

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 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 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 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.

Supporting the UK Economy

Young people interested in business and entrepreneurship are critical to the future of the UK economy. Since 2019, the company has partnered with The Prince's Trust to support young entrepreneurs across the UK over the till 2021, 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 (2019: none). It uses the services of LDC (Managers) Ltd (" the manager") for which a management fee, included in operating expenses, is made.

Suppliers

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

Strategic Report continued

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.

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 are 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

A T Rougier
Director
21 June 2021

Report of the Directors for the year ended 31 December 2020

Lloyds Development Capital (Holdings) Limited ("LDC" or " the company") is a company limited by shares, domiciled and incorporated in the England.

The company's principal activities are disclosed in the Stageic Report on pages 4 – 6.

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
M J Draper
C R Hurley (resigned 3 February 2021)
A T Rougier

Future outlook

While overall the company 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.

The company's principal risks and uncertainties are disclosed in the Stageic Report on pages 4 – 6.

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.

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

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.

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.

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.

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the company are deemed re-appointed for each financial year unless the Directors of the company resolve to terminate their appointment. Following the completion of a tender process, Deloitte LLP are to be appointed as auditors of the company for accounting periods ending on or after 31 December 2021.

Dividends

A dividend of £225m was approved and paid to LBG Equity Investments Limited in the year (2019: £350m).

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
21 June 2021

Independent auditors' report to the directors 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 2020 and of its profit 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, Statement of Cash Flows and 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, 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

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 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 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 movements in financial instruments at fair value and subsidiaries, and management bias in estimation with respect to the valuation of the investments. Audit procedures performed by the engagement team included:

- Obtaining management information, board reports and external market data to validate the management's inputs into the calculation of the value of investments and challenging assumptions made, where appropriate;
- Enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Investment Committee;
- 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

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

Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020	2019
		£000	£000
Revenue			
Movements in financial instruments at fair value	**8**	(12,201)	30,215
Movements in fair value of subsidiaries	**8**	285,984	200,128
Total revenue		**273,783**	**230,343**
Operating expenses	**5**	(4,511)	(6,573)
Operating profit		**269,272**	**223,770**
Finance costs		(36,565)	(27,224)
Profit before taxation and total comprehensive income		**232,707**	**196,546**
Taxation	**7**	47,514	151
Profit after taxation and total comprehensive income		**280,221**	**196,697**

There is no other comprehensive income for the year.

All operations are continuing.

The notes on pages 16 to 40 form part of these financial statements.

Statement of Financial Position
As at 31 December 2020

	Note	2020	2019
		£000	£000
Assets			
Investment in subsidiaries	**8 & 9**	1,713,002	1,806,328
Financial assets at fair value	**8**	43,506	59,726
Current tax receivable		39,029	-
Trade and other receivables	**11**	72,486	71,129
Cash and cash equivalents	**12**	120,099	60,052
Total assets		**1,988,122**	**1,997,235**
Liabilities			
Borrowed funds	**13**	1,299,974	1,350,197
Deferred taxation	**10**	1,565	2,955
Taxation		-	5,634
Trade and other payables	**14**	70,375	77,462
Total liabilities		**1,371,914**	**1,436,248**
Equity			
Issued share capital	**17**	4,750	4,750
Retained earnings		611,458	556,237
Total equity		**616,208**	**560,987**
Total equity and liabilities		**1,988,122**	**1,997,235**

The financial statements on pages 12 to 40 were approved by the board of directors and signed on its behalf by

A T Rougier
Director

21 June 2021

The notes on pages 16 to 40 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 2020

	Note	Number of shares	Issued Share capital	Retained earnings	Total Equity
		000	£000	£000	£000
At 1 January 2020		4,750	4,750	556,237	560,987
Profit after taxation and total comprehensive income		-	-	280,221	280,221
Dividend paid	**16**	-	-	(225,000)	(225,000)
At 31 December 2020		**4,750**	**4,750**	**611,458**	**616,208**
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**

The notes on pages 16 to 40 form part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Profit after taxation	280,221	196,697
Adjustments for:		
Fair value through profit and loss	(273,783)	(230,343)
Finance Costs	36,565	27,224
Taxation	(47,514)	(151)
Operating profit before working capital changes	**(4,511)**	**(6,573)**
Receivables and accrued income	6,710	(5,345)
Payables and accruals	11,779	2,064
Intercompany transactions	(26,933)	(23,385)
Purchase of investments	(349,165)	(462,616)
Sales proceeds	732,250	418,033
Cash generated from / (used in) operations	**370,130**	**(77,822)**
Interest received	-	5,821
Interest paid	(37,044)	(32,396)
Taxation received from group relief	1,461	57,549
Net cash generated from / (used in) operating activities	**334,547**	**(46,848)**
Cash flows from / (used in) financing activities		
Dividends paid to the shareholder	(225,000)	(350,000)
Intercompany borrowing	(49,500)	270,962
Net cash used in financing activities	**(274,500)**	**(79,038)**
Increase / (decrease) in cash and cash equivalents	**60,047**	**(125,886)**
Cash and cash equivalents at 1 January	**60,052**	**185,938**
Cash and cash equivalents at 31 December	**120,099**	**60,052**

The notes on pages 16 to 40 form part of these financial statements.

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

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 ("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 produces a four-year plan based on the expected activities of LDC(H) and its subsidiaries. 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 detailed 6-monthly cash forecasts on a regular basis for LDC(H) and its subsidiaries based on management's best estimate of future cash flows to assess funding requirements from LBG Equity Investments Limited. 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.

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 accounting standards in conformity with the requirements 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 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. 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.

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.

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 asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an 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.

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.

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

2. Accounting policies continued

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.

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.

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

2. Accounting policies continued

k. Taxation, including deferred income taxes continued

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.

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.

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

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 2020 include valuation multiples and multiple discounts (see note 8 to the financial statements for further 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.

The emergence of the coronavirus (COVID-19) disease has caused significant volatility and uncertainty within the global economy and financial markets. The company and its subsidiaries have been impacted where investee performance have been adversely affected. Management have been working closely with such investees and continue to monitor their performance. For the year ended 31 December 2020, fair value losses of £203m has been recognised against these investments.

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.

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

4. Financial risk management continued

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 2.66% (2019: 2.68%). The borrowing is contractually repayable in multiple tranches with the first tranche maturing on 31 January 2021. The carrying amount of the borrowing as at 31 December 2020 is £1,300 million (2019: £1,350 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 2020 is £43m (2019: £42m). The carrying amount of borrowed funds as at 31 December 2020 is £43m (2019: £44m).

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 2020 is £44k (2019: £40k).

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.

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 for 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.

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

4. Financial risk management continued

4.5 Credit risk continued

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 2020, the total of intercompany receivables and trade and other receivables was £73m, on which £0m loss allowance had been provided (2019: total of £71 million on which £1.4m loss had been incurred). There is not considered to be any material concentration of credit risk within these assets

As 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:

	2020	**2019**
	£000	**£000**
Management fees due to LDC (Managers) Limited	1,291	2,375
Auditors' remuneration – statutory audit	139	134
Impairment expense	-	1,405
Indirect costs	3,081	2,659
Total	**4,511**	**6,573**

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

6. Staff costs

a) Compensation

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 2020 (2019: nil). All employee costs are absorbed and paid by LDC (Managers) Limited.

b) Key management compensation

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

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

	2020 £'000	2019 £'000
Aggregate emoluments	2,229	2,252

The aggregate of the emoluments of the highest paid director for qualifying services to the company 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.

There were no aggregate amounts (excluding shares) receivable under long-term incenive schemes as at 31 December 2020 (31 December 2019: £nil)

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

7. Taxation

a) Analysis of charge for the year

	2020 £'000	2019 £'000
Analysis of Charge in year:		
Current tax for the year – current year	39,300	(5,072)
Current tax for the year – prior year	6,824	5,496
Deferred taxation - current year	1,390	(273)
Deferred taxation – prior year	-	-
Tax credit	**47,514**	**151**

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 ompany's deferred tax balances has been assessed and is not significant.

Further information about deferred tax is presented in note 10.

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. The principal reason the tax on the company's profit before tax differs from the amount that would arise using the standard UK corporation tax rate is due to the gains on disposal of investments qualifying for exempltion or being offset by losses within the Lloyds Banking Group plc.

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation	232,707	196,546
Tax charge at UK corporation tax rate of 19.00% (2018:19.00%)	(44,214)	(37,344)
Effects of:		
Non-taxable fair value revaluations	58,371	35,539
Non-taxable UK dividends	-	8
Advanced Thin Capitalisation Agreement adjustment	8,485	3,094
Chargeable gains qualifying for exemption	(3,036)	5,391
Effect of reduction in deferred tax rate	(348)	32
Taxable loan relationship credits from partnerships brought in to tax	21,432	(12,065)
Other items	-	-
Tax for the year	40,690	(5,345)
Adjustments in respect of prior periods	6,824	5,496
Tax credit	**47,514**	**151**

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

8. Financial Instruments

Financial Assets at fair value through profit or loss

	2020 £000	2019 £000
Equity Investments		
Listed equity	44	40
Unlisted equity	4,320	9,171
Investment in subsidiaries	1,713,002	1,806,328
Debt Instruments		
Loan advances	39,142	50,515
Total financial assets at fair value through profit or loss	**1,756,508**	**1,866,054**
Net changes in fair value of financial assets through profit or loss		
Movement in other financial instruments at Fair Value	(12,201)	30,215
Movement in investment in subsidiaries	285,984	200,128
Total net changes	**273,783**	**230,343**

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 2020 continued

8. Financial Instruments continued

a) Movement in fair value – valuation hierarchy

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets carried at fair value				
Assets				
Financial assets designated at fair value through profit or loss:				
Listed equity	44	-	-	44
Unlisted equity	-	-	4,320	4,320
Loan advances	-	-	39,142	39,142
Investment in subsidiaries	-	-	1,713,002	1,713,002
Total financial assets carried at fair value 31 December	**44**	**-**	**1,756,464**	**1,756,508**

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£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**

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 2020 continued

8. Financial Instruments continued

Movements in Level 3 portfolio

Financial assets carried at fair value	**Unlisted Equity**	**Loan Advances**	**Investment in Subsidiaries**	**Total level 3 assets**
	£000	**£000**	**£000**	**£000**
At 1 January 2020	9,171	50,515	1,806,328	1,866,014
Movements in fair value of subsidiaries			285,984	285,984
Movements in financial instruments at fair value	(4,851)	(7,928)	-	(12,779)
				-
Additions	-	18,290	330,875	349,165
Disposals	-	(21,735)	(710,185)	(731,920)
At 31 December 2020	**4,320**	**39,142**	**1,713,002**	**1,756,464**

Financial assets carried at fair value	**Unlisted Equity**	**Loan Advances**	**Investment in Subsidiaries**	**Total level 3 assets**
	£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 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 (2019: £nil).

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

8. Financial Instruments continued

Other financial assets and liabilities
The fair value of borrowed funds as at 31 December 2020 is £1,333m (2019: £1,368m).

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 2020 (2019: none).

b) 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 2020	-	-	21,985	17,157	-	39,142

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

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 £0.6m (2019: £2.5m) and £nil (2019: £nil) respectively.

c) 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 2020 continued

8. Financial Instruments continued

d) Financial instrument maturity

At 31 December 2020	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	120,099	-	-	-	-	-	-	120,099
Current trade and other receivables	-	-	2,845	1,358	-	-	-	4,203
Non current receivables	-	-	-	-	-	-	-	-
Receivables from subsidiaries	68,283	-	-	-	-	-	-	68,283
Equity investments	-	-	-	-	-	-	4,364	4,364
Loan advances	-	-	-	21,985	17,157	-	-	39,142
Investments in subsidiaries	-	-	-	-	-	-	1,713,002	1,713,002
Trade and other payables	-	-	(13,450)	-	-	-	-	(13,450)
Payables to subsidiaries	(54,843)	-	-	-	-	-	-	(54,843)
Payables to parent undertaking	(2,082)	-	-	-	-	-	-	(2,082)
Borrowed Funds	-	(9,353)	(150,000)	(345,942)	(794,679)	-	-	(1,299,974)
Total assets	188,382	-	2,845	23,343	17,157	-	1,717,366	1,949,093
Total liabilities	(56,925)	(9,353)	(163,450)	(345,942)	(794,679)	-	-	(1,370,349)
Net liquidity gap	**131,457**	**(9,353)**	**(160,605)**	**(322,599)**	**(777,522)**	**-**	**1,717,366**	**578,744**

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**

Included in 'borrowed funds' is the loan amount owed to LBG Equity Investments Limited of £1,300 million (2019: £1,350 million).

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 2020 continued

8. Financial Instruments continued

e) 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 2020 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 2020	**£000**	**£000**
Movement in financial assets at fair value	73,825	(73,825)

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

9. Investments in subsidiaries

The company's direct interests in unconsolidated structured entities comprise investments in limited partnerships with a total carrying value of £1,713m as at 31 December 2020 (2019: £1,806m), 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) Limited which is a fully owned subsidiary. The remaining subsidiaries are dormant entities with no material assets or liabilities.

31 December 2020	**LDC (Managers) Limited £'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 £'000**	**LDC IX LP £'000**	**Total £'000**
Current											
Cash and Cash equivalents	11,789	39	81	16	4,657	321	28	44	10	-	16,985
Other current assets	5,092	2,157	378	567	2,529	6,795	18,853	14,188	13,226	15,163	78,948
Total current assets	**16,881**	**2,196**	**459**	**583**	**7,186**	**7,116**	**18,881**	**14,232**	**13,236**	**15,163**	**95,933**
Financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(82,788)	(1,246)	(211)	(406)	(916)	(2,335)	(5,556)	(5,921)	(5,508)	(11,351)	(116,238)
Total current liabilities	**(82,788)**	**(1,246)**	**(211)**	**(406)**	**(916)**	**(2,335)**	**(5,556)**	**(5,921)**	**(5,508)**	**(11,351)**	**(116,238)**
Non current assets	**69,518**	**56,994**	**32,534**	**29,410**	**58,606**	**190,004**	**392,303**	**395,656**	**399,217**	**265,755**	**1,889,997**
Financial liabilites	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net assets	**3,611**	**57,944**	**32,782**	**29,587**	**64,876**	**194,785**	**405,628**	**403,967**	**406,945**	**269,567**	**1,869,692**

31 December 2019	**LDC (Managers) Limited £'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**

Notes to the financial statements for the year ended 31 December 2020 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
LDC IX 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, LDC VIII LP and LDC IX LP.

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

9. Investments in subsidiaries continued

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 the company has restricted their voting rights so as to remain below 49.9% of the votes.

Company	Direct / Indirect	LDC Voting %
Woodbury Residual Limited	Direct	49.9%
Personal Touch Holdings Limited	Direct	49.9%
Columbus UK Holdings Limited	Indirect	49.4%
Express Engineering (Group) Limited	Indirect	49.4%
Ashtons Group Holdings Limited	Indirect	49.4%
Kerv Group Limited	Indirect	49.4%
Ensco 1375 Limited	Indirect	49.4%
Chianti Holdings Limited	Indirect	49.4%
Project TC Limited	Indirect	49.4%
Croud Holdings Limited	Indirect	49.4%
Ensco 1322 Limited	Indirect	49.4%
Ensco 1327 Limited	Indirect	49.4%
Ensco 1337 Limited	Indirect	49.4%
Ensco1314 Limited	Indirect	49.4%
Escapade Bidco Limited	Indirect	49.4%
Highlands Bidco Limited	Indirect	49.4%
Jupiter Bidco Limited	Indirect	49.4%
Measured Identity Hub Limited	Indirect	49.4%
Mfs Groupco Limited	Indirect	49.4%
Sgi Holdings Limited	Indirect	49.4%
Solo Topco Limited	Indirect	48.0%
Airline Services And Components Group Limited	Indirect	46.3%
Connect Health Group Limited	Indirect	45.7%
Park Bidco Limited	Indirect	45.5%
Odyssey Bidco Limited	Indirect	44.6%
Evolution Funding Group Limited	Indirect	44.6%
Bacchus Newco Limited	Indirect	44.5%
Magicard Holdings Limited	Indirect	44.5%
Sigmat Group Limited	Indirect	44.5%
Aghoco 1472 Limited	Indirect	44.5%
Cardel Group Limited	Indirect	44.5%
Ginger Acquisition Company Limited	Indirect	44.5%
Asset Solutions Group Ltd	Indirect	44.5%
Project Belize Limited	Indirect	44.5%
Project Sketch Limited	Indirect	44.5%
Seahawk Bidco Limited	Indirect	44.5%
Timec 1634 Limited	Indirect	44.5%
Temple Topco Limited	Indirect	44.5%
Neilson Active Holidays Group Limited	Indirect	44.5%
Citysprint (Uk) Holdings Limited	Indirect	44.5%
Osprey Aviation Services (Uk) Limited	Indirect	44.5%
Dino Newco Limited	Indirect	44.5%
Ramco Acquisition Limited	Indirect	44.4%
Panther Partners Limited	Indirect	44.4%
Project Bronze Limited	Indirect	43.6%
Angus International Safety Group Limited	Indirect	43.5%
PPCE Holdings Limited	Indirect	43.3%
Solid Solutions Group Ltd	Indirect	42.9%
Scenic Topco Limited	Indirect	42.4%
Aqualisa Holdings (International) Limited	Indirect	42.3%
Applied Composites Group Limited	Indirect	42.3%
Khl 2017 Limited	Direct	42.1%
United House Group Holdings Ltd	Direct	41.9%
Ensco 1366 Limited	Indirect	41.8%
Eley Group Limited	Indirect	41.5%
Ssp Topco Limited	Indirect	41.1%
Kruger Bidco Limited	Indirect	41.1%
Stratus (Holdings) Ltd	Direct	40.4%
Onapp (Topco II) Ltd	Direct	40.4%
Onapp (Topco) Ltd	Direct	40.4%
Pimco (Holdings) Ltd	Direct	40.2%
Global Autocare Holding Limited	Indirect	40.1%
Specialist People Services Group Limited	Direct	39.1%
Addo Food Group (Holdings) Limited	Indirect	38.4%
Williams Topco Limited	Indirect	37.9%
Shoo 802Aa Limited	Indirect	37.2%
Iglufastnet Limited	Indirect	36.7%
Rocket Science Holdings Limited	Indirect	35.7%
Duncan And Todd Holdings Limited	Indirect	35.7%
Project Chicago Newco Limited	Indirect	35.7%
Zwpv Limited	Indirect	35.7%
Blue Bay Travel Group Limited	Indirect	35.6%
Timec 1667 Limited	Indirect	35.2%
Stroma Group Limited	Indirect	34.7%
Hamsard 3468 Limited	Indirect	34.0%
Ensek Holdings Limited	Indirect	33.7%
HTF Finco Limited	Indirect	33.3%
The Power Industrial Group Limited	Direct	32.2%
Paladone Holdings Limited	Indirect	26.5%
Pertemps Network Group Limited	Indirect	25.5%
Archer Topco Ltd	Indirect	25.6%
Right Choice Holdings Limited	Indirect	23.2%
Project Polka Bidco Limited	Indirect	21.8%
Lf (Holdco) Limited	Indirect	21.2%
Couple Holdco Limited	Indirect	20.0%

All investments are accounted for at fair value through profit and loss. The total assets for all related associates are £4,381m (2019: £4,745m) and the total liabilities are £4,655m (2019: £5,021m). The total turnover of all associate investees is £3,857m (2019: £4,285m) and made an aggregate loss before tax of approximately £443m (2019: £187m loss). In addition, the company and its subsidiaries have provided £1,295m (2019: £1,265m) of financing to these companies on which earned £91m (2019: £86m) of interest income in the year.

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

10. Deferred taxation

	2020 £000	2019 £000
At 1 January	2,955	2,682
Income statement charge – prior year	-	-
Income statement charge – current year	(1,738)	306
Movement in equity	-	-
Effect of increase in deferred tax rate	348	(33)
At 31 December	1,565	2,955
Deferred taxation at 31 December comprises:		
Short-term temporary timing differences	1,565	2,955
Other timing differences	-	-
	1,565	2,955

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by The Finance Act 2020 which was enacted on 22 July 2020, and maintained the main rate of corporation tax at 19% with effect from 1 April 2020.

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.

A deferred tax asset of £14.9m (2019: £2.9m) 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.

Had the above rate change in corporation tax been enacted on 31 December 2020, the effect would have been to increase the unrecognised deferred tax asset by £4.7m.

11. Trade and Other Receivables

	2020 £000	2019 £000
Trade and Other Receivables	2,845	10,125
Receivables from subsidiaries	68,283	60,216
Accrued Income	1,358	788
	72,486	**71,129**

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 2020 continued

12. Cash and Cash Equivalents

	2020 £000	2019 £000
Cash and Cash Equivalents	120,099	60,052
Total	**120,099**	**60,052**

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

13. Borrowed funds

	2020 £000	2019 £000
Loan owed to LBG Equity Investments Limited	1,299,974	1,350,197
Total	**1,299,974**	**1,350,197**

The borrowing is unsecured and has a blended fixed interest rate of 2.66% (2019: 2.68%). The loan is contractually repayable in tranches with the first tranche maturing on 31 January 2021. The immediate parent has confirmed its long term support and ongoing funding of the company. The fair value is disclosed in Note 8.

14. Trade and other payables

	2020 £000	2019 £000
Trade and other payables	13,450	1,671
Payables to parent undertaking	2,082	2,706
Payables to subsidiaries	54,843	73,085
Total	**70,375**	**77,462**

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 2020 continued

15. Contingent liabilities and commitments

Commitments

At 31 December 2020 the company had not given commitments to provide additional funds to any investment (2019: nil).

Guarantees

At 31 December 2020 the company had issued guarantees to third parties in respect of liabilities of 2 investee companies (2019: 2) amounting to £9.3 million (2019: £4.3 million).

Expiry within	**Up to 1 month**	**1- 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
31 December 2020	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Investment Commitment	-	-	-	-	-	-
Guarantees	-	-	2,500	6,838	-	9,338
	-	**-**	**2,500**	**6,838**	**-**	**9,338**

Expiry within	**Up to 1 month**	**1- 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
31 December 2019	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Investment Commitment	-	-	-	-	-	-
Guarantees	-	-	-	4,338	-	4,338
	-	**-**	**-**	**4,338**	**-**	**4,338**

16. Dividends paid

	2020	**2019**
	£000	**£000**
Dividend paid	225,000	350,000
Total	**225,000**	**350,000**

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 2020 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 below in this note.

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 £3.0m (2019: £4.4m) in new investments in which the company also has an interest.

The investment portfolio of the LDC group of entities are 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 2020. 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 2020.

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 IV LP	100%
LDC (General Partner) Limited	100%	LDC V LP	100%
LDC (Nominees) Limited	100%	LDC VI LP	100%
LDC Parallel (Nominees) Limited	100%	LDC VII LP	100%
LDC I LP	100%	LDC VIII LP	100%
LDC II LP	100%	LDC IX LP	100%
LDC III LP	100%		

Notes to the financial statements for the year ended 31 December 2020 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 %
London Topco Limited	Indirect	18.8%	LDC Co-investment Plan 2001A		n/a
Aquila Bidco Limited	Indirect	18.7%	LDC Co-investment Plan 2001B		n/a
Kite Topco Limited	Indirect	17.5%	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
Helsinki Topco Limited	Indirect	13.9%	OBS 2007		n/a
Atlantic Healthcare Plc	Indirect	13.0%	OBS 2008		n/a
Adp Primary Care Acquisitions Limited	Direct	10.1%	OBS 2009		n/a
Ce Topco Limited	Indirect	9.8%	OBS 2010		n/a
Clean Topco Limited	Indirect	9.8%	OBS 2011		n/a
Lhtca Bidco Limited	Indirect	9.7%	LDC Opportunity Club 2010		n/a
Canopy Holdco Limited	Indirect	9.3%	LDC Opportunity Club 2009		n/a
Safety Topco Limited	Indirect	7.2%	LDC Parallel I LP		n/a
Kirk Topco Limited	Indirect	6.4%	LDC Parallel II LP		n/a
Black Swan Data Ltd	Indirect	5.1%	LDC Parallel III LP		n/a
Dvorak Midco 1 Limited	Indirect	0.0%	LDC Parallel IV LP		n/a
Panacea Healthcare Group Holdings Limited	Indirect	0.0%	LDC Parallel V LP		n/a
Rainbow Holdco Limited	Direct	0.0%	LDC Parallel VI LP		n/a
Alchemilla I LP		0.0%	LDC Parallel VII LP		n/a
Bergamot II LP		n/a	LDC Parallel VIII LP		n/a
Calendula III LP		n/a	LDC Parallel IX LP		n/a
Damera IV LP		n/a	LDC Equity II LP		n/a
LDC Carry V LP		n/a	LDC Equity III LP		n/a
LDC Carry VI LP		n/a	LDC Equity IV LP		n/a
LDC Carry VII LP		n/a	LDC Equity V LP		n/a
LDC Carry VIII LP		n/a	LDC Equity VI LP		n/a
Vine Street IX LP		n/a	LDC Equity VII LP		n/a
LDC Co-investment Plan 2000A		n/a	LDC GP LLP		n/a
LDC Co-investment Plan 2000B		n/a			

20. Subsequent Events

No subsequent events have been noted.