LDC

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

MEMBER OF LLOYDS BANKING GROUP PLC

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Registered office

One Vine Street, London W1J 0AH

Registered number

01107542

Directors

W L D Chalmers (Chairman)
A T Rougier (Chief Executive Officer)
A M Kenny (Finance Director)

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

CONTENTS **PAGE**

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

Strategic Report

2022 has been a period of strong performance in investment activity for Lloyds Development Capital (Holdings) Limited and its group undertakings. We have continued to support ambitious management teams, partnering with them to add tangible value to regional businesses. Furthermore, we support local communities and charities across the United Kingdom.

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, LDC IX LP, LDC X LP and LDC XI LP ("the funds"). Collectively, as a whole LDC is a regionally based private equity business 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 as at 31 December 2022 was £1,779m (2021: £1,593m) held across 90 (2021: 91) entities which includes investment in subsidiaries at £1,754m (2021: £1,558m) and investments held as financial assets at fair value at £25m (2021: £36m).

The results of the company show a profit before tax of £251m for the year ended 31 December 2022 (2021: £331m), with movements in fair value of the portfolio contributing revenue of £286m (2021: £369m).

£300m of dividends were paid in the year (2021: £450m).

The Statement of Financial Position on page 15 shows the company's financial position at the year end, in net asset terms, decreased compared to 31 December 2021, which is driven by the dividend payment offset by the profit after tax for the year.

Key performance indicators ("KPIs")

Notably, a significant proportion of income for the year ended 31 December 2022 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	2022	2021	Definition
Exits	12	19	Number of exits made during the year
	£474m	£961m	Total exit proceeds during the year
New investments	16	20	Number of new investments made during the year
	£386m	£364m	Value of new investments made during the year
Net asset value of investments including subsidiaries at FV	£1,779m	£1,593m	The NAV of all investments held and the company's subsidiaries at fair value

LDC does not have any non-financial KPI's.

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 pages 7 - 9.

The directors acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the company, as aligned to that of Lloyds Banking Group plc ("LBG"), achieves long-term success and generates sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct. This approach has during the course of the year been central to the activities of the directors, as discussed below.

The company is a subsidiary of LBG, and as such follows many of the processes and practices of LBG, which are further referred to in this statement where relevant.

Shareholders

As a wholly owned subsidiary of LBG, the directors ensure that the strategy, priorities, processes and practices of the company are fully aligned where required to those of LBG, ensuring that the interests of LBG as the company's ultimate shareholder are duly acknowledged. Examples of directors' engagement with shareholders included:

- Updates on market views and shareholder sentiment provided by senior executives;
- Directors engaged with shareholders, including the Chief Executive Officer, in meetings with LBG, focusing on matters including purpose, corporate strategy, governance and financial performance.

Further information in respect of the relationship of LBG with its shareholders is included within the Strategic Report of the LBG Annual Report and Accounts for 2022, 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. From the company's point of view the customer is the portfolio companies of the company and the funds. 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 Communities and Economy

The company has a presence across UK communities, and the directors place great importance on engagement and action to help these communities prosper, and to help build a more sustainable and inclusive future. Engagement with communities include:

- The company considers that young people interested in business and entrepreneurship are critical to the future of the UK economy. In 2022, the company renewed its 5 year partnership with The Prince's Trust to support young entrepreneurs across the UK, 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 (2021: none). It uses the services of LDC (Managers) Ltd ("the manager") for which a management fee, included in operating expenses, is paid.

Strategic report continued

Suppliers

The company relies on a number of partners for important aspects of our operations. The directors recognise the importance of these relationships, and engagement with suppliers includes:

- The directors continue to oversee resilience in the supply chain, ensuring the company's most important supplier relationships were not impacted by potential material events.
- The directors continue to have zero tolerance towards modern slavery in the company's supply chain, and receive updates on ongoing enhancements to the company's supplier practices, including measures to address the risk of human trafficking and modern slavery in our wider supply chain.

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

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.

The company is committed to LBG's climate change goals set in 2020 of achieving net zero emissions by 2050 or sooner. The directors have given much consideration to the company's approach and set the following objectives which are closely monitored by the Board.:

- Ensure the company's operations are net zero by 2030.
- Support LDC Business' portfolio companies to reduce their emissions by 50% by 2030, on a path to net zero by 2050 or sooner. The Board is presented with or has access to reports on ESG matters within the portfolio companies, which enables the Board to advise and support the portfolio companies with suitable strategies to achieving their objective of reducing emissions.

Further information on LBG's process can be found in their Annual Report.

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.

This report was approved by the board of directors on 21 September 2023 and signed on its behalf by

A M Kenny
Director
21 September 2023

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

Report of the Directors for the year ended 31 December 2022

Lloyds Development Capital (Holdings) Limited ("LDC" or "the company") is a company limited by shares, domiciled and incorporated in the England. The company's registered number and address are 01107542 and One Vine Street, London, W1J 0AH respectively.

The company's principal activities are disclosed in the Strategic 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, A T Rougier and A M Kenny.

Future outlook

Against a backdrop of continued challenges posed by high levels of inflation and economic uncertainty, the company has maintained a consistent level of performance and adapted its way of working to be more flexible. On the assumption that conditions within the UK economy do not deteriorate significantly, the directors remain confident that the company will continue to deliver a good level of performance and provide support to the portfolio companies.

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

Auditors

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. Deloitte LLP have indicated their willingness to be reappointed for another term.

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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards.

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 for the year ended 31 December 2022 continued

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Disclosure of information to auditors

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; and

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Going concern

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

Events after the reporting date

Any events after 31 December 2022 requiring disclosure have been included in Note 20 of these financial statements.

Engagement with employees and other stakeholders, streamlined energy and carbon reporting and risk management

Details of the engagement with stakeholders, streamlined energy and carbon reporting and risk management are disclosed in the Strategic Report on pages 4 – 6.

Dividends

A dividend of £300m was approved and paid to LBG Equity Investments Limited in the year (2021: £450m).

Report of the Directors for the year ended 31 December 2022 continued

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, LBG has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

This report was approved by the board of directors on 21 September 2023 and signed on its behalf by

A M Kenny
Director
21 September 2023

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

Independent auditor's report to the directors of Lloyds Development Capital (Holdings) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lloyds Development Capital (Holdings) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- Valuation of unquoted Investments - There is a risk that the unquoted Investments have been valued incorrectly due to the reliance on judgemental or unobservable inputs. Our audit procedures included:
    - Considered the appropriateness of the valuation methodology selected;
    - Engaged our valuation specialists to perform an assessment and challenge management on the appropriateness of the EBITDA multiple where necessary;
    - Tested the accuracy and completeness of the inputs into the EBITDA multiple valuation; and
    - Assessed key judgements including the EBITDA multiple, basket of comparable companies and adjustments to EBITDA, including agreeing factual inputs to third party support where possible.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Allee Bonnard

Allee Bonnard (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 September 2023

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	2022	2021
		£000	£000
Investment income			
Movements in financial instruments at fair value	8	15,536	9,417
Movements in fair value of subsidiaries	8	270,560	359,118
Fee and commission income		5,000	-
Total investment income		**291,096**	**368,535**
Operating expenses	5	(4,826)	(5,056)
Operating profit		**286,270**	**363,479**
Finance costs		(35,109)	(32,956)
Profit before taxation and total comprehensive income		**251,161**	**330,523**
Taxation	7	16,244	1,421
Profit after taxation and total comprehensive income		**267,405**	**331,944**

There is no other comprehensive income for the year (2021: none).

All operations are continuing.

The notes on pages 18 to 43 form part of these financial statements.

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

Statement of Financial Position
As at 31 December 2022

	Note	2022	2021
		£000	**£000**
Non-Current Assets			
Investment in subsidiaries	**8 & 9**	1,754,355	1,557,833
Financial assets at fair value	**8**	25,099	35,813
Current Assets			
Current tax receivable		37,631	41,767
Trade and other receivables	**11**	59,960	55,794
Cash and cash equivalents	**12**	32,843	24,976
Total Assets		**1,909,888**	**1,716,183**
Non-Current Liabilities			
Borrowed funds	**13**	1,058,000	683,000
Deferred taxation	**10**	10,260	2,883
Current Liabilities			
Borrowed funds	**13**	311,500	476,500
Trade and other payables	**14**	64,571	55,648
Total Liabilities		**1,444,331**	**1,218,031**
Equity			
Issued share capital	**17**	4,750	4,750
Retained earnings		460,807	493,402
Total Equity		**465,557**	**498,152**
Total Equity and Liabilities		**1,909,888**	**1,716,183**

The financial statements on pages 14 to 43 were approved by the board of directors on 21 September 2023 and signed on its behalf by

A M Kenny
Director
21 September 2023

The notes on pages 18 to 43 form part of these financial statements.
The registered number for the company is 01107542.

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

Statement of Changes in Equity
For the year ended 31 December 2022

	Note	Number of shares	Issued Share capital	Retained earnings	Total Equity
		000	£000	£000	£000
At 1 January 2022		4,750	4,750	493,402	498,152
Profit after taxation and total comprehensive income		-	-	267,405	267,405
Dividend paid	**16**	-	-	(300,000)	(300,000)
At 31 December 2022		**4,750**	**4,750**	**460,807**	**465,557**
At 1 January 2021		4,750	4,750	611,458	616,208
Profit after taxation and total comprehensive income		-	-	331,944	331,944
Dividend paid	**16**	-	-	(450,000)	(450,000)
At 31 December 2021		**4,750**	**4,750**	**493,402**	**498,152**

The notes on pages 18 to 43 form part of these financial statements.

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

Statement of Cash Flows
For the year ended 31 December 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Profit after taxation	267,405	331,944
Adjustments for:		
Fair value through profit and loss	(289,151)	(368,535)
Finance costs	35,109	32,956
Taxation	(16,244)	(1,421)
Operating loss before working capital changes	**(2,881)**	**(5,056)**
Changes in working capital		
Receivables and accrued income	(1,738)	(2,010)
Payables and accruals	95	(12,094)
Receivables from subsidiaries	(2,907)	16,069
Payables to parent undertaking	6,061	-
Payables to subsidiaries	2,767	-
Changes in operational capital		
Purchase of investments	(467,075)	(446,669)
Sales proceeds	567,066	977,771
Cash generated from operations	**101,388**	**528,011**
Dividends received	165	-
Interest received	314	-
Interest paid	(31,757)	(32,661)
Taxation received from group relief	27,757	1
Net cash generated from operating activities	**97,867**	**495,351**
Cash flows used in financing activities		
Dividends paid to the shareholder	(300,000)	(450,000)
Intercompany borrowing	210,000	(140,474)
Net cash used in financing activities	**(90,000)**	**(590,474)**
Movement in cash and cash equivalents	**7,867**	**(95,123)**
Cash and cash equivalents at 1 January	**24,976**	**120,099**
Cash and cash equivalents at 31 December	**32,843**	**24,976**

The notes on pages 18 to 43 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2022

1. General information

The company is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. The registered office can be found on the front page and its principal activity is included in the strategic report.

The company's immediate parent company is LBG Equity Investments Limited ("LEIL"). The company's ultimate parent company is Lloyds Banking Group plc ("LBG"), which is also the parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the company is a member. Copies of 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 (covering the reporting period and the subsequent three years) based on the expected activities of the company and its subsidiaries. The four-year plan includes assumptions on expected future investment activities, funding and expenditure activities as well as associated cash flows. The company also produces detailed 6-monthly cash forecasts on a regular basis for the company and its subsidiaries based on management's best estimate of future cash flows to assess funding requirements from LEIL. The Directors are satisfied that it is the intention of LBG, that its subsidiaries including LEIL and the company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

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

2. Accounting policies

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

a. Basis of presentation

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

b. New and revised IFRS Accounting Standards in issue but not yet effective

The company has elected to early adopt the amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current. The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

At the date of authorisation of these financial statements, the company has not applied the any new and revised IFRS Accounting Standards that have been issued but are not yet effective. The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

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 LBG (registered address The Mound, Edinburgh, EH1 1YZ) and are included by full consolidation in the consolidated financial statements of LBG which may be obtained from the Company Secretary's Department, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

IFRS 10 contains special accounting requirements for investment entities. Where an entity meets the definition of 'an investment entity', it does not consolidate its subsidiaries. This definition states that an investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

An entity is required to consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. IFRS 10 provides that an investment entity should have the following typical characteristics:

- it has more than one investment;
- it has more than one investor;
- it has investors that are not related parties of the entity; and
- it has ownership interests in the form of equity and similar interest.

The general principal activity of the company is that of private equity. Its immediate parent company, LEIL, is considered its investor, for which the company invests funds solely for capital returns.

Under IFRS 10, the company qualifies for a consolidation exemption by virtue of satisfying the criteria and characteristics of an investment entity, and thus does not consolidate its subsidiaries in these financial statements.

An investment entity is required to measure an investment in a subsidiary and/or other financial assets at fair value through profit or loss ("FVPL") in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement.

The exemption from consolidation only applies to the company, investment entity, itself. Accordingly, a parent of an investment entity is required to consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.

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")
As per note 2c of these financial statements, the company qualifies as an investment entity and by virtue of the rules governing such entities, the company must measure and hold a financial asset 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.

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 measured 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 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.

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.

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.

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

The company does not have any employees and did not incur any staff related costs during the year ended 31 December 2022 (2021: £nil). All employee costs are absorbed and paid by LDC (Managers) Limited.

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 His 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.

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. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

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.

Notes to the financial statements for the year ended 31 December 2022 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 2022 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. Key inputs and assumptions used in estimating the recoverability of the deferred tax assets is the forecast of taxable profits across the investment portfolio.

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.

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 2022 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 indirectly exposed to fair value changes based on interest rates for loan advances, made by its subsidiaries, 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 regard to borrowed funds. The borrowing is unsecured and has a blended fixed interest rate of 3.09% (2021: 2.62%). The borrowing is contractually repayable in multiple tranches with the first tranche maturing on 30 June 2023. The carrying amount of the borrowing as at 31 December 2022 is £1,370m (2021: £1,160m).

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 2022 is £nil (2021: £nil). The carrying amount of borrowed funds as at 31 December 2022 is £nil (2021: £nil).

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 2022 is £47k (2021: £45k) and unlisted equity investments is £7,031k (2021: £6,898k) and investment in subsidiaries of £1,754m (2021: £1,558m).

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 indirectly exposed to credit risk through loan advances made by its subsidiaries 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 note 8 of £18,021k (2021: £28,870k) 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.

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 2022, the total of intercompany receivables and trade and other receivables was £60m, on which £nil loss allowance had been provided (2021: total of £56m on which £nil 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 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:

	2022 **£000**	**2021** **£000**
Management fees due to LDC (Managers) Limited	1,681	1,137
Auditor's remuneration - auditing of the company's financial statements	183	134
Other	(1,265)	-
Indirect costs	4,227	3,785
Total	**4,826**	**5,056**

Indirect costs of £4.2m (2021: £3.8m) relate to management recharge from LBG.

No other non-audit services have been provided in the year (2021: £nil).

Notes to the financial statements for the year ended 31 December 2022 continued

6. Staff costs

a) Compensation

The company does not have any employees and did not incur any staff related costs during the year ended 31 December 2022 (2021: £nil). All employees' (including directors of the company) costs are absorbed and paid by LDC (Managers) Limited.

Key management compensation

	2022 £'000	2021 £'000
Salaries and other short and long term benefits	1,821	1,870
Post Employment benefits	113	93
Total	**1,934**	**1,963**

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.

Directors

	2022 £'000	2021 £'000
Aggregate emoluments	1,934	1,963
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	-	-
Total	**1,934**	**1,963**

The aggregate of the emoluments of the highest paid Director was £1,486,435 (2021: £873,189). No contributions were paid to the defined contribution pension scheme in respect of Directors' qualifying services (2021: £nil). No share options were exercised in the year.

There were no aggregate amounts (excluding shares) receivable under long-term incentive schemes as at 31 December 2022 (2021: £nil).

Notes to the financial statements for the year ended 31 December 2022 continued

7. Taxation

Analysis of charge for the year

	2022 £'000	2021 £'000
Analysis of Charge in year:		
Current tax for the year – current year	17,514	14,010
Current tax for the year – prior year	6,107	(11,271)
Deferred taxation - current year	(7,377)	(1,318)
Deferred taxation – prior year	-	-
Tax credit	**16,244**	**1,421**

Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

Further information about deferred tax is presented in note 10.

a) 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 exemption or being offset by losses within the Lloyds Banking Group plc.

	2022 £'000	2021 £'000
Profit before taxation	251,161	330,523
Tax charge at UK corporation tax rate of 19.00% (2021: 19.00%)	(47,721)	(62,799)
Effects of:		
Gains exempted or covered by capital losses	47,320	67,232
Non-taxable UK dividends	31	115
Advanced Thin Capitalisation Agreement adjustment	3,815	4,835
Effect of change in tax rate	(1,346)	(692)
Share of taxable income allocated from partnerships	8,038	4,001
Tax for the year	10,137	12,692
Adjustments in respect of prior periods	6,107	(11,271)
Tax credit	**16,244**	**1,421**

Effective rate for the year was -6.47% (2021: -0.43%).

Notes to the financial statements for the year ended 31 December 2022 continued

8. Financial Instruments

Financial Assets at fair value through profit or loss

	2022 £000	2021 £000
Equity Investments		
Listed equity	47	45
Unlisted equity	7,031	6,898
Investment in subsidiaries	1,754,355	1,557,833
Debt Instruments		
Loan advances	18,021	28,870
Total financial assets at fair value through profit or loss	**1,779,454**	**1,593,646**
Net changes in fair value of financial assets through profit or loss		
Movement in other financial instruments at Fair Value	15,536	9,417
Movement in investment in subsidiaries	270,560	359,118
Total net changes	**286,096**	**368,535**

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 identical 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 2022 continued

8. Financial Instruments continued

a) Movement in fair value – valuation hierarchy

2022	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets carried at fair value				
Assets				
Financial assets designated at fair value through profit or loss:				
Listed equity	47	-	-	47
Unlisted equity	-	-	7,031	7,031
Loan advances	-	-	18,021	18,021
Investment in subsidiaries	-	-	1,754,355	1,754,355
Total financial assets carried at fair value 31 December	**47**	**-**	**1,779,407**	**1,779,454**

2021	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets carried at fair value				
Assets				
Financial assets designated at fair value through profit or loss:				
Listed equity	45	-	-	45
Unlisted equity	-	-	6,898	6,898
Loan advances	-	-	28,870	28,870
Investment in subsidiaries	-	-	1,557,833	1,557,833
Total financial assets carried at fair value 31 December	**45**	**-**	**1,593,601**	**1,593,646**

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 2022 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 2022	**6,898**	**28,870**	**1,557,833**	**1,593,601**
Movements in fair value of subsidiaries			270,560	270,560
Movements in financial instruments at fair value	10,258	3,332	-	13,590
Additions	-	1,558	467,075	468,633
Disposals	(10,125)	(15,739)	(541,113)	(566,977)
At 31 December 2022	**7,031**	**18,021**	**1,754,355**	**1,779,407**

Financial assets carried at fair value	**Unlisted Equity**	**Loan Advances**	**Investment in Subsidiaries**	**Total level 3 assets**
	£000	**£000**	**£000**	**£000**
At 1 January 2021	**4,320**	**39,142**	**1,713,002**	**1,756,464**
Movements in fair value of subsidiaries	-	-	359,118	359,118
Movements in financial instruments at fair value	18,012	(9,200)	-	8,812
Additions	2	1,638	445,029	446,669
Disposals	(15,436)	(2,710)	(959,316)	(977,462)
At 31 December 2021	**6,898**	**28,870**	**1,557,833**	**1,593,601**

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.

Notes to the financial statements for the year ended 31 December 2022 continued

8. Financial Instruments continued

Other financial assets and liabilities
The fair value of borrowed funds as at 31 December 2022 is £1,398m (2021: £1,178m).

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 2022 (2021: 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 Fair value	Less than 1 month £000	1- 3 months £000	3 – 12 months £000	Over 12 months £000	Floating Interest £000	Total Debt £000
At 31 December 2022	-	-	1,090	16,931	-	18,021

Interest rate, re-set period Fair value	Less than 1 month £000	1- 3 months £000	3 – 12 months £000	Over 12 months £000	Floating Interest £000	Total Debt £000
At 31 December 2021	-	-	1,090	27,780	-	28,870

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 £1.8m (2021: £0.6m) and £nil (2021: £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 2022 continued

8. Financial Instruments continued

d) Financial instrument maturity

At 31 December 2022	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	32,843	-	-	-	-	-	-	32,843
Current trade and other receivables	-	-	7,055	417	-	-	-	7,472
Receivables from subsidiaries	52,488	-	-	-	-	-	-	52,488
Equity investments	-	-	-	-	-	-	7,078	7,078
Loan advances	-	-	-	1,090	16,931	-	-	18,021
Investments in subsidiaries	-	-	-	-	-	-	1,754,355	1,754,355
Trade and other payables	-	-	(1,451)	-	-	-	-	(1,451)
Payables to subsidiaries	(49,538)	-	-	-	-	-	-	(49,538)
Payables to parent undertaking	(13,582)	-	-	-	-	-	-	(13,582)
Borrowed Funds	-	-	-	(311,500)	(1,058,000)			(1,369,500)
Total assets	85,331	-	7,055	1,507	16,931	-	1,761,433	1,872,257
Total liabilities	(63,120)	-	(1,451)	(311,500)	(1,058,000)	-	-	(1,434,071)
Net liquidity gap	**22,211**	**-**	**5,604**	**(309,993)**	**(1,041,069)**	**-**	**1,761,433**	**438,186**

At 31 December 2021	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	24,976	-	-	-	-	-	-	24,976
Current trade and other receivables	-	-	5,703	510	-	-	-	6,213
Non-current receivables	-	-	-	-	-	-	-	-
Receivables from subsidiaries	49,581	-	-	-	-	-	-	49,581
Equity investments	-	-	-	-	-	-	6,943	6,943
Loan advances	-	-	-	1,090	27,780	-	-	28,870
Investments in subsidiaries	-	-	-	-	-	-	1,557,833	1,557,833
Trade and other payables	-	-	(1,356)	-	-	-	-	(1,356)
Payables to subsidiaries	(46,771)	-	-	-	-	-	-	(46,771)
Payables to parent undertaking	(7,521)	-	-	-	-	-	-	(7,521)
Borrowed Funds	-	-	(165,000)	(311,500)	(683,000)	-	-	(1,159,500)
Total assets	74,557	-	5,703	1,600	27,780	-	1,564,776	1,674,416
Total liabilities	(54,292)	-	(166,356)	(311,500)	(683,000)	-	-	(1,215,148)
Net liquidity gap	**20,265**	**-**	**(160,653)**	**(309,900)**	**(655,220)**	**-**	**1,564,776**	**459,268**

Included in 'borrowed funds' is the loan amount owed to LBG Equity Investments Limited of £1,370m (2021: £1,160m).

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 2022 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:

Unlisted equities and loan notes in unlisted companies
Unlisted equities and loan advances 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 and accounted for as one unit of account.

Where equity instruments are listed on a public exchange, the fair value of the listed equity is based on the bid price at the balance sheet date. Where instruments are not publicly listed, the fair value of the investment is calculated by the company using industry standard valuation techniques as published in the updated International Private Equity and Venture Capital Valuation (IPEV) Guidelines.

The majority of investments are valued using an industry standard earnings model. This model applies an appropriate multiple to the maintainable earnings of the business being valued in order to derive a value for that entity. A number of 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 is appropriate for the business being valued and is derived by reference to quoted markets. Consideration is given to the risk attributes, growth prospects and financial gearing of comparable companies when selecting an appropriate multiple. Recent transactions involving the sale of similar companies are also sometimes used as a frame of reference in seeking to derive a reasonable multiple. Another technique employed, although very rarely, is the discounted cashflow method.

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 2022 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 2022	£000	£000
Movement in financial assets at fair value	87,165	(87,165)

	Favourable	Unfavourable
At 31 December 2021	£000	£000
Movement in financial assets at fair value	191,183	(191,183)

Notes to the financial statements for the year ended 31 December 2022 continued

9. Investments in subsidiaries

The company's direct interests in unconsolidated structured entities comprise investments in limited partnerships with a total carrying value of £1,754m as at 31 December 2022 (2021: £1,558m), 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.

At 31 December 2022	**LDC (Managers) Ltd**	**LDC (General Partner) Ltd**	**LDC I LP**	**LDC II LP**	**LDC III LP**	**LDC IV LP**	**LDC V LP**	**LDC VI LP**	**LDC VII LP**	**LDC VIII LP**	**LDC IX LP**	**LDC X LP**	**LDC XI LP**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current														
Cash and Cash equivalents	16,852	759	5,705	5,171	705	275	1,208	979	203	10	1,452	1	1	33,321
Other current assets	*57,107*	-	524	377	136	1,998	1,227	4,708	4,838	14,839	9,593	11,315	21,781	128,442
Total current assets	***73,959***	***759***	**6,228**	**5,548**	**841**	**2,273**	**2,434**	**5,687**	**5,041**	**14,849**	**11,045**	**11,316**	**21,781**	**161,762**
Financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(72,963)	(141)	(524)	(2,877)	-	(730)	(1,030)	(2,242)	(3,450)	(9,393)	(5,810)	(6,758)	(15,901)	(121,819)
Total current liabilities	**(72,963)**	**(141)**	**(524)**	**(2,877)**	**-**	**(730)**	**(1,030)**	**(2,242)**	**(3,450)**	**(9,393)**	**(5,810)**	**(6,758)**	**(15,901)**	**(121,819)**
Non-current assets	**4,205**	**932**	**18,765**	**9,129**	**-**	**22,062**	**1,345**	**109,645**	**152,116**	**483,846**	**306,304**	**367,673**	**389,995**	**1,866,017**
Financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	(1,265)	-	-	-	-	-	-	-	-	-	-	-	-	(1,265)
Total non-current liabilities	**(1,265)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,265)**
Net assets	**3,936**	**1,550**	**24,470**	**11,801**	**841**	**23,605**	**2,749**	**113,090**	**153,707**	**489,302**	**311,539**	**372,231**	**395,876**	**1,904,696**

31 December 2021	**LDC (Managers) Ltd**	**LDC (General Partner) Ltd**	**LDC I LP**	**LDC II LP**	**LDC III LP**	**LDC IV LP**	**LDC V LP**	**LDC VI LP**	**LDC VII LP**	**LDC VIII LP**	**LDC IX LP**	**LDC X LP**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current													
Cash and Cash equivalents	18,886	-	2,759	600	204	1,143	392	325	148	10	372	299	24,839
Other current assets	*53,576*	-	*1,023*	402	*704*	*5,246*	*3,213*	*10,083*	9,803	*15,258*	8,329	*21,705*	*107,637*
Total current assets	**72,462**	**-**	**3,782**	**1,002**	**908**	**6,389**	**3,605**	**10,408**	**9,951**	**15,268**	**8,701**	**22,004**	**132,476**
Financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	(68,254)	-	(797)	(2,880)	(544)	(1,053)	(2,956)	(4,147)	(4,935)	(8,305)	(5,508)	(15,213)	(99,379)
Total current liabilities	**(68,254)**	**-**	**(797)**	**(2,880)**	**(544)**	**(1,053)**	**(2,956)**	**(4,147)**	**(4,935)**	**(8,305)**	**(5,508)**	**(15,213)**	**(99,379)**
Non-current assets	**2,469**	**-**	**13,517**	**29,256**	**22,037**	**45,424**	**130,406**	**168,486**	**203,025**	**392,583**	**280,139**	**375,937**	**1,287,342**
Financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	(2,645)	-	-	-	-	-	-	-	-	-	-	-	(2,645)
Total non-current liabilities	**(2,645)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,645)**
Net assets	**4,032**	**-**	**16,502**	**27,378**	**22,401**	**50,760**	**131,055**	**174,747**	**208,041**	**399,546**	**283,332**	**382,728**	**1,317,794**

Notes to the financial statements for the year ended 31 December 2022 continued

9. Investments in subsidiaries continued

The company has 100% interest in subsidiaries listed below:

Company / Partnerships	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
LDC X LP	Investment Vehicle	One Vine Street, London W1J 0AH
LDC XI LP	Investment Vehicle	One Vine Street, London W1J 0AH

The company has an interest in 100% of the issued ordinary 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, LDC IX LP, LDC X LP and LDC XI LP.

Notes to the financial statements for the year ended 31 December 2022 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 its 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 %	Company	Direct / Indirect	LDC Voting %
Eudoros Bidco Limited	Indirect	49.6%	Project Belize Limited	Indirect	44.5%
Project Fusion Bidco Limited	Indirect	49.5%	Project Sketch Limited	Indirect	44.5%
Biozone Scientific Group Limited	Indirect	49.5%	Seahawk Bidco Limited	Indirect	44.5%
Hazel Newco Limited	Indirect	49.5%	Neilson Active Holidays Group Limited	Indirect	44.5%
RDIL 2021 Limited	Indirect	49.5%	Columbus UK Holdings Limited	Indirect	44.5%
Generate Topco Limited	Indirect	49.5%	Osprey Aviation Services (UK) Limited	Indirect	44.5%
Project Bridgerton Bidco Limited	Indirect	49.5%	Panther Partners Limited	Indirect	44.5%
Project Tropic Bidco Limited	Indirect	49.5%	Express Engineering (Group) Limited	Indirect	44.4%
Topsmiths Limited	Indirect	49.5%	Project Airscope Bidco Limited	Indirect	44.0%
Bcis Holdings Limited	Indirect	49.5%	Avantis Systems Limited	Indirect	44.0%
Project Balloon Bidco Limited	Indirect	49.5%	Project Bronze Limited	Indirect	43.6%
Eiger Bidco Limited	Indirect	49.5%	PPCE Holdings Limited	Indirect	43.3%
Scarlettabbott (Topco) Limited	Indirect	49.5%	Tmc Pharma Services Limited	Indirect	42.8%
Project Sutton Bidco Limited	Indirect	49.5%	Ensco 1389 Limited	Indirect	42.8%
Alphabet Bidco Limited	Indirect	49.5%	Tolia Bidco Limited	Indirect	42.5%
Ashtons Group Holdings Limited	Indirect	49.4%	Khl 2017 Limited	Indirect	42.2%
Croud Holdings Limited	Indirect	49.4%	United House Group Holdings Limited	Indirect	41.9%
Ensco 1322 Limited	Indirect	49.4%	Onapp (Topco II) Limited	Indirect	41.2%
Ensco 1327 Limited	Indirect	49.4%	Ssp Topco Limited	Indirect	41.1%
Ensco 1337 Limited	Indirect	49.4%	Kruger Bidco Limited	Indirect	41.1%
Ensco1314 Limited	Indirect	49.4%	Stratus (Holdings) Limited	Indirect	40.4%
Highlands Bidco Limited	Indirect	49.4%	Angus International Safety Group Limited	Indirect	40.2%
Measured Identity Hub Limited	Indirect	49.4%	Global Autocare Holding Limited	Indirect	40.1%
Mfs Groupco Limited	Indirect	49.4%	Hamsard 3667 Limited	Indirect	38.9%
Sgi Holdings Limited	Indirect	49.4%	Crossco (1462) Limited	Indirect	38.7%
Kerv Group Limited	Indirect	49.4%	Shaken Udder Group Limted	Indirect	38.2%
Ensco 1375 Limited	Indirect	49.4%	ZWPV Limited	Indirect	38.2%
Chianti Holdings Limited	Indirect	49.4%	Verde Bidco Limited	Indirect	37.2%
The Edwin Group Limited	Indirect	49.4%	Iglufastnet Limited	Indirect	36.7%
Hercules Topco Limited	Indirect	49.4%	PAM Healthcare Limited	Indirect	36.5%
Timec 1792 Limited	Indirect	49.3%	Rocket Science Holdings Limited	Indirect	35.7%
Connect Health Group Limited	Indirect	48.6%	Duncan And Todd Holdings Limited	Indirect	35.7%
Walnut Newco Limited	Indirect	48.1%	Blue Bay Travel Group Limited	Indirect	35.6%
Solo Topco Limited	Indirect	48.0%	Timec 1667 Limited	Indirect	35.2%
Park Bidco Limited	Indirect	47.0%	Project Edge Bidco Limited	Indirect	33.7%
Ramco Acquisition Limited	Indirect	46.4%	Ensek Holdings Limited	Indirect	33.7%
Airline Services And Components Group Limited	Indirect	46.2%	The Ems Group Limited	Indirect	30.7%
Hamsard 3606 Limited	Indirect	45.4%	Onapp (Topco) Limited	Indirect	29.9%
Evolution Funding Group Limited	Indirect	44.6%	Horse Health Wessex Holdings Limited	Indirect	29.8%
Odyssey Bidco Limited	Indirect	44.6%	The Power Industrial Group Limited	Indirect	28.1%
Bacchus Newco Limited	Indirect	44.5%	Pertemps Network Group Limited	Indirect	25.5%
Cardel Group Limited	Indirect	44.5%	Project Polka Topco Limited	Indirect	21.8%
Ginger Acquisition Company Limited	Indirect	44.5%	Couple Holdco Limited	Indirect	20.0%
Scenic Topco Limited	Indirect	44.5%	Project Galaxy UK Topco Limited	Indirect	20.0%

All investments held directly by the company and indirectly through its subsidiaries are accounted for at fair value through profit and loss. The total assets for all related associates are £4,705m (2021: £3,885m) and the total liabilities are £5,284m (2021: £4,139m). The total revenue of all associate investees is £4,196m (2021: £3,686m) and an aggregate loss before tax of approximately £228m (2021: £187m loss).

In addition, the company and its subsidiaries have provided £1,466m (2021: £1,295m) of financing to these companies on which the subsidiaries earned £98m (2021: £86m) of interest income in the year, of which the company recognises its allocation of the income via an allocation of the net asset value of the subsidiaries.

10. Deferred taxation

	2022 £000	2021 £000
At 1 January	2,883	1,565
Income statement charge – current year	6,031	626
Impact of change in rate	1,346	692
At 31 December	**10,260**	**2,883**
Deferred taxation at 31 December comprises:		
Short-term temporary timing differences	10,260	2,883
Other timing differences	-	-
	10,260	**2,883**

Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

A deferred tax asset of £21.1m (2021: £21.4m) relating to capital losses has not been recognised on the basis that the Company has insufficient forecast chargeable gains to recover the asset in future periods. Once crystallised following disposal of the assets, capital losses can be carried forward indefinitely.

11. Trade and Other Receivables

	2022 £000	2021 £000
Trade and other receivables	7,055	5,703
Receivables from subsidiaries	52,488	49,581
Accrued Income	417	510
	59,960	**55,794**

Receivables do not carry any interest and are stated at amortised cost and 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. Receivables from subsidiaries are repayable on demand.

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 2022 continued

12. Cash and Cash Equivalents

	2022 £000	2021 £000
Cash and cash equivalents	32,843	24,976
Total	**32,843**	**24,976**

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

13. Borrowed funds

	2022 £000	2021 £000
Loan owed to LBG Equity Investments Limited	1,369,500	1,159,500
Total	**1,369,500**	**1,159,500**

The borrowing is unsecured and has a blended fixed interest rate of 3.09% (2021: 2.62%). The loan is contractually repayable in tranches with the first tranche maturing on 30 June 2023. 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

	2022 £000	2021 £000
Trade and other payables	1,451	1,356
Payables to parent undertaking	13,582	7,521
Payables to subsidiaries	49,538	46,771
Total	**64,571**	**55,648**

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.

Payables to parent undertaking is settled on monthly basis.

Payables to subsidiaries are repayable on demand.

Notes to the financial statements for the year ended 31 December 2022 continued

15. Contingent liabilities and commitments

Commitments

At 31 December 2022 the company had given commitments to provide additional funds of £nil (2021: £3.8m).

Guarantees

At 31 December 2022 the company had issued guarantees to third parties in respect of liabilities of 3 investee companies (2021: 2) amounting to £11.3m (2021: £9.3m).

Expiry within	**Up to 1 month**	**1- 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
At 31 Decemeber 2022	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Investment Commitment	-	-	-	-	-	-
Guarantees	-	2,500	-	8,838	-	11,338
	-	**2,500**	**-**	**8,838**	**-**	**11,338**

Expiry within	**Up to 1 month**	**1- 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
At 31 Decemeber 2021	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Investment Commitment	-	-	3,818	-	-	3,818
Guarantees	-	-	9,338	-	-	9,338
	-	**-**	**13,155**	**-**	**-**	**13,155**

16. Dividends paid

Dividend paid in the year represents a payment of £63.16 per share (2021: £94.74 per share).

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 2022 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 which include the LDC Parallel, Equity and OBS entities 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 invested £3.2m (2021: £3.1m) in new investments in which the company also has an interest. As at 31 December 2022, £1.9m is included within other receivable (2021: £5.6m).

The investment portfolio of the LDC group of entities is 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 2022. 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 2022.

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

LLOYDS DEVELOPMENT CAPITAL (HOLDINGS) LIMITED

Notes to the financial statements for the year ended 31 December 2022 continued

19. Related party transactions and balances continued

Associate undertakings

Lloyds Development Capital (Holdings) Limited indirectly 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:

Company	Direct / Indirect	LDC Voting %	Company	Direct / Indirect	LDC Voting %
Aquila Topco Limited	Indirect	19.7%	Vine Street IX LP		n/a
Albany Bidco Limited	Indirect	18.8%	Vine Street X LP		n/a
Kite Topco Limited	Indirect	17.5%	Vine Street XI LP		n/a
Aquavista Watersides Topco Limited	Indirect	17.0%	OBS 2011		n/a
Kmhd Flooring Holdco Limited	Indirect	14.0%	LDC Parallel I LP		n/a
Atlantic Healthcare Plc	Indirect	13.0%	LDC Parallel II LP		n/a
Black Swan Data Limited	Indirect	11.6%	LDC Parallel III LP		n/a
Ce Topco Limited	Indirect	9.8%	LDC Parallel IV LP		n/a
Clean Topco Limited	Indirect	9.8%	LDC Parallel V LP		n/a
LHTCA Topco Limited	Indirect	9.0%	LDC Parallel VI LP		n/a
Kirk Topco Limited	Indirect	6.4%	LDC Parallel VII LP		n/a
Power Newco Limited	Indirect	0.0%	LDC Parallel VIII LP		n/a
Panacea Healthcare Group Holdings Limited	Indirect	0.0%	LDC Parallel IX LP		n/a
Dvorak Midco 1 Limited	Indirect	0.0%	LDC Parallel X LP		n/a
Alchemilla I LP		n/a	LDC Parallel XI LP		n/a
Bergamot II LP		n/a	LDC Equity II LP		n/a
Calendula III LP		n/a	LDC Equity III LP		n/a
Damera IV LP		n/a	LDC Equity IV LP		n/a
LDC Carry V LP		n/a	LDC Equity V LP		n/a
LDC Carry VI LP		n/a	LDC Equity VI LP		n/a
LDC Carry VII LP		n/a	LDC Equity VII LP		n/a
LDC Carry VIII LP		n/a	LDC GP LLP		n/a

20. Subsequent Events

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