LDC

LDC (MANAGERS) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

MEMBER OF LLOYDS BANKING GROUP PLC

LDC (MANAGERS) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Registered office

One Vine Street, London W1J 0AH

Registered number

02495714

Directors

G Culmer (Chairman)
A Cumming (Non-Executive Director)
M Draper (Chief Executive Officer)
C Hurley (Chief Portfolio Officer)
H McKay (Non-Executive Director)
T Rougier (Non-Executive Director)

LDC (MANAGERS) LIMITED

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LDC (Managers) Limited

Strategic Report

2018 to date has been a period of strong performance in investment activity. We have continued to back ambitious management teams, partnering with them to add tangible value to regional business. Furthermore, we support local communities and charities across the United Kingdom.

Business review and principal activities

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

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

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

As shown in the company's Statement of comprehensive income on page 9, the company's revenue for the year ended 31 December 2018 was £45.4m compared to £34.4m for the year ended 31 December 2017. The profit before taxation is £0.3m for the year ended 31 December 2018 compared to £0.3m for the year ended 31 December 2017.

Dividends of £nil (2017: £nil) were paid in the year.

The Statement of Financial Position on page 10 shows the company's financial position at the year end, in net asset terms, it decreased compared to 31 December 2017.

Key performance indicators (KPIs)

The company's KPIs are the level and quality of new investment written per annum and the returns on assets under management within the LDC Business. On new business written, for the year to 31 December 2018, the latest fund invested £437 million in 23 new deals (2017: £349 million in 24 deals), the significant majority of which were management buyouts.

For the year ended 31 December 2018, the company achieved 23 exits (2017: 26), of which 4 (2017: 15) are relating to vintage investments held by LDC(H).

Principal risks and uncertainties

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

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

On behalf of the board

C Hurley
Director
25 April 2019

LDC (MANAGERS) LIMITED

Report of the Directors for the year ended 31 December 2018

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

Directors

The directors who were in office during the year and up to the point of signing the financial statements were: G Culmer, A Cumming, M Draper, C Hurley, H McKay and T Rougier.

G Culmer was appointed as Director as at 18 January 2018.

No directors have resigned from the company during the period since the 2017 Report of the Directors.

Future outlook

On the assumption that conditions within the UK economy do not deteriorate significantly, the directors remain confident that the company will to continue to deliver a good level of performance.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

Statement of disclosure of information to auditors

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

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

Report of the Directors for the year ended 31 December 2018 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, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

On behalf of the board

CHurley

C Hurley
Director
25 April 2019

Independent auditors' report to the members of LDC (Managers) Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements ("Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Wiseman

Jonathan Wiseman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 April 2019

Statement of Comprehensive Income
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue			
Management Fees		39,135	28,210
Monitoring Fees		6,238	6,239
Total Revenue		**45,373**	**34,449**
Operating Expenses	6	(45,067)	(34,130)
Profit Before Taxation		**306**	**319**
Taxation	8	(684)	(625)
Loss After Taxation		**(378)**	**(306)**

The notes on pages 13 to 33 form part of the financial statements. All operations are continuing.

LDC (Managers) Limited

Statement of Financial Position
As at 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Property, Plant and Equipment	9	1,586	1,888
Trade and other receivables	10	3,890	3,145
Intercompany Receivable	11	64,972	182,581
Deferred Taxation	8	307	318
Cash and Cash Equivalents	12	2,423	682
Total Assets		**73,178**	**188,614**
Liabilities			
Trade and other payables	13	13,671	9,405
Intercompany Payable	15	52,741	172,766
Taxation	8	2,080	1,407
VAT		306	278
Total Liabilities		**68,798**	**183,856**
Equity			
Share Capital	16	200	200
Retained Earnings		4,180	4,558
Total Equity		**4,380**	**4,758**
Total Equity and Liabilities		**73,178**	**188,614**

The financial statements on pages 9 to 33 have been signed on behalf of the board by

C Hurley
Director
25 April 2019

The notes on page 13 to 33 form part of these financial statements.
The registered number for the company is 02495714.

Statement of Changes in Equity
For the year ended 31 December 2018

	Note	Number of Shares '000	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2018		**200**	**200**	**4,558**	**4,758**
Loss for the year		-	-	(378)	(378)
Dividend paid	**17**	-	-	-	-
At 31 December 2018		**200**	**200**	**4,180**	**4,380**
At 1 January 2017		200	200	4,864	5,064
Loss for the year		-	-	(306)	(306)
Dividend paid	**17**	-	-	-	-
At 31 December 2017		**200**	**200**	**4,558**	**4,758**

The notes on pages 13 to 33 form part of the financial statements.

LDC (MANAGERS) LIMITED

Statement of Cash Flows
For the year ended 31 December 2018

	2018 £'000	Restated 2017 £'000
Cash Flows from operating activities		
Management fees received	156,703	-
Monitoring Fees received	4,724	6,620
Taxation Paid	-	(2,376)
VAT payments	(857)	(990)
Operating Income/(Expenses)	874	(746)
Net cash flows generated from operating activities	**161,444**	**2,508**
Cash flows from financing activities		
Net transfers to Lloyds Development Capital (Holdings) Ltd	(159,703)	990
Net cash outflow from financing activities	**(159,703)**	**990**
Net increase in cash and cash equivalents	**1,741**	**486**
Cash and cash equivalents at start of year	682	196
Cash and cash equivalents at end of year	**2,423**	**682**

The notes on pages 13 to 33 form part of the financial statements.

Notes to the financial statements for the year ended 31 December 2018

1. General information

The company's immediate parent company is Lloyds Development Capital (Holdings) Limited ("LDC(H)"). The company's ultimate parent company is Lloyds Banking Group plc ("LBG"), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. As at 10 October 2017, LBG Equity Investments Limited is the parent undertaking of the smallest of such group of undertakings with previous parent undertaking being Lloyds Bank Plc. Copies of both financial statements may be obtained from the Company Secretary's Department, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

The Company is reliant on funding provided by LDC(H). The directors are satisfied that it is the intention of LBG, that its subsidiaries including LDC(H) and the Company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

2. Accounting Policies

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

a. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretations Committee (IFRIC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets. A summary of the principal accounting policies is set out below.

b. Changes in accounting policy and presentation

The company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The nature and impact of each new standard and amendment is described below:

IFRS 15 Revenue from Contracts with Customer
The company adopted IFRS 15 'Revenue from contracts with customers' on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and introduces new requirements for the recognition of revenue.

The core principle of IFRS 15 is that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The recognition of such revenue is in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

In applying IFRS 15, the transaction price amount is allocated to the identified performance obligations and is recognised as revenue when (or as) those performance obligations are satisfied. To determine the transaction price, the company has considered the effects of all of the following: Variable consideration; constraining estimates of variable consideration; the existence of a significant financing component in the contract; non-cash consideration and consideration payable to a customer.

The company has identified that both of its revenue streams, management fees received from the funds and monitoring fees received from underlying portfolio companies are within the scope of IFRS 15.

Notes to the financial statements for the year ended 31 December 2018 continued

2. Accounting Policies continued

b. Changes in accounting policy and presentation continued

(a) Management fees

Management fees are outlined in the Limited Partnership Agreement ('LPA') which serves as the contract between the company and its customer. This assessment has been performed at an individual contract level basis to ensure each contract is accounted for appropriately under IFRS 15.

Under the LPA the company is obligated to perform management services for the funds in return for an annual management fee. This is considered to be the performance obligation of the company.

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

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

Based on this analysis, IFRS 15 has not resulted in a change in how the company recognises its management fee revenues.

(b) Monitoring fees

Monitoring fees are outlined in the Investment Agreement ('IA') which serves as the contract between the company and its customer. This assessment has been performed at an individual contract level basis to ensure each contract is accounted for appropriately under IFRS 15.

Under the IA the company is obligated to perform management services for the portfolio company in return for an annual monitoring fee. This is considered to be the performance obligation of the company.

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

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

Based on this analysis, IFRS 15 has not resulted in a change in how the company recognises its monitoring fee revenues.

Notes to the financial statements for the year ended 31 December 2018 continued

2. Accounting Policies continued

b. Changes in accounting policy and presentation continued

(c) Impact of adoption of IFRS 15

The revenue recognition principals of IFRS 15 have been adopted retrospectively as of the date of initial application on 1 January 2018. However, the company has chosen to take advantage of the option not to restate comparatives and adjusted opening retained earnings. Therefore, 2017 figures are presented and measured under IAS 18.

IFRS 15 has not resulted in a change in how the company accounts for its management fee and monitoring fee revenues. Therefore no adjustment is required to opening retained earnings to account for retrospective adoption.

IFRS 9 Financial Instruments
The company adopted IFRS 9 'Financial Instruments' on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

(a) Classification and measurement

The company has assessed the classification of the financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- IFRS 9 requires financial assets to be classified into one of four measurement categories, fair value through profit or loss ("FVPL"), fair value through other comprehensive income for debt, fair value through other comprehensive income for equity or amortised cost.
- Financial assets of the company consists of intercompany receivables and fees and other trade receivables which have historically been classified as loans and receivables and measured as amortised costs under IAS 39.
- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised costs under IFRS 9.
- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of change in credit risk) should be presented in profit or loss. The company has not designated any financial liabilities at FVPL. Therefore, this requirement has not had an impact on the company.

(b) Impairment

IFRS 9 requires the company to record expected credit losses (ECL) on all of its loans and trade receivables, either on a 12-month or lifetime basis. The new impairment model of IFRS 9 does this on the basis of ECLs, which means impairment losses are anticipated earlier than under the incurred loss impairment model of IAS 39. Given the limited exposure of the company to credit risk, this amendment has not had a material impact on the financial statements. The company only holds intercompany receivables and trade receivables with no financing component at amortised costs. Therefore, the company has adopted the simplified approach to ECLs.

Notes to the financial statements for the year ended 31 December 2018 continued

2. Accounting Policies continued

b. *Changes in accounting policy and presentation continued*

(c) Hedge accounting

The company has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

(d) Impact on adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018. However, the company has chosen to take advantage of the option not to restate comparatives. Therefore, 2017 figures are presented and measured under IAS 39. The following tables shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the company's financial assets and financial liabilities as at 1 January 2018:

1 January 2018	IAS 39 classification	IAS 39 measurement £'000	IFRS 9 classification	IFRS 9 measurement £'000
Trade and other receivables	Loans and receivables	3,145	Amortised cost	3,145
Intercompany receivables	Loans and receivables	182,581	Amortised cost	182,581
Cash and Cash Equivalents	Loans and receivables	682	Amortised cost	682
Trade and other payables	Amortised cost	9,405	Amortised cost	9,405
Intercompany payables	Amortised cost	172,766	Amortised cost	172,766

In line with the characteristics of the company's financial instruments as well its approach to their management, the company neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the company's financial instruments due to changes in measurement categories as these have remained unchanged. All financial assets were previously classified as loans and receivables and measured at amortised cost and continue to be.

In addition, the application of the ECL model under IFRS 9 has not changed the carrying amounts of the company's amortised cost financial assets. The company recognised an ECL in trade and other receivables of £nil compared to no impairment recorded in 2017 under IAS 39.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

2. Accounting Policies continued

c. *Management estimates and judgements*

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

For fair value of financial instruments, please refer to note 5.

d. *Cash and cash equivalents*

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

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

e. Revenue recognition

(a) Policy effective after 1 January 2018 (IFRS 15)

Revenue is recognised in the statement of comprehensive income using the five steps approach. Revenue consists of management fees and investee company's' monitoring fees where investee companies is defined as the investment portfolio company in the funds under management.

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

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

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

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

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

Notes to the financial statements for the year ended 31 December 2018 continued

2. Accounting Policies continued

e. Revenue recognition continued

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

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

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

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

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

(b) Policy effective before 1 January 2018 (IAS 18)

Revenue is recognised in the statement of comprehensive income for management fees and investee company's' monitoring fees where investee companies is defined as the investment portfolio company in the funds under management.

Management fees related to fund investment management services provided in the period to the extent that the company has earned the right to that consideration exchange for services rendered.

Monitoring fees relate to services provided to investee companies by staff of the company, the fees are recognised to the extent that the company has earned the right to that consideration exchange for services rendered.

Where, in the opinion of the directors, there is uncertainty over ultimate collectability of an amount already included in revenue, an allowance is recognised separately for uncollectable amounts.

f. Staff Costs

Some long-term benefits are calculated with reference to the annual performance of the company, and are conditional on staff members' continued employment at the point at which they become payable. Such benefits are recognised in the statement of comprehensive income and the statement of financial position until the date of payment.

Notes to the financial statements for the year ended 31 December 2018 continued

2. Accounting Policies continued

g. Pensions and other post-retirement benefits

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

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

h. Leases

The total payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term. All payments represent the minimum lease payments paid to the lessee.

i. Provisions for liabilities and charges

Provisions are valued at the best estimate required to settle a present obligation and are not discounted.

j. Property, plant and equipment

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

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

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

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

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

Notes to the financial statements for the year ended 31 December 2018 continued

2. Accounting Policies continued

k. Taxation

Current tax which is payable or receivable on taxable profits or losses is recognised as an expense or credit in the period in which the profits or losses arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date that are expected to apply when the related deferred tax asset is realised of the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

l. Financial instruments

In the current period, the company has adopted IFRS 9 Financial Instruments. See section 2b *IFRS 9 Financial Instruments* for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

(a) Classification – policy effective from 1 January 2018 (IFRS 9)

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:

(i) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
(ii) 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
(iii) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

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

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

(i) 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
(ii) 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

Notes to the financial statements for the year ended 31 December 2018 continued

2. Accounting Policies continued

I. Financial instruments continued

(iii) 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 and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contacts in an asset position. The company currently does not hold any financial assets which would fall into this category.

(a) (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 intercompany payables and other short-term trade payables.

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

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

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

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

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

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

Notes to the financial statements for the year ended 31 December 2018 continued

2. Accounting Policies continued

m. Financial instruments continued

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

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

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

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

(b) Classification – policy effective before 1 January 2018 (IAS 39)

The company recognised cash, accounts receivable and accounts payable as financial instruments in accordance with IAS 32 and IAS 39.

Financial assets
Fee debtors, intercompany receivables and other trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. They are accounted for at trade date and are settled with payments made in British sterling.

Financial liabilities
Trade payables and intercompany payables are not interest bearing and are stated at amortised cost. They are accounted for at trade date and are typically settled monthly with payments made in British pound sterling.

As the company's financial instruments principally comprise balances held with the company's parent group, it is not exposed to significant credit risks.

(c) Impairment – policy effective after 1 January 2018 (IFRS 9)

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

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

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

Notes to the financial statements for the year ended 31 December 2018 continued

2. Accounting Policies continued

n. Financial instruments continued

(d) Impairment – policy effective before 1 January 2018 (IAS 39)

The company assesses at each reporting date whether a financial asset is impaired. Evidence of impairment include indicators that the debtor may not be able to pay. Impaired debts are written off when there is no realistic prospect of future recovery.

o. Future accounting developments

The following standards and interpretations are issued, but not yet effective, up to the date of the issuance of the company's financial statements as disclosed below and excluding those which will clearly not impact the company. The company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases
IFRS 16 replaces IAS 17 'Leases' and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. Lessees will need to recognise a right of use asset and a liability for future payments arising from a lease contract. Lessees will recognise a finance charge on the liability and a depreciation charge on the asset which could affect the timing of the recognition of expenses on leased assets.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, however early adoption is permitted. The company has not elected to early adopt.

The standard is not currently expected to have a significant impact on the company. As at 31 December 2018, all leases held by the company are due to complete during the first half of 2019. As a result, the company will elect not to recognise a lease liability and right of use asset as the lease term ends within 12 months of the date of application of 1 January 2019.

3. Capital management

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

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

Notes to the financial statements for the year ended 31 December 2018 continued

4. Financial risk management

Market risk, liquidity risk and credit risk are minimal given the cash flow position and the support of the parent entity.

4.1 Market Risk

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

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

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

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

4.2 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company's exposure to this risk is considered to be minimal as payables are primarily held with the immediate parent company LDC(H), which is highly unlikely to demand payment.

Liquidity risk is minimal given the support of the immediate parent company and ultimate parent entity.

4.3 Credit risk

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

These financial assets are intercompany, trade and other receivables subject to IFRS 9's ECL impairment model. At 31 December 2018, the total intercompany, trade and other receivables was £69 million on which no loss allowance had been provided. (2017: total of £186 million on which no loss had been incurred).

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

Notes to the financial statements for the year ended 31 December 2018 continued

5. Fair value of financial assets and liabilities

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

6. Operating expenses

	2018 £'000	2017 £'000
Operating Leases - motor vehicles	26	30
Auditors' remuneration - statutory audit	42	34
Auditors' remuneration - other	453	378
Legal & Professional	7,909	6,999
Staff costs	24,768	15,913
Depreciation	447	474
Indirect costs	4,402	4,109
Other	7,020	6,193
Total	**45,067**	**34,130**

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

For the year ended 31 December 2018 £0.5m has been accrued to date for audit fees to be paid on behalf of the funds under management and included as other audit fees (2017: £0.4m).

Indirect costs of £4.4m have been accrued relating to property rental costs and finance staff costs incurred by LBG which is recharged to the company (2017: £4.1m).

7. Staff costs

a) Compensation

	2018 £'000	2017 £'000
Wages and salaries	20,942	13,145
Social security costs	2,757	1,755
Other Pension Costs	1,069	1,013
Total	**24,768**	**15,913**

The average number of persons employed by the company, including executive directors, during the period was 93 (2017: 93).

Notes to the financial statements for the year ended 31 December 2018 continued

7. Staff costs continued

b) Key management compensation

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

	2018 £'000	2017 £'000
Salaries and other short and long term benefits	2,337	702
Post Employment benefits	77	86

c) Directors

The directors' emoluments were as follows:

	2018 £'000	2017 £'000
Aggregate emoluments	2,511	862
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	-	-

The aggregate of the emoluments of the highest paid director was £1,344,514 (2017: £404,087). No contributions were paid to the defined contribution pension scheme in respect of directors' qualifying services (2017: £nil). No share options were exercised in the year.

8. Taxation

	2018 £'000	2017 £'000
Analysis of Charge in year:		
Current tax for the year – prior year	117	28
Current tax for the year – current year	556	381
Deferred taxation – prior year	(72)	(27)
Deferred taxation - current year	93	218
Deferred taxation - impact of change in tax rate	(10)	25
Tax charge/(credit)	**684**	**625**

Notes to the financial statements for the year ended 31 December 2018 continued

8. Taxation continued

Taxation on the company's profit before taxation for the year differed from the taxation charge that would arise using the standard rate of corporation tax of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before taxation	306	319
Tax charge at UK corporation tax rate of 19.00% (2017: 19.25%)	58	61
Effects of:		
Effect of reduction in deferred tax rate	(10)	25
Disallowed items	632	587
Adjustments in respect of previous years	45	2
Movement in items where no deferred tax recognised	(41)	(50)
Tax charge/(credit)	**684**	**625**

Movement in deferred taxation

	2018 £'000	2017 £'000
As at 1 January	318	531
Adjustment in relation to prior year	72	27
Income statement credit – current year	(93)	(218)
Effect of reduction in deferred tax rate - Income statement	10	(25)
Effect of reduction in deferred tax rate - equity	-	3
As of 31 December	**307**	**318**

The Finance Act 2016, which was substantively enacted on 6 September 2016, reduced the corporate tax rate to 17% with effect from 1 April 2020.

Notes to the financial statements for the year ended 31 December 2018 continued

9. Property, plant and equipment

2018	Office Equipment £'000	Fixtures, fittings and furnishings £'000	Total £'000
At 1 January 2018			
Cost	1,702	2,807	4,509
Accumulated depreciation	(1,382)	(1,239)	(2,621)
Net Book Amount	320	1,568	1,888
Opening net book amount	320	1,568	1,888
Additions	145	-	145
Disposals	-	-	-
Depreciation charge	(5)	(442)	(447)
Closing net book amount	460	1,126	1,586
At 31 December 2018			
Cost	1,847	2,807	4,654
Accumulated depreciation	(1,387)	(1,681)	(3,068)
Net Book Amount	**460**	**1,126**	**1,586**

2017	Office Equipment £'000	Fixtures, fittings and furnishings £'000	Total £'000
At 1 January 2017			
Cost	1,702	2,785	4,487
Accumulated depreciation	(1,114)	(1,033)	(2,147)
Net Book Amount	588	1,752	2,340
Opening net book amount	588	1,752	2,340
Additions	-	26	26
Disposals	-	(4)	(4)
Depreciation charge	(268)	(206)	(474)
Closing net book amount	320	1,568	1,888
At 31 December 2017			
Cost	1,702	2,807	4,509
Accumulated depreciation	(1,382)	(1,239)	(2,621)
Net Book Amount	**320**	**1,568**	**1,888**

Notes to the financial statements for the year ended 31 December 2018 continued

9. *Property, plant and equipment continued*

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

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

There are no contractual commitments to purchase property plant and equipment at the year end (2017: nil).

10. Trade and other receivables

	2018 £'000	2017 £'000
Fee debtors	3,469	2,273
Sundry debtors	28	35
Prepayments	393	837
Total	**3,890**	**3,145**

At 31 December 2018, write-off against fee or sundry debtors of £1.3m had been incurred, an ECL of £nil has been recognised. (2017: £0.1m write-off against fee or sundry debtors and a provision for doubtful debts of £nil was recognised).

11. Intercompany Receivable

	2018 £'000	2017 £'000
Receivable from LDC (Holdings) Limited	29,008	26,247
Receivable from LDC GP LLP	35,964	156,334
Total	***64,972***	**182,581**

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

Notes to the financial statements for the year ended 31 December 2018 continued

12. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents	2,423	682
Overdraft	-	-
Total	**2,423**	**682**

There is no restricted cash held at the statement of financial position date.

13. Trade and other payables

	2018 £'000	2017 £'000
Provisions for Liabilities and Charges	2,606	3,037
Sundry Payables	11,065	6,368
Total	**13,671**	**9,405**

Trade and other payable do not carry any interest and are stated at their nominal value, being their initial fair value, are unsecured and are not interest bearing. Typically trade and other payables are settled monthly. These are repayable on demand, therefore the carrying value is approximate to the fair value.

14. Provisions for Liabilities and Charges

	2018 £'000	2017 £'000
Opening balance	3,037	1,380
Additional provisions made in the period:		
Audit fees accrual	42	34
Legal and professional charges	2,564	3,003
Amounts used/released	(3,037)	(1,380)
Closing balance	**2,606**	**3,037**

The company has provided for the costs on 9 (2017: 10) potential investments on which legal and professional work has been carried out. In the event that these investments do not complete, these costs become abort fees and the obligation to settle the costs will lie with the company.

Notes to the financial statements for the year ended 31 December 2018 continued

15. Intercompany Payable

	2018 £'000	2017 £'000
Payable to LDC (Holdings) Limited	52,741	172,766
Total	**52,741**	**172,766**

16. Share Capital

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

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

17. Dividend

No dividend was made in 2018 to date (2017: £nil).

18. Lease commitments

The future minimum lease payments under non-cancellable operating lease are as follows:

	Lease less than 1 year £'000	Between 2 and 5 years £'000	Later than 5 years £'000	Total £'000
Dec-18				
Vehicles	3	-	-	3
	3	**-**	**-**	**3**

	Lease less than 1 year £'000	Between 2 and 5 years £'000	Later than 5 years £'000	Total £'000
Dec-17				
Vehicles	16	3	-	19
	16	**3**	**-**	**19**

As at 31 December 2018, there were no expected payments for subleases and there were no receipts from sub-lessees received during the period (2017: nil). There are no restrictions imposed by lease arrangements options or covenants (2017: nil).

Notes to the financial statements for the year ended 31 December 2018 continued

19. Related party transactions

Ultimate Parent
LBG is the ultimate parent of the company and meet the IAS 24 definition of related parties. The company utilises banking facilities of LBG, as at 31 December 2018 £2.4m (2017: £0.7m) were held within LBG undertakings.

Operating expenses include indirect costs of £4.4m (2017: £4.1m) relating to property rental costs and finance staff costs incurred by LBG which is recharged to the company.

Immediate Parent
LDC(H) is the immediate parent of the company and meet the IAS 24 definition of related parties. LDC(H) settles cash payments on behalf of the company. The amounts accrued as at 31 December 2018 are set out in note 15.

Manager of Partnerships
The company has been appointed as the 'Manager' by the LDC GP LLP to manage numerous partnerships it is involved in and LDC(H) through an Investment Management Agreement and meets the IAS 24 definition of related parties. During the period, in relation to services provided, the company recognised management fees amounting to £38.8m (2017: £28.1m) in the statement of comprehensive income. The amounts accrued as at 31 December 2018 are set out in note 11.

The LDC Co–investment Plans and Opportunity Clubs also meet the IFRS definition of a related party. The company acts as the manager of each plan. Under the terms of the limited partnership agreements, the company operates co-investment plans whereby a predetermined percentage of the investment into the investee companies is offered to certain directors and executives of the company. The proportion available for this investment is determined by the plan committee. During the period, the LDC Co-investment Plans and Opportunity Clubs invested £3.4 (2017: £3.2m) in new investments. During the period, in relation to services provided, the company recognised management fees amounting to £0.3m (2017: £0.1m) in the statement of comprehensive income.

Investee companies
The investment portfolio companies of the LDC group of entities from 2017 is also defined as a related party. During the period the company recognised monitoring fees amounting to £6.2m (2017: £6.2m) in these companies. As at 31 December 2018 £3.5m (2017 reclassified: £2.3m) was accrued to the statement of financial position.

Key Management

Key management compensation has been disclosed in full in Note 7.

Key management participate as Limited Partners in the LDC Co-investments Plans and Opportunity Clubs, with the proportion determined by the plan committee. There were no other related party transactions in the period relating to the Directors of the company in post at the period end.

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

Notes to the financial statements for the year ended 31 December 2018 continued

20. Events after the reporting date

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

21. Prior year restatement

Cashflow statement

Substantially most monitoring fees are received by LDC(H) on behalf of the company and transferred to the company from LDC(H). During prior years these have been disclosed through net transfers to Lloyds Development Capital (Holdings) Ltd. The company believes that, disclosing these monitoring fees received via LDC(H) as monitoring fees received shows a more accurate reflection of the nature of the cashflows. As a result, the company reclassified £3m from net transfers to Lloyds Development Capital (Holdings) Ltd to monitoring fees received in the prior year.

The impact is a £3m increase in cashflows from operating activities and a £3m decrease in cashflows from financing activites, however there is a net £nil impact on the cash and cash equivalent.