LDC

# LDC (MANAGERS) LIMITED

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

## MEMBER OF LLOYDS BANKING GROUP PLC

# LDC (MANAGERS) LIMITED

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

*Registered office*

One Vine Street, London W1J 0AH

*Registered number*

02495714

*Directors*

W L D Chalmers (Chairman)
A T Rougier (Chief Executive Officer)
A M Kenny (Finance Director)
P A Gordon (Non-Executive Director)
J A Osborn (Non-Executive Director)
A J Cumming (Non-Executive Director)

## Contents

# LDC (MANAGERS) LIMITED

## Strategic Report

2022 has been a period of strong performance in investment activity for LDC (Managers) Limited, Lloyds Development Capital (Holdings) Limited ("LDC (Holdings) Ltd") and its group undertakings ("LDC Business"). 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

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

The company's registered number is 02495714. The principal activity of the company is private equity fund management and services to LDC (Holdings) Ltd and the LDC Business.

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

## Performance

As shown in the company's Statement of Comprehensive Income on page 13, the company's revenue for the year ended 31 December 2022 was £56.0m compared to £48.7m for the year ended 31 December 2021, which was due to an increase in management fees from funds under management. The profit before taxation is £0.5m for the year ended 31 December 2022 compared to £0.3m for the year ended 31 December 2021.

No dividends were paid in the year or proposed to be paid (2021: nil).

The Statement of Financial Position on page 14 shows the company's financial position at the year end, in net asset terms, decreased by £0.1m compared to 31 December 2021.

## Key performance indicators (KPIs)

The company's KPIs include the level and quality of new investments written per annum and the realisation of assets under management within the LDC Business. On new business written, for the year to 31 December 2022, the latest fund invested £386 million in 16 new investments (2021: £364 million in 19 new investments), the significant majority of which were management buyouts.

For the year ended 31 December 2022, the company achieved 12 successful exits (2021: 20).

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

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

In accordance with the Companies Act 2006 (the "Act") (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the directors provide the following statement describing how they have had regard to the matters set out in section172(1) of the Act, when performing their duty to promote the success of the company under section 172. Further details on key actions in this regard are also contained within the Directors' Report on page 7 and 8.

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 LDC Business. 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**

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

The directors continue to consider its arrangement in engagement with the company's workforce to ensure current arrangements are effective and continue to give a meaningful understanding of the views of the workforce and to encourage dialogue between the Board and the workforce.
Examples of Board engagement are:

- Consideration of the outcomes of surveys completed by colleagues across the company, including annual and ad hoc surveys, and review of progress in addressing the matters colleagues raised.
- Town Hall sessions hosted by Chief Executive with Board member attendance, complemented by engagement sessions led by other senior leaders, with feedback shared with the wider Board.
- Companywide away days to allow colleagues to come together and collaborate on current priorities, team building, resilience and the future strategy for the business.

**Suppliers**

The company relies on a number of partners for important aspects of our operations. The directors recognises 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.

### Regulators

The company and its directors have a strong, open and transparent relationship with relevant regulators and other authorities (including the Financial Conduct Authority). Relevant engagement includes:

- The Board has received regular updates on regulatory interaction, providing a view of key areas of focus as required.
- The status of regulatory relationships continues to be closely monitored, enhancing proactive engagement across key regulatory changes and areas of focus.
- The directors regularly reviewed updates on wider LBG regulatory interaction, providing a view of key areas of regulatory focus, and also progress made in addressing key regulatory priorities.

The approach of LBG, including that of the company, to managing regulatory change is discussed further in the LBG Annual Report and Accounts for 2022, available on the LBG website.

### 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.

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

### 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.

This report was approved by the board of directors on 26 April 2023 and signed on its behalf by

A M Kenny
Director
26 April 2023

# LDC (MANAGERS) LIMITED

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

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

### Directors

The directors who were in office during the year and up to the point of signing the financial statements were:

- W L D Chalmers
- A T Rougier
- A M Kenny (appointed 22 Jan 2022)
- P A Gordon
- J A Osborn (appointed 22 Jan 2022)
- A J Cumming

### 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 to continue to deliver a good level of performance and provide support to the portfolio companies.

### 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.

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;

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

- 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

Details of our assessment of the company's ability to continue as a going concern is disclosed in note 1 of these financial statements. Following our assessment, we are satisfied that it is the intention of LBG for its subsidiaries including LDC (Holdings) Ltd and the company to continue to receive funding in the future and accordingly, the financial statements have been prepared on a going concern basis.

### Events after the reporting date

Any events after 31 December 2022 requiring disclosure have been included in Note 19 of these financial statements.

### Engagement with employees, other stakeholders and risk management

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

### Third party indemnity

Lloyds Banking Group plc has granted to the directors of the company, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the director who joined the Board of the company during the financial year. Directors no longer in office but who served on the Board of the company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a director's period of office. The deed indemnifies the directors to the maximum extent permitted by law. The Deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, 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 26 April 2023 and signed on its behalf by

A M Kenny
Director
26 April 2023

## Independent auditor's report to the directors of LDC (Managers) Limited

### Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of LDC (Managers) 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 flow; 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. This included the Financial Conduct Authority ('FCA') rules and regulations.

We discussed among the audit engagement team 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:
Accuracy of management fees – There is a risk that management fees have not been calculated in accordance with the requirements of the Limited Partnership Agreement ('LPA'). Our audit procedures included:

- Recalculated the management fee and agreed the methodology to the LPA; and
- Agreed the inputs to appropriate audit evidence to ensure they were calculated correctly.

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 regulators.

## 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
26 April 2023

xx April 2023**Statement of Comprehensive Income**
**For the year ended 31 December 2022**

| | Note | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|---|
| **Income** | | | |
| Management Fees | | 48,166 | 41,707 |
| Monitoring Fees | | 7,691 | 6,980 |
| Movements in financial assets at fair value | | 151 | - |
| **Total Income** | | **56,008** | **48,687** |
| Operating Expenses | **5** | (55,556) | (48,424) |
| **Profit Before Taxation** | | **452** | **263** |
| Taxation | **7** | (548) | 158 |
| **(Loss)/Profit after Taxation** | | **(96)** | **421** |
| **(Loss)/Profit and Total Comprehensive (Expense)/Income for the year** | | **(96)** | **421** |

The notes on pages 17 to 33 form part of the financial statements.

All operations are continuing.

# LDC (MANAGERS) LIMITED

**Statement of Financial Position**
**As at 31 December 2022**

| | Note | 2022 £'000 | Restated 2021 £'000 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | **8** | 2,198 | 2,469 |
| Financial assets at fair value | **17** | 92 | - |
| Deferred Taxation | **7** | 1,915 | 1,393 |
| **Current Assets** | | | |
| Trade and other receivables | **9** | 6,634 | 5,525 |
| Intercompany Receivable | **10** | 50,473 | 46,658 |
| Cash and Cash Equivalents | **11** | 16,852 | 18,886 |
| | | **73,959** | **71,069** |
| **Total Assets** | | **78,164** | **74,931** |
| **Non-Current Liabilities** | | | |
| Trade and other payables | **12** | 1,265 | 2,645 |
| **Current Liabilities** | | | |
| Trade and other payables | **12** | 18,984 | 17,418 |
| Intercompany Payable | **13** | 52,488 | 49,581 |
| Taxation | | 1,075 | 948 |
| VAT | | 416 | 307 |
| **Total Liabilities** | | **74,228** | **70,899** |
| **Net Assets** | | **3,936** | **4,032** |
| **Equity** | | | |
| Share Capital | **14** | 200 | 200 |
| Retained Earnings | | 3,736 | 3,832 |
| **Total Equity** | | **3,936** | **4,032** |
| **Total Equity and Liabilities** | | **78,164** | **74,931** |

The financial statements on pages 13 to 33 were approved by the board of directors on 26 April 2023 and signed on its behalf by

A M Kenny
Director
26 April 2023

The notes on page 17 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 2022**

| | Note | Number of Shares '000 | Share Capital £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|---|---|---|---|---|
| **At 1 January 2022** | | **200** | **200** | **3,832** | **4,032** |
| Loss after taxation | | - | - | (96) | (96) |
| **At 31 December 2022** | | **200** | **200** | **3,736** | **3,936** |
| **At 1 January 2021** | | **200** | **200** | **3,411** | **3,611** |
| Profit after taxation | | - | - | 421 | 421 |
| **At 31 December 2021** | | **200** | **200** | **3,832** | **4,032** |

The notes on pages 17 to 33 form part of the financial statements.

**Statement of Cash Flows**
**For the year ended 31 December 2022**

| | Note | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| **Cash Flows from operating activities** | | | |
| Management fees received | | 44,034 | 65,563 |
| Monitoring fees received | | 7,743 | 6,353 |
| Taxation paid | | (943) | - |
| VAT payments | | (1,298) | (1,304) |
| Operating (expenses) / recovered | | (5,315) | 519 |
| Lending amounts paid | | (2) | (81) |
| Amounts received from funds under management | | 20 | 1,175 |
| Distribution from investments | 17 | 59 | - |
| **Net cash flows generated from operating activities** | | **44,298** | **72,225** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (584) | - |
| **Net cash used in investing activities** | | **(584)** | **-** |
| **Cash flows from financing activities** | | | |
| Transfers to Lloyds Development Capital (Holdings) Ltd | | (45,748) | (65,128) |
| **Net cash used in financing activities** | | **(45,748)** | **(65,128)** |
| **Net (decrease) / increase in cash and cash equivalents** | | **(2,034)** | **7,097** |
| Cash and cash equivalents at start of year | | 18,886 | 11,789 |
| **Cash and cash equivalents at end of year** | 11 | **16,852** | **18,886** |

The notes on pages 17 to 33 form part of the 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 Lloyds Development Capital (Holdings) Limited ("LDC (Holdings) Ltd"). The company's ultimate parent company is Lloyds Banking Group plc ("LBG"), which is also the parent undertaking of the largest 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 is reliant on funding provided by LDC (Holdings) Ltd. The company produces a four-year plan covering the reporting period and the subsequent three years, based on the expected activities of LDC (Holdings) Ltd and the company. The four-year plan includes assumptions on expected future investment activities, funding and expenditure activities as well as associated cash flows. The company also produces a detailed 6-monthly cash forecast on a regular basis for LDC (Holdings) Ltd and the company based on management's best estimate of future cash flows to assess funding requirements from LBG. The company has received a letter of support from LBG and no call on payables from LDC (Holdings) Ltd.

The Directors are satisfied that it is the intention of LBG, that its subsidiaries including LDC (Holdings) Ltd and the company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

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

## 2. Accounting Policies

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

### a. Basis of presentation

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.

## 2. Accounting Policies continued

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.

### 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 estimates and judgments where a reasonable alternative assumption would have a material impact on these financial statements.

### d. Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and demand deposits.

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

### e. Revenue recognition

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

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

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

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

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

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

## 2. Accounting Policies continued

### e. Revenue recognition continued

The company assesses the costs incurred in providing management services to its customer in any particular period and determines that only costs incurred relating to that period are recoverable as revenue. Payment is received from customers in the following financial period.

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

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

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

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

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

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

### f. Staff Costs

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

### g. Pensions and other post-retirement benefits

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

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

### h. Accruals

Accruals are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Accruals are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are not discounted.

## 2. Accounting Policies continued

### i. Property, plant and equipment

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

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

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

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

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

### j. Taxation

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

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

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by 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.

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

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

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

## 2. Accounting Policies continued

### j. Taxation continued

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

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

### k. Financial instruments

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

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

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

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

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

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

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

The company includes in this category:

- An investment in LDC GP LLP which is designated as fair value through profit and loss.

**2. Accounting Policies continued**

**k. Financial instruments continued**

(ii) Financial liabilities
The company classifies its financial liabilities as subsequently measured at amortised cost as described below:

*Financial liabilities measured at amortised cost*
The company includes in this category intercompany payables and other short-term trade payables.

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

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

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

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

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

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

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

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

## 2. Accounting Policies continued

### k. Financial instruments continued

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.

(vii) 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. Provisions are based on historical observed loss rates over the expected life of the receivables and has been applied accordingly.

### l. Future accounting developments

Refer to note 2b. New and revised IFRS Accounting Standards in issue but not yet effective

## 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 2022 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 to 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 equity investments are relatively small as a proportion of the total Statement of Financial Position, therefore the company's exposure to price risk is considered to be minimal. The carrying amounts as at 31 December 2022 is £92k (2021: £nil).

### 4.2 Liquidity risk

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The company's exposure to this risk is considered to be minimal as payables are primarily held with the immediate parent company LDC (Holdings) Ltd, a letter of no call has been obtained for the next twelve months. All financial assets and liabilities are due on demand with the exception of trade and other receivables and trade and other payables which are due within 1 to 3 months.

### 4.3 Credit risk

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

These financial assets are intercompany, trade and other receivables subject to IFRS 9's ECL impairment model. At 31 December 2022, the total intercompany, trade and other receivables was £57 million on which £1.2 million loss allowance had been provided (2021: total of £52 million on which no loss had been incurred).

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

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

## 5. Operating expenses

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Auditor's remuneration - auditing of the company's financial statements | 95 | 72 |
| Auditor's remuneration - auditing of the company's funds under management financial statements | 771 | 703 |
| Auditor's remuneration - non-audit services in respect to reporting to the FCA in connection with client asset assurance | 44 | 42 |
| Legal & Professional | 7,769 | 5,991 |
| Staff costs | 34,102 | 32,027 |
| Depreciation | 932 | 1,020 |
| Marketing | 1,792 | 1,508 |
| IT | 1,888 | 1,866 |
| Indirect costs | 3,012 | 3,034 |
| Impairments | 1,222 | 112 |
| Other | 3,929 | 2,049 |
| **Total** | **55,556** | **48,424** |

Amounts disclosed as auditor's remuneration above are inclusive of VAT.

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

Indirect costs of £3.0m has been accrued relating to property rental costs incurred by LBG which is recharged to the company (2021: £3.0m).

## 6. Staff costs

The company does not employ its own staff. All staff are employees of LBG; however, the costs for LBG staff who provide services to the company are recorded in the company. The split of costs, as recharged by LBG, and the monthly average number of employees of LBG who provide services to the company, which have been disclosed on a voluntary basis, are:

### Compensation

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Wages and salaries* | 28,831 | 27,201 |
| Social security costs* | 3,701 | 3,539 |
| Other Pension Costs* | 1,570 | 1,287 |
| **Total** | **34,102** | **32,027** |

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

## 6. Staff costs continued

The monthly average number of persons employed by the company (including executive Directors) was:

| | 2022 | 2021 |
|---|---|---|
| Investment Team | 70 | 60 |
| Support Function | 44 | 37 |
| **Total** | **114** | **97** |

*We have reclassified amounts within the staff costs note disclosure from wages and salaries to social security costs and other pension costs due to a misclassification error within the prior year accounting records. Wages and salaries have been restated to correct the overstatement by £1,423k from £28,623 to £27,201, social security costs have been restated to correct the understatement by £375k from £3,164 to £3,539 and other pension costs have been restated to correct the understatement by £1,048k from £239 to £1,287.

### a) 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.

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Salaries and other short and long term benefits | 1,821 | 1,593 |
| Post Employment benefits | 113 | 64 |
| **Total** | **1,934** | **1,657** |

### b) Directors

The Directors' emoluments were as follows:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Aggregate emoluments | 1,990 | 1,750 |
| Aggregate amounts (excluding shares) receivable under long-term incentive schemes | | - |
| **Total** | **1,990** | **1,750** |

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.

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

## 7. Taxation

### a) Analysis of charge in year

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| **Analysis of Charge in year:** | | |
| Current tax for the year – current year | 748 | 4 |
| Current tax for the year – prior year | 322 | 596 |
| Deferred taxation - current year | (415) | 156 |
| Deferred taxation – prior year | 24 | (580) |
| Deferred taxation - impact of change in tax rate | (131) | (334) |
| **Tax charge/(credit)** | **548** | **(158)** |

Corporation tax is calculated at a rate of 19.00% (2021: 19.00%) of the taxable profit for the year.

### b) Factors affecting the tax credit / charge for the year

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

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Profit before taxation | 452 | 263 |
| Tax charge at UK corporation tax rate of 19.00% (2021: 19.00%) | 86 | 50 |
| Factors affecting credit: | | |
| Effect of change in tax rate and related impacts | (131) | (334) |
| Disallowed items | 264 | 129 |
| Adjustments in respect of prior years | 346 | 16 |
| Other timing differences | (17) | (19) |
| **Tax charge/(credit) on profit** | **548** | **(158)** |

Effective rate for the year was -121% (2021: 60.0%)

### c) Deferred tax asset

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| As at 1 January | 1,393 | 635 |
| Adjustment in relation to prior year | (24) | 580 |
| Income statement credit – current year | 415 | (156) |
| Impact of change in rate | 131 | 334 |
| **As of 31 December** | **1,915** | **1,393** |

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.

## 8. Property, plant and equipment

| 2022 | Office Equipment £'000 | Fixtures, fittings and furnishings £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2022 | | | |
| Cost | 2,733 | 5,609 | 8,342 |
| Accumulated depreciation | (2,158) | (3,715) | (5,873) |
| Net Book Amount | 575 | 1,894 | 2,469 |
| | | | |
| Opening net book amount | 575 | 1,894 | 2,469 |
| Additions | 452 | 209 | 661 |
| Disposals - Cost | (1,290) | (1,051) | (2,341) |
| Disposals - Accumulated depreciation | 1,301 | 1,040 | 2,341 |
| Write-offs | - | - | - |
| Depreciation charge | (195) | (737) | (932) |
| Closing net book amount | 843 | 1,355 | 2,198 |
| | | | |
| At 31 December 2022 | | | |
| Cost | 1,895 | 4,767 | 6,662 |
| Accumulated depreciation | (1,052) | (3,412) | (4,464) |
| **Net Book Amount** | **843** | **1,355** | **2,198** |

| 2021 | Office Equipment £'000 | Fixtures, fittings and furnishings £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2021 | | | |
| Cost | 2,527 | 5,609 | 8,136 |
| Accumulated depreciation | (1,711) | (3,142) | (4,853) |
| Net Book Amount | 816 | 2,467 | 3,283 |
| | | | |
| Opening net book amount | 816 | 2,467 | 3,283 |
| Additions | 206 | - | 206 |
| Disposals | - | - | - |
| Write-offs | - | - | - |
| Depreciation charge | (447) | (573) | (1,020) |
| Closing net book amount | 575 | 1,894 | 2,469 |
| | | | |
| At 31 December 2021 | | | |
| Cost | 2,733 | 5,609 | 8,342 |
| Accumulated depreciation | (2,158) | (3,715) | (5,873) |
| **Net Book Amount** | **575** | **1,894** | **2,469** |

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

## 8. Property, plant and equipment continued

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

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

There are no contractual commitments to purchase property plant and equipment at the 31 December 2022 (2021: nil).

In the year, the company disposed of numerous assets that had a net book amount of £nil.

## 9. Trade and other receivables

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Fee debtors | 5,653 | 4,929 |
| Sundry debtors | 336 | 68 |
| Prepayments | 645 | 528 |
| **Total** | **6,634** | **5,525** |

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.

At 31 December 2022, write off against fee and sundry debtors of £1.2m had been incurred however, no ECL has been recognised (2021: £0.1m write-off against fee debtors but no provision for doubtful debts was recognised).

Trade receivables are due within 1 month.

## 10. Intercompany Receivable

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Receivable from LDC (Holdings) Limited | 2,813 | 1,847 |
| Receivable from LDC GP LLP | 47,168 | 44,705 |
| Receivable from funds under management | 253 | 106 |
| Receivable from other intercompany | 239 | - |
| **Total** | **50,473** | **46,658** |

Intercompany receivable relates to management fees as disclosed in Note 16.

Receivables do not carry any interest and are stated amortised cost and reduced by appropriate allowances for impairment. They are recognised at performance date and derecognised on settlement by the debtor.

At the end of the financial year, none of the debtors were considered uncollectable. These are repayable on demand, therefore the carrying value is approximate to the fair value, refer to Note 16.

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

## 11. Cash and cash equivalents

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Cash and cash equivalents | 16,852 | 18,886 |
| **Total** | **16,852** | **18,886** |

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

## 12. Trade and other payables

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Accruals | 2,627 | 2,117 |
| Sundry Payables | 17,622 | 17,946 |
| **Total** | **20,249** | **20,063** |

- Trade and other payables do not carry any interest and are stated at their nominal value, being their initial fair value, are unsecured and are not interest bearing. Included in Trade and other payables is an amount of £1.3m to be settled outside the 12 months after the reporting period (2021: £2.6m).

Typically trade and other payables are repayable on demand, therefore the carrying value is approximate to the fair value.

## 13. Intercompany Payable

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Payable to LDC (Holdings) Limited | 52,488 | 49,581 |
| **Total** | **52,488** | **49,581** |

Intercompany payable relates to payments made by LDC (Holdings) Limited on behalf of the company as disclosed in Note 16. Intercompany payable are repayable on demand and do not carry any interest.

## 14. Share Capital

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

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

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

## 15. Dividend

No dividend was paid in the year or to date (2021: £nil).

## 16. Related party transactions

*Ultimate parent and ultimate controlling party*
LBG is the ultimate parent and ultimate controlling party of the company and meets the IAS 24 definition of related parties. The company utilises banking facilities of LBG, as at 31 December 2022 £16.9m (2021: £18.9m) were held within LBG undertakings.

Operating expenses include indirect costs of £3.0m (2021: £3.0m) relating to property rental costs incurred by LBG which is recharged to the company.

*Immediate Parent*
LDC (Holdings) Ltd is the immediate parent of the company and meets the IAS 24 definition of related parties. LDC (Holdings) Ltd settles cash payments on behalf of the company. The amounts accrued as at 31 December 2022 are set out in note 13.

*Manager of Partnerships*
The company has been appointed as the "Manager" by the LDC GP LLP to manage numerous partnerships it is involved in and LDC (Holdings) Ltd through an Investment Management Agreement and meets the IAS 24 definition of related parties. During the period, in relation to services provided, the company recognised management fees amounting to £47.9m (2021: £41.4m) in the Statement of Comprehensive Income. The amounts accrued as at 31 December 2022 are set out in note 10.

The LDC Co–investment Plans which include the LDC Parallel, Equity and OBS entities also meet the IAS 24 definition of a related party. The company acts as the manager of each plan. Under the terms of the limited partnership agreements, the company operates co-investment plans whereby a predetermined percentage of the investment into the investee companies is offered to certain Directors and executives of the company. The proportion available for this investment is determined by the plan committee. During the period, the LDC Co-investment Plans invested £3.2m (2021: £3.1m) in new investments. During the period, in relation to services provided, the company recognised management fees amounting to £0.3m (2021: £0.2m) in the Statement of Comprehensive Income.

*Investee companies*
The investment portfolio companies of the LDC Business of entities from 2022 are also defined as a related party. During the period the company recognised monitoring fees amounting to £7.7m (2021: £7.0m) in these companies. As at 31 December 2022 £5.7m (2020: £4.9m) was accrued to the Statement of Financial Position.

*Key Management*

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

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

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

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

## 17. Financial Assets at Fair Value

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.

Financial assets consist of the company's investment in LDC GP LLP, this investment is designated as fair value through profit and loss and as level 3 in the valuation hierarchy.

### a) Movements in Financial Assets at Fair Value

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Net realised gains on investment | 59 | - |
| Net unrealised gain on investment | 92 | - |
| **Total** | **151** | **-** |

### b) Unlisted Equity Investments at Fair Value

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| At 1 January | - | - |
| Additions | - | - |
| Distributions | (59) | - |
| Fair Value through Profit and Loss | 151 | - |
| At 31 December | **92** | **-** |

### c) Valuation methodology for financial assets

Assets included in level 3 in the valuation hierarchy fall into the following category described below:

*Unlisted equities*
The financial assets held by the company wholly constitute its allocation of the net asset value of LDC GP LLP, which is valued at fair value using the most recent audited financial statements.

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

## 18. Financial Instruments

| Financial instrument Category | Asset / liability type | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| Financial assets at fair value through P&L | Financial assets at fair value | 92 | - |
| | **Total** | **92** | **-** |
| Financial assets at amortised cost | Trade and other receivables | 6,634 | 5,525 |
| | Intercompany receivable | 50,473 | 46,658 |
| | **Total** | **57,107** | **52,183** |
| Financial liabilities at amortised cost | Trade and other payables | 20,249 | 20,063 |
| | Intercompany payable | 52,488 | 49,581 |
| | **Total** | **72,737** | **69,644** |

## 19. Events after the reporting date

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

## 20. Prior period restatement

The company has identified an accounting error during the current financial year relating to the presentation of the deferred taxation asset between current and non-current. In the prior period, the deferred tax asset was presented as a current asset when it should have been presented as a non-current asset. As a result of the change, £1,393,000 of deferred taxation asset, presented as a current asset in the 2021 statement of financial position, has been presented as non-current. The impact of these errors are as follows:

*Statement of Financial Position*
The Statement of Financial Position as at 31 December 2021 has been restated to classify the deferred taxation asset as a non-current asset. The net impact to the net asset position is nil.