Company Registration Number: 09835244

LOCAL PENSIONS PARTNERSHIP INVESTMENTS LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2018

Directors	Sally Bridgeland (Chairman) Susan Martin Michael O'Higgins Thomas Richardson Christopher Rule Robert Vandersluis
Company secretary	Greg Smith
Company registration number	09835244
Registered office	County Hall Fishergate Preston United Kingdom PR1 8XJ
Business address	2nd Floor 169 Union Street London SE1 0LL
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2P 2YU
Bankers	National Westminster Bank PO Box 35 10 Southwark Street London SE1 1TJ Handelsbanken Winckley Chambers 30 Winckley Square Preston Lancashire PR1 3JJ

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Principal activities

Local Pensions Partnership Investments Ltd's (LPP I) principal activity is the provision of investment management services. LPP I manages £13.1 billion of assets on behalf of two full service clients Lancashire County Pension Fund (LCPF) and London Pension Fund Authority (LPFA). LPP I is authorised by the Financial Conduct Authority as an Alternative Investment Fund Manager under the Alternative Investments Fund Managers Directive (AIFMD). LPP I is a member of the LPP Group ('Group') and is a direct subsidiary of Local Pensions Partnership Ltd (LPP).

Business strategy

LPP I has a dual strategy – to deliver benefits to our two clients as set out in the originating agreements, and to embark on growing the business. LPP I plays an important role in assisting Local government Pension Scheme (' LGPS') clients to meet their financial goals. LPP I's aim is to deliver sustainable pensions and to share the benefits of success with clients.

LPP I operates through a partnership approach. Clients retain their strategic responsibilities, but they delegate fully the implementation of investment management activities to LPP I.

In LPP I's first two years, it has focused on:

- Delivering the benefits to clients that were set out in the original business plan for the partnership
- Establishing a single business and completing the transformation programme
- Creating pooled funds and transitioning client assets into them
- Assessing business growth opportunities and taking those which are in line with LPP I's and its clients' interests

LPP I's transformation programme has been successful in guiding the business through the integration period, including the establishment of target operating models and asset pooling vehicles. LPP I anticipates that it will deliver £28 million in savings to its two full service clients over a five year period from the launch of the first pooled fund to November 2021. LPP I has begun to embed common standards across the business, such as employee terms and conditions, customer care standards and ISOs. The result of this is a cohesive stakeholder-focused business, which marries professionalism, scale and resilience.

LPP I's existing clients come from the LGPS community, however client extensive relationships and co-investment opportunities exist across the wider pension fund sector.

The key benefits of LPP I's approach for clients are:

- Stable and sustainable investment returns with lower investment management costs
- A governance model with full delegation from clients
- Scale to access a wider choice of investment opportunities
- Long term, stable and improved funding ratios, achieved through strong risk management with an aim to improve outcomes for members.

The establishment of LPP I's fund vehicles, spanning global equities, liquidity, infrastructure, credit, private equity and fixed income, is strengthening LPP I's position as a scalable low cost, high performing investment house.

The business continues to grow; during 2018-19 LPP I will commence providing services to the Royal Borough of Windsor and Maidenhead (Berkshire Pension Fund) and the GLIL Infrastructure Platform.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Business operation

Asset and Liability risk management

One of LPP I's differentiating factors is the focus on liability management in conjunction with asset management. Liability management is the monitoring, reporting and advising on the balance sheet risks of pension schemes.

LPP I has the skills, tools and processes to enable effective asset and liability risk management on behalf of our clients. The benefit of such an approach is greater stability of contributions for employers and greater certainty of pension payments for members. The risk management function is independent of the investment team, which allows for effective oversight and constructive challenge of the investment process – leading to greater assurance for clients.

2017-18 saw increased levels of strategic hedging advice provided to clients. In addition, the liability management function worked with the investment team to develop a Strategic Asset Allocation Framework which was provided to its two clients.

The approach and the process LPP I has adopted include:

Implementing state-of-the-art analytical tools

LPP I has implemented a market-leading asset and liability management tool – to enable LPP I to monitor its clients' assets and liabilities through realistic scenario analysis. The tool is an integral part of the evolving Risk Management Framework which aims to deliver the following:

- Projections of assets, liabilities and range of possible future funding levels over the short and long term
- Identification, monitoring and reporting of key risk drivers
- Development of risk mitigation strategies
- Analysis of the impact of policy alternatives
- Analysis of the impact of hedging strategies
- Stress testing to help understand possible future risks
- Scenario analysis to improve understanding of balance sheet dynamics

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Investment management

LPP I's investment philosophy has two key aims: (i) to help clients achieve a faster reduction in pension deficits by maximising risk-adjusted investment returns and lowering costs; and (ii) to deliver stable and sustainable investment outcomes to meet clients' long-term pension funding requirements. At all times LPP I operates within each client's independent and sovereign strategic asset allocation objectives.

With this philosophy in mind, LPP I has established a fully-functioning, low-cost and high performing FCA-regulated investment business, enabling full investment management delegation from clients. The LPP I model is built upon three pillars:

- Scale – enables LPP I to access a broader range of investment opportunities
- Governance – delegated, independent decision-making and governance structures enabling effective investment management
- In-house investment and risk management – a deep and broad in-house investment and risk management expertise across major asset classes in both public and private markets, which enables LPP I to better understand clients' liabilities and funding requirements and to develop appropriate investment strategies to meet these requirements

During 2017-18, LPP I made significant progress on both the strategic development of the business and capabilities alongside the core investment and risk management objectives. Assets under management (AUM) have also grown from £12.5 billion to £13.1 billion.

LPP I's unique model goes beyond providing the benefits of scale. LPP I has delivered a higher-than-expected reduction in ongoing investment management fees which are reflected in the individual statement of accounts for each client.

Key investment highlights

Summary

Significant progress has been made over the year, for both LPP I and its clients. LPP I now has six investment funds with a further two (Total Return and Real Estate) due to be launched in 2018/19. The build out of infrastructure and people has continued, and investment performance has remained strong. Funding ratios of both clients have improved significantly, underpinned, primarily by the performance of the portfolios. In the coming year, LPP I's priorities are to further industrialise its operational processes, broaden the LPP I product offering, overcome barriers to increasing third-party sales and bolster internal resources.

Product range

LPP I's suite of investment funds comprises:

- Global Equities - £5.5 billion with £2.2 billion internally managed
- Private Equity - £1.1 billion
- Infrastructure - £1.0 billion
- Credit - £1.3bn
- Fixed Income - £320 million
- Liquidity – established but not launched

The remaining investments that LPP I manages on behalf of its clients have yet to be pooled.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Investment performance update

- The economic and market backdrop for the year was favourable with robust performance across almost all risk assets. This fed through to strong performance across the range of LPP I's pooled funds and at the portfolio level for the clients
- The investment pipeline has remained strong with a combination of high conviction, direct and indirect new investments completed across the portfolios

Responsible investment and stewardship

LPP I is committed to an approach to stewardship which embraces responsible investment principles and practice. In the second year of operations LPP I have continued our efforts to build positively on the firm foundations already in place for achieving sustainable and accountable stewardship on behalf of client pension funds.

Under the oversight of our Stewardship Committee, LPP I has focussed on developing policies and procedures which translate the beliefs and standards set out in the LPP I Responsible Investment (RI) Policy into operational practice.

During the year LPP I developed and published a Shareholder Voting Policy in which LPP I explains its approach and arrangements in more detail. The policy confirms the belief that well-governed companies are best equipped to manage business risks and opportunities, and encouraging high standards and sustainable business practices contributes to achieving optimum risk-adjusted returns over the long term.

Shareholder voting is a key route for engaging with investee companies and the voting rights for the listed equities that LPP I manages are exercised centrally by LPP I, rather than being delegated to third party external managers. The Shareholder Voting Policy clearly articulates LPP I's objectives which are:

- Voting rights are exercised
- Our voting process is consistent, efficient and auditable
- Voting decisions are congruent with our investment beliefs and reflect the long term financial interests of our clients
- Voting activity reflects our commitment to responsible investment

Voting information for the LPP I's global equities fund is published quarterly on the LPP website.

LPP I's provision of dedicated stewardship support has continued to involve helping clients fulfil their commitments as signatories to the Principles of Responsible Investment and the UK Stewardship Code. LPP I's Responsible Investment Manager has advised on a range of stewardship priorities, supported a Responsible Investment Working Group convened by LCPF and provided substantial support to LPFA on the development of a policy approach to climate change which is now under implementation by LPP I.

Throughout the year LPP I has continued to collaborate with other investors via a network of groups and initiatives, including the Local Authority Pension Fund Forum, the Institutional Investor Group on Climate Change, the Responsible Investment Sub-Group to the LGPS Cross Pool Collaboration Group, the Pension and Lifetime Savings Association and the UK Pension Fund Responsible Investment Roundtable. LPP I has become an investor signatory to the Workforce Disclosure Initiative - a pilot scheme to encourage comparable workforce reporting by publicly listed companies. LPP has also committed to participation in Climate Action 100+ - a five-year initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Key Performance Indicators

- Assets under management at 31 March 2018 were £13.1 billion
- Number of clients were two

Future developments

Going into 2018-19, LPP I's priorities for the business are as follows:

Liability management

LPP I will continue to enhance its asset and liability management tools and reporting capabilities to enable effective asset and liability management on behalf of its clients.

Investment management

LPP I has plans to:

- Launch the Total Return and Real Estate funds to complete the asset transition into pooled investments
- Continue to improve the operational resilience of our systems and processes by investing in enhanced analytical and reporting tools and technology
- Continue to develop the successful track record of our funds
- Continue to enhance our internal operational resilience by recruiting suitably skilled employees as appropriate
- Collaborate with our partners to expand the GLIL Infrastructure platform and consider similar initiatives in other asset classes, and offer our expertise to other partners

Risk management

LPP I has a strong risk management culture and as a business LPP I is exposed to a variety of risks as a result of its business activities. As such, effective risk management is a core competence and LPP I actively monitors the potential likelihood and impact of current and future risks.

Managing risk

The LPP Board is ultimately responsible for risk and oversight of the business's approach to managing risk. The Board is supported by the LPP Audit Committee (non-executive), which oversees Group-wide risks and controls. LPP I Risk Committee provides executive and non-executive oversight of risks relating to the regulatory responsibilities of LPP I.

Further details on the role and scope of work undertaken by the LPP I Risk Committee can be found on page 12. The approach to risk management recognises that it is the responsibility of all employees to manage risks in their respective areas of business. LPP's Executive Committee is responsible for the monitoring and reporting of risks and controls, and regularly reviews the key risks facing the business. Executive oversight of risk is delegated to the Chief Risk Officer who is responsible for the design and implementation of the risk and control framework and reporting of risk.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Risk framework

LPP I's Risk Management Framework can be described as 'a process which helps us prevent an unacceptable level of uncertainty in business objectives. The Framework sets out what the business will undertake in order to:

- Establish and operate an effective risk management and internal control environment including risk identification, assessment, reporting, monitoring and the development of actions arising
- Establish, operate and report a regular program of Group-wide risk, analysis, reporting, stress testing, scenario development, thematic review and reverse stress testing
- Integrate risk management into the culture of the business

Best practice methods are adopted in the identification, evaluation and control of risks to ensure that they are treated to an acceptable level. The Framework is used universally across the business and delivers both a 'bottom up' and 'top down' approach.

Key risk categories

Financial risk: LPP I recognises that poor investment performance could result in a reduction in AUM. LPP I's investment management business charges income as a percentage of AUM. A fall in AUM could result in a fall in income. LPP I closely monitors the risk and performance of the assets it manages and maintains financial resources in an amount sufficient to meet regulatory requirements and to cover a sustained fall in income.

Business risk: LPP I provides investment management services to clients. Service level performance is closely monitored and discussed with clients to assess the quality of service. Costs are controlled as part of the financial budgeting process.

Strategic Risks: The Board has approved a strategic business plan which sets out LPP I's key objectives. Failure to meet the objectives of the plan may undermine the success of the business resulting in increased uncertainty over future revenues and costs. The business environment in which LPP I operates is highly exposed to changes to regulation and government policy, and volatility in the global financial markets. These changes can be unexpected and create additional business uncertainty. The key risks to LPP I's business plan are:

- Recruitment and retention of key staff
- Maintenance of performance across the business during a significant change programme
- Regulatory change impacting delivery model
- Governance failure - regulatory fines and impact on reputation
- Change of government policy
- Market related risks and volatility in the financial markets
- Failure to manage a phased approach to business development
- Failure to meet strategic growth targets
- Failure to generate sufficient capital to sustain investments, regulatory and loan repayment requirements

The mitigation strategy is that LPP I maintains a proactive dialogue and engagement with government, regulators and industry bodies so to keep abreast of potential changes, which are factored into its planning and budgeting process.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Credit and Concentration Risk: LPP I has no significant concentration of credit risk. LPP I does have a risk of client concentration, as a significant portion of its income comes from two large clients.

Operational risk: Operational risks may arise as a result of failures in internal controls or operational processes. Such failures may lead to financial and reputational losses which can have a permanent and negative impact on clients' trust and confidence in LPP I. LPP I has implemented a three-year internal audit plan to review LPP I's business operation. The results of the reviews are reported to the LPP Audit Committee.

Lines of defence

LPP I's individual business areas are the first line of defence in the management of risk. Business heads continuously identify potential risks, assess their impact and implement appropriate controls. The second line of defence consists of the control functions including: Compliance, Finance, Governance, IT, Legal, Human Resources and Corporate Risk. Internal Audit is the third line of defence providing independent assurance over the effectiveness of the risk and control environment.

Going Concern

In assessing the basis of preparation of the financial statements for the year ended 31 March 2018, the directors have considered the principles of the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, 2014'; namely assessing the applicability of the going concern basis, the review period and disclosures.

The directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts for the 18 month period from the balance sheet approval date. In order to satisfy themselves that they have adequate resources for the future, the directors have reviewed the strength of the LPP I's balance sheet, the recoverability of assets and availability of funding through the LPP I's existing facilities.

The directors have a reasonable expectation that the company will be able to operate within the level of available facilities and cash for the foreseeable future and accordingly believe that it is appropriate to prepare the financial statements on a going concern basis.

Approved by the board of directors and signed on behalf of the board:

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Christopher Rule
Director
25 July 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and audited financial statements for the year to 31 March 2018.

Directors

The directors in office during the year and at the date of signing this report were as follows:

Sally Bridgeland	
Mike Jensen	(Resigned 30 September 2017)
Michael O'Higgins	
Susan Martin	(Appointed 5 January 2018)
Thomas Richardson	
Christopher Rule	
Robert Vandersluis	

Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, the directors' 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 the law the directors have elected to prepare the financial statements in accordance with United Kingdom applicable law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 and loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 ensuring that the company keeps 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 its financial statements comply with the Companies Act 2006. They 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.

Results and dividends

The trading result for the company for the year is a profit after tax of £1,699,000 (2017 - £2,074,000).

No dividends were paid during the year (2017 - £nil).

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Board and committee reports

LPP I Board

LPP I is a fully-owned subsidiary of LPP and is authorised and regulated by the FCA. It is responsible for the implementation of clients' strategic asset allocations as set out in the Advisory and Asset Management Agreement between LPP I and its clients. LPP I operates in accordance with its Articles of Association, as well as the relevant rules and regulations in the market in which it operates.

Sally Bridgeland is the Chair of the LPP I Board. Other members are Michael O'Higgins, Robert Vandersluis, the Chief Investment Officer & Managing Director (Investment Business), the Chief Risk Officer and the Group Chief Executive. LPP's Head of Compliance, Group Company Secretary and Chief Financial Officer attend all Board meetings.

LPP I Board oversees the investment activities undertaken by LPP I. The business regularly reviews its performance against budgets and benchmarks. The business also regularly assesses its operating model to ensure a robust system of internal controls are in place, with strong emphasis on risk management.

During the year, the LPP I Board has approved the process and implementation of the provision of Investment Advice to clients along with the launch of the Private Equity, Infrastructure and Credit investment arrangements.

LPP I Risk Committee

Robert Vandersluis is the Chair of the Risk Committee. Other members include Sir Peter Rogers and Tom Richardson. The Chief Executive and Head of Compliance are also invited to attend each quarterly meeting along with members of the Risk team. The Committee held four meetings during the year which all members attended.
The recent governance review provided greater clarity over the separation of roles and responsibilities between the LPP I Risk Committee and the LPP Audit Committee. During the year, the Risk Committee considered matters such as:

- risks surrounding the investment processes;
- constitutive and offering documents of LPP I's investment funds;
- material investment breaches;
- effectiveness of the framework in relation to risk limits and compliance issues; and
- internal controls, investment risks and compliance monitoring.

The effective understanding, acceptance and management of risk is fundamental to LPP I's long-term success as an investment management business. In this regard, the Committee will consider the implementation of a risk management system in 2018-19 to ensure that effective procedures are in place to understand, assess, monitor and manage investment risks. This will include, but not exclusively, those arising in accordance with requirements of the Alternative Investment Fund Managers Directive and the Commission Delegated Regulation.

LPP I Investment Committee

The LPPI Board has delegated its day-to-day investment decisions to the Investment Committee which is chaired by the Managing Director (Investments) & Chief Investment Officer (Investment Business). The two other permanent members are the Chief Risk Officer and the Head of Investment Strategy. Other members are CF30 approved Investment Directors and the Head of Compliance. The Committee considers investment decisions and discusses the Investment Performance Reports which measure performance against targets. Whilst monitoring is carried out on an ongoing basis, the reports along with the Investment Decision Index are reported to the LPP I Board on a quarterly basis.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

LPP I Fair Value Pricing Committee

The Fair Value Pricing Committee was established in May 2017. It is chaired by the Head of Investment Operations and comprises three other members. The Head of Compliance is invited to attend, along with an observer from the Depositary. The Committee meets on a quarterly basis.

The Committee's core objectives are to:

- monitor LPP I's compliance with the Valuation Policy;
- approve the valuation of pooled assets; and
- regulate and monitor the use of independent external valuers and valuation models together with any internal valuation models in use.

Directors' remuneration

The LPP Remuneration and Nomination Committee sets the remuneration levels for directors within the LPP group. As part of the desire for transparency, the full table of remuneration is disclosed in the directors' report of LPP.

Disclosure of information to Auditors

Each of the persons who was a director at the date of approval of this report confirms that:

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

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

Grant Thornton UK LPP were reappointed as Auditor at the parent company's Annual General Meeting on 22 August 2017. The provision of audit services to LPP I is included within their Terms of Engagement in accordance with S487 of the Companies Act 2006.

Approved by the board of directors and signed on behalf of the board:

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Christopher Rule
Director
25 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOCAL PENSIONS PARTNERSHIP INVESTMENTS LTD

Opinion

We have audited the financial statements of Local Pensions Partnership Investments Ltd (the 'company') for the year ended 31 March 2018 which comprise the income statement, the statement of other comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

Who we are reporting to

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.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOCAL PENSIONS PARTNERSHIP INVESTMENTS LTD (cont)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

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 has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- the company 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.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 11, 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOCAL PENSIONS PARTNERSHIP INVESTMENTS LTD (cont)

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

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Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor & Chartered Accountants
London

25 July 2018

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Year to 31 Mar 2018 £'000	From 21 Oct 2015 to 31 Mar 2017 £'000
Turnover	5	14,065	12,184
Administrative expenses		(11,843)	(9,478)
Operating profit	6	2,222	2,706
Interest receivable and similar income		15	10
Interest payable and similar charges		(104)	(105)
Profit before taxation		2,133	2,611
Tax on profit	8	(434)	(537)
Profit for the financial year/period		1,699	2,074

All the results shown in the above Income Statement are from continuing operations.

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Year to 31 March 2018 £'000	From 21 Oct 2015 to 31 Mar 2017 £'000
Profit for the financial year/period		1,699	2,074
Net actuarial gain/(loss) on defined benefit schemes	15	594	(1,184)
Deferred tax on actuarial gain/loss		(101)	201
Total comprehensive income for the financial year/period		2,192	1,091

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	Mar-18 £'000	Mar-17 £'000
Fixed assets			
Intangible fixed assets	9	473	-
Investments	10	-	-
		473	-
Current assets			
Debtors	11	4,304	6,216
Cash at bank and in hand	12	17,006	11,406
		21,310	17,622
Current liabilities			
Creditors: amounts falling due within a year	13	(4,817)	(2,763)
Net current assets		16,493	14,859
Total assets less current liabilities		16,966	14,859
Creditors: amounts falling due after one year	14	(2,500)	(2,500)
Post employment benefits	15	(1,744)	(1,829)
Net assets		12,722	10,530
Capital and reserves			
Called up share capital	16	-	-
Share premium account		10,000	10,000
Retirement benefit obligations reserve	15	(561)	(561)
Profit and loss account		3,283	1,091
Total shareholders' funds		12,722	10,530

The financial statements on pages 17 to 38 were approved by the board of directors on and authorised for issue on 25 July 2018 and were signed on their behalf by:

Thomas Richardson
Director

Company Registration Number: 09835244

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Called-up share capital	Share premium account	Retirement benefit obligations reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
At 21 October 2015	-	-	-	-	-
Profit and total comprehensive income for the period	-	-	-	1,091	1,091
Issue of shares	-	10,000	-	-	10,000
Retirement benefit obligations deficit	-	-	(645)	-	(645)
Deferred tax asset on retirement benefit obligation deficit	-	-	84	-	84
At 31 March 2017	-	10,000	(561)	1,091	10,530
At 1 April 2017	-	10,000	(561)	1,091	10,530
Profit and total comprehensive income for the year	-	-	-	2,192	2,192
At 31 March 2018	-	10,000	(561)	3,283	12,722

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. Company information

Local Pensions Partnership Investments Ltd is a private company limited by shares and incorporated in England and Wales. Its registered office is County Hall, Fishergate, Preston, United Kingdom, PR1 8XJ.

The company's principal activities and nature of operations is included in the Strategic report on page 4-10.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. These financial statements have been prepared on the historical cost basis.

The financial statements of Local Pensions Partnership Investments Ltd have also adopted the following disclosure exemptions, which the shareholders have been informed about:

- the requirement to present a statement of cash flows and related notes (s7 FRS 102)
- financial instrument disclosures (s11 & s12 FRS 102), including:
  - categories of financial instruments;
  - items of income, expenses, gains or losses relating to financial instruments; and
  - exposure to and management of financial risks.
- the exemption has been claimed not to disclose related party transactions (s33 FRS 102).

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

3. Significant judgements and estimates

In the process of applying the company's accounting policies, which are described in note 4, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements. As described below, many of these areas of judgement also involve a high level of estimation uncertainty.

Deferred taxation

The financial statements include judgments and estimates that been made regarding deferred taxation, as described in note 4.7.

Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries are engaged to provide the company with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

4. Principal accounting policies

4.1 Investment in subsidiaries

The company has claimed an exemption, not to produce consolidated financial statements, under Section 9 of FRS 102 and therefore do not include the results of any subsidiary entity but merely the company's investment in the subsidiary.

4.2 Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible fixed assets are amortised over the following useful economic lives:

- Software costs, over the life of the licence

4.3 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

4.4 Cash at bank and in hand

Cash at bank and in hand also includes deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

4.5 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4.6 Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

4. Principal accounting policies

4.7 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the company is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

4. Principal accounting policies

4.8 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of investment management services.

4.9 Employee and pension costs

Participation by company employees in two administered defined benefit scheme funds began on 8 April 2016. Contributions from the employer are payable to the schemes and are charged to the profit and loss account in the period to which they relate.

5. Turnover

	Year to 31 March 2018 £'000	From 21 Oct 2015 to 31 Mar 2017 £'000
Investment management fees	14,065	12,184

6. Operating profit

Operating profit is stated after charging:	Year to 31 March 2018 £'000	From 21 Oct 2015 to 31 Mar 2017 £'000
Staff costs (note 7)	4,151	2,590
Internal Auditor's remuneration	42	-

The fee of statutory audit services amounting to £18,000 and fees for non-audit services which comprise FCA client money assurance services and amounted to £7,500 were borne by the company's parent entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

7. Directors and employees

	Year to 31 March 2018	From 21 Oct 2015 to 31 Mar 2017
	£'000	£'000
Wages and salaries	2,944	2,080
Social security costs	361	259
Other pension costs	846	251
	4,151	2,590

The company employees are members either of the defined benefit pension schemes of the London Pensions Fund Authority or Lancashire County Pensions Fund. Pension payments recognised as an expense during the year amount to £846,000 (2017 - £251,000).

The average monthly number of employees during the year was:	Year to 31 March 2018	From 21 Oct 2015 to 31 Mar 2017
	Number	Number
Investment services	33	23

The split of the average number of employees, employed by LPP I in the year was 2 (period to March 2017 - 2) directors and 31 (period to March 2017 - 21) other staff.

Directors emoluments

Remuneration in respect of directors was as follows:

	Year to 31 March 2018	From 21 Oct 2015 to 31 Mar 2017
	£'000	£'000
Emoluments	442	553
Social security costs	58	75
Pension contributions to defined benefit schemes	53	66
	553	694

The amounts set out above include remuneration in respect of the highest paid director and are as follows:

	£'000	£'000
Emoluments	369	355
Social security costs	50	48
Pension contributions to defined benefit schemes	44	43
	463	446

The other directors of the company were paid a total of £746,039 (2017 - £319,344) in remuneration by the company's immediate parent for acting as directors of the company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

8. Taxation

The tax charge is based on the profit for the year/period and represents:	Year to 31 March 2018 £'000	From 21 Oct 2015 to 31 Mar 2017 £'000
UK corporation tax	518	563
Prior year tax adjustment	13	-
	531	563
Deferred tax:		
Origination and reversal of timing differences	(97)	(31)
Effect of changes in tax rates	-	5
Tax charge for the year	434	537

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19%. The differences are explained as follows:

	£'000	£'000
Profit before tax	2,133	2,611
Profit multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017: 20%)	405	522
Expenses not deductible for tax purposes:		
Expenses not deductible	16	10
Prior year tax adjustment	13	-
Tax rate changes	-	5
Tax charge for the year	434	537

Deferred taxation	£'000	£'000
Deferred tax charge to income statement for the year/period	(97)	(26)
Deferred tax charge in equity for the year/period	-	(84)
Deferred tax charge in OCI for the year/period	101	(201)
Deferred movement in the year/period	4	(311)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

9. Intangible fixed assets

	Software	Total
Cost	**£'000**	**£'000**
At 1 April 2017	-	-
Additions	473	473
At 31 March 2018	473	473
Amortisation		
At 1 April 2017	-	-
Charge for the year	-	-
At 31 March 2018	-	-
Net book value		
At 31 March 2018	473	473

The addition in the year was acquired in March 2018, therefore no amortisation has been charged.

10. Investments

	Investment in subsidiaries
Cost	**£'000**
At 31 March 2017 & 2018	-

In the year, the company incorporated LPPI Credit GP Ltd with a £2 nominal value of the share capital. The other limited companies were all acquired in the year to 31 March 2017 for a total investment of £5. None of these entities, nor the Limited Partnerships were consolidated within the company as they are consolidated in the financial statements of Local Pensions Partnership Ltd.

Subsidiaries	Type of shares held	Proportion held	Country of incorporation	Nature of business
LPPI Scotland (No.1) Ltd	Ordinary	100%	UK	Investment
LPPI Scotland (No.2) Ltd	Ordinary	100%	UK	Investment
Daventry GP Limited	Ordinary	100%	UK	General partner
LPPI PE GP (No 1) LLP	LLP	100%	UK	General partner
LPPI PE GP (No 2) LLP	LLP	100%	UK	General partner
LPPI Infrastructure GP LLP	LLP	100%	UK	General partner
LPPI Credit GP Limited	Ordinary	100%	UK	General partner

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

11. Debtors

	Mar-18	Mar-17
Amounts falling due within one year:	£'000	£'000
Trade debtors	3,953	4,524
Deferred tax	307	311
Prepayments and accrued income	45	1,381
	4,304	6,216

12. Cash at bank and in hand

	Mar-18	Mar-17
	£'000	£'000
Cash at bank	17,006	11,406

13. Creditors: amounts falling due within a year

	Mar-18	Mar-17
	£'000	£'000
Trade creditors	1,244	300
Taxation and social security costs	117	230
Corporation tax	518	563
Other creditors	410	58
Accruals	2,528	1,612
	4,817	2,763

14. Creditors: amounts falling due after one year

	Mar-18	Mar-17
	£'000	£'000
Amounts due to group companies	2,500	2,500

In April 2016, the company's immediate parent loaned the company £2.5m unsecured, interest has been charged at 4.25% per annum. The loan is for ten years with no schedule of fixed repayments. The interest rate is deemed to be at market rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Pension schemes

Defined benefit pension schemes

On 8 April 2016 current employees of the London Pensions Fund Authority (LPFA) and Lancashire County Council (LCC) who were members of the Lancashire County Pension Fund (LCPF) were TUPE transferred to the Local Pensions Partnership Investments Ltd (LPP I).

The transferring employees are all members of the Local Government Pension Scheme (LGPS). LPP I was allocated notional shares of the LPFA and LCPF Fund assets equal to 100% of the value of the transferring pension liabilities. These liabilities were calculated on the ongoing basis appropriate for funding, either the LPFA or LCPF 2016 Triennial valuation assumptions depending on the Fund from which employees' liabilities were transferred. As such LPP I 's pension liabilities were 100% funded on the relevant ongoing bases at the dates of transfer.

Notwithstanding differences between the LPFA and LCPF ongoing 2016 Triennial valuation bases, when the pension liabilities are valued for the purposes of IAS 19 disclosures, the basis is prescribed by Regulations and set with reference to corporate bond yields. The assessment of pension liabilities on this accounting basis at the date of transfer results in pension liabilities greater than those assessed on the LPFA and LCPF ongoing valuation bases. Therefore at the date of transfer LPP I's pension liabilities on the IAS 19 accounting basis were not fully funded.

LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The benefits under the scheme are based on the length of membership and the average salary. Each member contributes a proportion of their salary, within a 5.5% to 12.5% range depending of their rate of pay. LPP I, as the employing body, also contributes in to the scheme on the employee's behalf at 12.0% of the employee's salary. Barnett Waddingham are the actuaries for the LPFA and Mercer for the LCPF.

LGPS is accounted for as a defined benefits scheme. The liabilities of the LGPS attributable to LPP I are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

In accounting for the defined benefit schemes, the company has applied the following principles:

- No pension assets are invested in the group's own financial instruments or property.

The schemes in the UK typically expose the company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk, as follows:

- Investment risk - the present value of the defined benefit schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on plan assets is below this rate, a deficit will be created;

- Interest risk - a decrease in the bond interest rate will increase the scheme liability but this will be partially offset by an increase in the return of the plan's debt investments;

- Longevity risk - the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability; and

- Salary risk - the present value of the defined benefit scheme liability is calculated by reference to the future salaries of plan participants, as such, an increase in the salary of the plan participants will increase the plan's liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Pension schemes (cont.)

The two defined benefit pension schemes can be summarised, by fund, as follows:

Post employment benefits summary	**Year to 31 March 2018**		
	LPFA	**LCPF**	**Total**
	£'000	**£'000**	**£'000**
Net assets	833	2,013	2,846
Net liabilities	(1,364)	(3,226)	(4,590)
	(531)	(1,213)	(1,744)
Statement of other comprehensive income	341	253	594
Pension costs expensed for the year	511	335	846

Post employment benefits summary	**From 8 April 2016 to 31 Mar 2017**		
	LPFA	**LCPF**	**Total**
	£'000	**£'000**	**£'000**
Net assets	403	1,724	2,127
Net liabilities	(974)	(2,982)	(3,956)
	(571)	(1,258)	(1,829)
Statement of other comprehensive income	281	903	1,184
Pension costs expensed for the period	211	150	361

London Pensions Fund Authority

The actuaries for LPFA are Barnett Waddingham.

The normal contributions expected to be paid during the financial year ending 31 March 2019 are £187,000 (2018: £187,000).

A summary of the defined benefit pension schemes on the company balance sheet is as follows:

	Mar-18	**Mar-17**
	£'000	**£'000**
Retirement benefit assets	833	403
Retirement benefit obligations	(1,364)	(974)
Net retirement benefit deficit	(531)	(571)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Pension schemes (cont.)

Scheme assets - Changes in the fair value of scheme assets are as follows:

	Mar-18 £'000	Mar-17 £'000
Transfer in of assets	403	154
Interest income on scheme assets - employer	17	9
Return on scheme assets less interest income	16	41
Administrative expenses and taxes	(1)	-
Employer contributions	210	120
Contributions by employees	130	93
Benefits paid/(received)	58	(14)
	833	403

Analysis of assets - The major categories of scheme assets are as follows:

	Mar-18 £'000	Mar-17 £'000
Equity instruments	509	239
Target return portfolio	187	85
Infrastructure	36	21
Property	60	21
Cash and other	41	37
	833	403

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company. Virtually all equity and debt instruments have quoted prices in an active market.

Scheme liabilities - Changes in the fair value of scheme liabilities are as follows:

	Mar-18 £'000	Mar-17 £'000
Transfer in of assets	974	353
Current service cost - employer	497	205
Effect of changes in financial assumptions	(223)	322
Effect of changes in demographic assumptions	(102)	-
Interest cost - employer	30	15
Benefits paid/(received)	58	(14)
Contributions by scheme participants	130	93
	1,364	974

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Pension schemes (cont.)

Amounts recognised in the profit and loss account

	Year to 31 March 2018 £'000	From 8 April 2016 to 31 Mar 2017 £'000
Amounts recognised in operating profit		
Current service cost	497	205
Administrative expenses and taxes	1	-
Recognised in arriving at operating profit	498	205
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	13	6
Recognised in interest receivable and similar income	13	6
Total recognised in the profit and loss account	511	211

Amounts recognised in the statement of comprehensive income

	Year to 31 March 2018 £'000	From 8 April 2016 to 31 Mar 2017 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	16	41
Effect of changes in financial assumptions	223	(322)
Effect of changes in demographic assumptions	102	-
	341	(281)
Total pension cost recognised in the statement of comprehensive income	341	(281)

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	Mar-18 %	Mar-17 %
Discount rate	2.6	2.8
Future salary increases	2.7	4.2
Future pension increases (CPI)	2.1	2.7
Future pension increases (RPI)	3.1	3.6
Inflation assumption (CPI)	2.1	2.7
Inflation assumption (RPI)	3.6	3.6

15. Pension schemes (cont.)

Post retirement mortality assumptions

	Mar-18	Mar-17
	Years	Years
Current UK pensioners at retirement age - male	21.1	21.7
Current UK pensioners at retirement age - female	23.9	24.5
Future UK pensioners at retirement age - male	22.6	24.0
Future UK pensioners at retirement age - female	25.4	26.7

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2018 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2018 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption	Change of +0.1% in present value of scheme liabilities	Change of (0.1%) in present value of scheme liabilities
	Year to 31 March 2018		
LPP I	%	£'000	£'000
Discount rate: 2.6%	0.1	1,318	(1,411)
Inflation: 2.1% CPI	0.1	1,364	(1,364)
Rate of salary increase: 2.7%	0.1	1,412	(1,318)
	From 8 April 2016 to 31 Mar 2017		
LPP I	%	£'000	£'000
Discount rate: 2.8%	0.1	1,008	(1,008)
Inflation: 2.1% CPI	0.1	941	(941)
Rate of salary increase: 4.2%	0.1	974	(974)

If the mortality rate was increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 21.7 - 26.7, the change in present value of scheme liabilities would be an increase of 0.3%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Pension schemes (cont.)

Lancashire County Pension Fund

The actuaries for LCPF are Mercer.

The normal contributions expected to be paid during the financial year ending 31 March 2019 are £88,000 (2018 - £88,000).

A summary of the defined benefit pension schemes on the company balance sheet is as follows:

	Mar-18	Mar-17
	£'000	£'000
Retirement benefit assets	2,013	1,724
Retirement benefit obligations	(3,226)	(2,982)
Net retirement benefit deficit	(1,213)	(1,258)

Scheme assets - Changes in the fair value of scheme assets are as follows:

	Mar-18 £'000	Mar-17 £'000
Transfer in of assets	1,724	1,305
Interest income on scheme assets - employer	48	51
Return on scheme assets less interest income	17	217
Administrative expenses and taxes	(5)	(4)
Employer contributions	127	89
Contributions by employees	102	66
	2,013	1,724

Analysis of assets - The major categories of scheme assets are as follows:

	Mar-18	Mar-17
	£'000	£'000
Equity instruments	1,746	1,491
Bonds	86	62
Property	189	152
Cash and other	(8)	19
	2,013	1,724

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company. Virtually all equity and debt instruments have quoted prices in an active market.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Pension schemes (cont.)

Scheme liabilities - Changes in the fair value of scheme liabilities are as follows:

	Mar-18	Mar-17
	£'000	£'000
Transfer in of liabilities	2,982	1,599
Current service cost - employer	299	137
Effect of changes in financial assumptions	(236)	706
Effect of experience adjustments	-	414
Interest cost - employer	79	60
Contributions by scheme participants	102	66
	3,226	2,982

Amounts recognised in the profit and loss account

	Year to 31 March 2018	From 8 April 2016 to 31 Mar 2017
	£'000	£'000
Amounts recognised in operating profit		
Current service cost	299	137
Administrative expenses and taxes	5	4
Recognised in arriving at operating profit	304	141
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	79	60
Interest cost on scheme assets - employer	(48)	(51)
Recognised in interest receivable and similar income	31	9
Total recognised in the profit and loss account	**335**	**150**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Pension schemes (cont.)

Amounts recognised in the statement of comprehensive income

	Year to 31 March 2018 £'000	From 8 April 2016 to 31 Mar 2017 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	17	217
Effect of changes in financial assumptions	236	(706)
Effect of experience adjustments	-	(414)
	253	(903)
Total pension cost recognised in the statement of comprehensive income	**253**	**(903)**

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	Mar-18 %	Mar-17 %
Discount rate	2.7	2.6
Future salary increases	3.6	3.7
Future pension increases (CPI)	2.2	2.2
Inflation assumption (CPI)	2.1	2.2

Post retirement mortality assumptions

	Mar-18 Years	Mar-17 Years
Current UK pensioners at retirement age - male	22.0	22.6
Current UK pensioners at retirement age - female	24.4	25.2
Future UK pensioners at retirement age - male	23.5	24.9
Future UK pensioners at retirement age - female	26.3	27.9

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

15. Pension schemes (cont.)

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2018 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2018 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	**Change in assumption**	**Change of +0.1% in present value of scheme liabilities**	**Change of (0.1%) in present value of scheme liabilities**
		Year to 31 March 2018	
	%	**£'000**	**£'000**
Discount rate: 2.7%	0.1	3,140	(3,140)
Inflation: 2.1% CPI	0.1	3,313	(3,313)
Rate of salary increase: 3.6%	0.1	3,253	(3,253)
		From 8 April 2016 to 31 Mar 2017	
	%	**£'000**	**£'000**
Discount rate: 3.8%	0.1	2,903	(2,903)
Inflation: 2.1% CPI	0.1	3,063	(3,063)
Rate of salary increase: 2.6%	0.1	3,019	(3,019)

If the mortality rate was increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 22.6 - 27.9, the change in present value of scheme liabilities would be an increase of 2.0%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

16. Share capital

	Mar-18	Mar-17
Allotted and fully paid:	**£**	**£**
1 ordinary share of £1 each	1	1
Ordinary shares		
1 ordinary share of £1 each	1	1

The share issued has full rights in the company with respect to voting, dividends and distributions.

17. Contingent liabilities and capital commitments

The company has no contingent liabilities at the year end.

The company has no capital commitments at the year end.

18. Related party transactions and ultimate controlling party

The key management personnel emoluments paid by the company total £1,439,274 (2017 - £691,053) for the year.

The directors of Local Pensions Partnership Investments Ltd had no transactions with the company or its subsidiaries during the period other than service contracts and directors' liability insurance. Details of the directors' remuneration are disclosed in the notes to the accounts.

The company's immediate parent and controlling party is Local Pensions Partnership Ltd, a company incorporated in the United Kingdom and registered in England and Wales. Local Pensions Partnership Ltd is the parent undertaking of the smallest and largest group to consolidate these financial statements. These financial statements are available upon request from the Company Secretary, Local Pensions Partnership Ltd, County Hall, Fishergate, Preston, United Kingdom, PR1 8XJ.