Registered number
09835244

Local Pensions Partnership Investments Ltd

Report and Financial Statements

for the year ended 31 March 2019

Local Pensions Partnership Investments Ltd
Report and financial statements
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Local Pensions Partnership Investments Ltd
Registration number: 09835244
Company Information

Directors

Sally Bridgeland
Michael O'Higgins
Christopher Rule
Thomas Richardson
Martin Tully
Robert Vandersluis

Secretary

Greg Smith

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Local Pensions Partnership Investments Ltd
Strategic Report

Principal activities

Local Pensions Partnership Investment Ltd's (LPPI) principal activity is the provision of investment management services. LPPI manages £17.4bn of assets on behalf of three full service clients:

- Lancashire County Pension Fund (LCPF) - £8.4bn
- London Pensions Fund Authority (LPFA) - £6bn
- Royal County of Berkshire Pension Fund (Berkshire) - £2.2bn

LPPI is also the Alternative Investment Fund Manager (AIFM) to the GLIL Infrastructure LLP (GLIL), managing a further £0.8bn (net asset value excluding committed capital) of a total of £1.12bn.

LPPI is authorised by the Financial Conduct Authority (FCA) as an Alternative Investment Fund Manager under the Alternative Investments Fund Manager's Directive (AIFMD).

LPPI is a member of the Local Pensions Partnership Group ("LPP" or "the Group") and a direct subsidiary of Local Pensions Partnership Ltd.

LPPI works with clients to provide financial efficiencies and resilience in pension fund management. The financial benefits resulting from this approach are shown in the statutory accounts of our clients in the form of reduced costs of running the pension funds. This is achieved by consolidating third party fund managers and increasing allocations to internal management and through broader economies of scale.

LPPI's role within the Group

LPP is a pension services business, providing a range of pension fund related services to clients. LPP shares the associated benefits of scale and economy with them. The aim behind the establishment of LPP was to create a new way of managing pensions within LGPS and help manage the cost of benefit provision.

There are two core business lines within the Group:

- **Investment, asset and liability risk management.** Local Pensions Partnership Investments Ltd (LPPI), manages £17.4 billion of assets on behalf of three clients, advising them on how to manage liability risks through their investment strategy. Investment management services are also provided to GLIL.
- **Pension administration.** The Group provides pension administration services to some 600,000 members from around 1,850 public and charity sector employers in 17 pension schemes.

LPPI's Delegated Model

LPPI's clients retain full responsibility for their investment strategy, but they delegate fully the implementation of investment management activities.

This delegation model helps LPPI achieve economies of scale from which clients can benefit both by consolidating third party fund managers and increased internal asset management. LPPI's scale also offers clients access to a broad range of diversified investment opportunities.

Local Pensions Partnership Investments Ltd
Strategic Report

Business strategy

LPPI is mid-way through a two-year strategy to continue building operational resilience across the business. This reflects LPPI's relatively swift growth rate since 2016, which has involved an increased number of clients and the creation of investment pooling vehicles.

Over the year the following strategic initiatives have been delivered:

- Investment pooling where the seventh out of eight planned investment pooling vehicles has been created;
- On-boarded new clients in the form of Berkshire Pension Fund, and GLIL;
- Implemented a programme of compliance and governance enhancements including the appointment of a new non-executive director and the implementation of the General Data Protection Regulations (GDPR);
- Carried out a restructure of the investment management team, bringing in additional expertise across infrastructure and asset management;
- Improved systems and processes including procurement of an upgraded portfolio management system.

The Group's vision, values and culture were further embedded throughout HR processes used by LPPI. This included the first employee engagement survey for the Group, which will inform the development of culture and purpose work.

Future strategic direction

LPPI continues to operate as a provider of investment asset and liability management services, ensuring resilience is implemented.

As well as operational resilience, LPPI will focus on:

- Launching the final investment pooling vehicle – a Real Estate fund;
- Implementing its updated portfolio management system;
- Implementing the Senior Managers and Certification Regime (SMCR);
- Streamlining governance and decision making.

Alongside the normal "business as usual" activity, the business is in the process of reviewing the marketplace and opportunities to strengthen its activities with a view to setting a new long-term strategic plan to 2025.

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

LPPI's Investment Funds

LPPI's suite of investment funds are outlined below. Further details are available via the statement of accounts for the LPPI Asset Pooling Authorised Contractual Scheme (ACS) or the specific pooling special purposes vehicles available from Companies House and referred to later in this report (all values are as at 31 March 2019):

- **Global Equities**: £6.7bn with £2.7bn managed internally

  Launch Date: October 2016

The fund is benchmark agnostic, investing across global equity markets through a combination of internally managed and third-party managed investments. The fund seeks to outperform the MSCI All Country World Index in GBP NDR over the full market cycle. The internally managed equity portfolio represents about 40% of the global equities fund. This internal mandate focuses on large cap companies which are held over the long-term.

LPPI's Investment Funds (continued)

- **Private Equity**: £1.2bn
  Launch Date: March 2017

The fund seeks to achieve long-term investment returns by investing in companies at various stages of the growth cycle (buyout, growth capital, special situations, distressed).

- **Infrastructure**: £1.3bn
  Launch Date: June 2017

The global infrastructure fund seeks to gain cost-effective, diversified exposure to global infrastructure assets, predominately in the UK, Europe and North America. It invests via primary infrastructure funds, co-investments and direct ownership in infrastructure assets.

- **Credit:** £1.4bn
  Launch Date: September 2017

The credit fund seeks to gain cost-effective exposure to diverse sources of return linked to global credit markets and credit instruments. It seeks balanced exposure to the global credit market by investing in a variety of credit sectors including liquid multi-credit, unconstrained emerging market debt, secured lending, direct lending and credit opportunities including distressed debt.

- **Liquidity** £0bn – Approved by the FCA in October 2016 but not yet launched

- **Diversifying strategies:** £0.8bn
  Launch Date: September 2018

The fund seeks to generate a diversifying source of return distinct from global equity and bond markets. It looks to exploit a broad range of relative value and macro directional opportunities in global capital markets. The investment mandate seeks investments in a variety of alternative strategies where the drivers of return are not primarily dependent on market factors.

- **Fixed Income:** £0.7bn
  Launch Date: February 2018

The fund aims to deliver optimal long-term risk-adjusted returns, capitalising on opportunities in the global fixed income market, with a strong focus on capital preservation. It does invest predominantly in higher credit quality, highly liquid fixed income instruments across geographies, instrument types and maturities.

Real estate will follow during 2019.

Further information can be found on the LPP website, Investment Management section.

https://www.localpensionspartnership.org.uk/what-we-do/investment-management

LPPI's Investment Funds (continued)

Approach to joint management

LPPI also manages £4.5bn of non-pooled assets, for its clients, under an Advisory and Management Agreement and these are not included in the pooled funds above. These are assets which remain on the balance sheet of LPPI's clients but are still managed by LPPI.

Therefore LPPI manages a total of £16.6bn, for its three full service clients, which comprises:

- £12.1bn of assets in LPPI managed funds
- £4.5bn of assets on client balance sheet

Wider service provision

In addition, LPPI provide services to GLIL Infrastructure Platform. GLIL (GLIL Infrastructure LLP) is an Alternative Investment Fund (AIF) regulated by the FCA, investing in infrastructure and structured as a limited liability partnership.

As AIFM, LPPI is responsible for various aspects of the management of GLIL including investment, compliance and risk management. In order to execute investment decision making LPPI has formed a dedicated Investment Committee ("the GLIL Investment Committee") which is solely responsible for the activity in relation to GLIL. Other strategic and corporate activities of GLIL are managed by an Executive Committee which sits outside of the LPPI structure.

Responsible investment and stewardship

Responsible investing and stewardship are foundation stones in LPPI's approach to investment management. Three significant milestones help to illustrate continuing and positive progress this year:

1) In July 2018, LPP became an asset owner signatory to the UN Principles for Responsible Investment (PRI). This is a significant step and a practical demonstration of LPP's commitment to the responsible investment of pension savings on behalf clients.
2) In August 2018, LPPI published an Annex on Climate Change which supplements its existing Responsible Investment (RI) Policy.
3) For the first time this year, LPPI is making disclosures in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) as part of Annual Reporting.

PRI signatories commit to adopting six aspirational principles for responsible investment and report annually on their efforts to put the principles into practice. LPP's first detailed reporting (for the period to 31 December 2018) will be publicly available within a Transparency Report accessible from PRI's website and describes its activities, sharing insights and examples which help to contextualise the investment beliefs, governance arrangements and procedures which underpin its approach.

Responsible investment and stewardship (continued)

LPPI's responsible investment beliefs are a strong foundation for prudent investment management practices and are fully explained in its RI Policy.

LPPI believe that:

- LPPI has a fiduciary duty to act in the best long-term interests of clients and their beneficiaries. Fulfilling this duty requires a governance structure, culture and investment approach collectively focused on adding value over the long-term;
- The objective of RI is to secure optimum returns in the long term at an acceptable level of risk;
- The primary focus of RI is the effective management of investment risks and opportunities in order to achieve optimum risk-adjusted returns on a sustainable basis. The attainment of broader social outcomes is secondary to funding the pension benefits payable to members;
- Environmental, social and governance factors (ESG) can have a direct financial impact on the value of individual investments and an influence on long-term investment performance. The consideration of ESG factors is relevant at every stage in the investment cycle - within investment strategy, investment selection, and within the stewardship of assets in ownership;
- As providers of capital, investors have influence. Institutional investors should utilise their ownership powers to exert influence in circumstances where their intervention is warranted to protect the long-term financial interests of beneficiaries.

In translating its RI beliefs into investment practice, LPPI has identified and is aiming to achieve six key outcomes through its continuing activities:

- Responsive to client needs;
- Commercial and sustainable;
- Diligent in asset selection;
- Active in ownership;
- Committed to collaboration; and
- Continuously reviewing and improving.

Oversight and governance of RI reside with the LPPI Board and are executed through the Board’s oversight of the investment business. Operationally, the implementation of the approach to RI is delegated to the Stewardship Committee.

Risk management

Risk management framework

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

The LPPI Board is ultimately responsible for the risk framework and oversight of the business’s approach to managing risk. The Board is supported by the LPPI Risk Committee, which oversees internal controls and risks relating to the regulatory responsibilities of LPPI.

The approach to risk management recognises that it is the responsibility of all employees to manage risks in their respective areas of 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.

Risk management (continued)

LPPI'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 analysis, reporting, stress testing, scenario development, thematic review and reverse stress testing;
- Integrate risk management into the culture of the business.

Key risk categories

Risk resilience

In line with a key business objective of increasing operational resilience, LPPI's risk management function continues to develop its resilience and maturity as a second line of defence, providing the Board, clients and LPP's shareholders with assurance that our business is well managed. Over the year LPPI have added to the team to improve focus on investment risk management, information security and new systems to enhance LPPI's ability to manage operational risk across the firm. Cyber and operational risks will continue to be a focus, while LPPI strengthens operational resilience with specific initiatives underway to enhance business continuity arrangements.

Brexit

LPPI is well prepared for Brexit with a working group established at the Group level to coordinate the business preparations for all possible Brexit outcomes. Operationally, LPPI expect there to be a low impact to the business given that they operate only in the UK and provide services to UK-resident organisations. LPPI have worked closely with key suppliers, some of which are non-UK companies, to assess whether any contractual arrangements will be negatively impacted. It is likely that Brexit may cause volatility in investment asset prices and that this may impact the portfolios that LPPI manage. LPPI's portfolios are well diversified in terms of different asset classes and geographical exposures. LPPI manage with a long-term investment horizon; so any short-term volatility is not expected to have a significant impact on clients or on its business model.

Global economic uncertainty

Looking forward, LPPI continues to see a somewhat challenging investment environment over the medium and longer term. While many, if not all, major asset classes have delivered extremely strong performance over the last decade, LPPI are expecting this to moderate in the years to come. Markets tend to move in cycles around longer-term secular trends. The performance of risk assets in the last decade was outsized relative to long-term averages, and this has been overlaid on a secular bull market in the bond markets going back to the early 1980s. It is not unreasonable to assume that in the coming decade, both tailwinds could turn into headwinds. LPPI seeks to build portfolios that are not simply reliant on strong performance from global equities, but are diversified across asset classes and risk factors, and have resilience to a range of market environments. LPPI's investment process seeks to find investments that provide further diversification from broad public market exposures and support clients' overall risk-reward profiles.

Financial risk and investment performance

LPPI recognises that poor investment performance could result in a reduction in assets under management (AUM). LPPI's investment management business charges fees as a percentage of assets managed. A fall in these assets would result in a fall in income. LPPI closely monitor 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 if necessary.

Risk management (continued)

Concentration risk

There is a risk of investment and pension administration client concentration as a significant portion of income is derived from our two largest clients. The two clients are LPP's joint equal shareholders and founding partners. Given this aligned construct, management is content with the relatively high level of client concentration.

Operational and conduct 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 LPPI. LPPI has implemented a three-year internal audit plan to review LPPI's business operation. The results of the reviews are reported to the LPP Audit Committee.

Conduct and regulatory risks include:

- Compliance with legislative change including GDPR, MiFID II and SMCR;
- The risks of client detriment arising from inappropriate conduct, conflicts management, practice, behaviour or failing to meet client requirements;
- The risks of money laundering, bribery, market abuse or negligence;
- The risk of fines, penalties or other sanctions from failure to identify or meet regulatory requirements.

Business risk

LPPI provides investment management services to clients. Service level performance is closely monitored and discussed with clients to assess the quality of service. The aim is to ensure clients remain satisfied with LPPI's level of service and cost of services. Costs are controlled as part of the financial budgeting process.

Strategic risk

Failure to meet the objectives of the Board may undermine the success of the business resulting in increased uncertainty over future revenues and costs. The business environment in which LPPI 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 mitigation strategy is that LPPI maintains a proactive dialogue and engagement with government, regulators and industry bodies to keep abreast of potential changes, which are factored into its planning and budgeting process.

Financial instrument, currency risk and interest rate risk

LPPI does not use hedging or financial risk management instruments. All cash is held within bank accounts of highly rated financial institutions. LPPI's asset pooling vehicles have exposure to currency and interest rate risk and this is included in the relevant statement of accounts for each specific vehicle

Going concern

In assessing the basis of preparation of the financial statements for the year ended 31 March 2019, 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 LPPI's balance sheet, the recoverability of assets and availability of funding through the LPPI'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.

This report was approved by the board and signed by its order on 25 July 2019

Christopher Rule
Director

Local Pensions Partnership Investments Ltd
Directors' Report

The directors present their report and financial statements for the year ended 31 March 2019.

Directors

The following persons served as directors during the year and up to the Statement of Financial Position signing date:

Sally Bridgeland	
Susan Martin	(Resigned 26 April 2019)
Michael O'Higgins	
Christopher Rule	
Thomas Richardson	
Martin Tully	(Appointed 13 July 2018)
Robert Vandersluis	

Directors' responsibilities

The directors are responsible for preparing the report and 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 Generally Accepted Accounting Practice (Financial Reporting Standard 102 (FRS 102) and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 £442,000 (2018 - £1,699,000).

No dividends were paid during the year (2018 - £nil).

Board and committee reports

LPPI Board

The LPPI Board is chaired by Sally Bridgeland. Other non-Executive Directors include Michael O'Higgins, Martin Tully and Robert Vandersluis. Martin Tully was appointed on 1 September 2018. Executive Directors of the Board for 2018-19 were Susan Martin, Chris Rule and Tom Richardson. The Deputy Chief Investment Officer, Chief Financial Officer and Director of Strategic Programmes & Group Company Secretary are invited to attend every meeting. In April 2019 Susan Martin stepped down as Group Chief Executive and an Executive Director of LPPI.

The Board meets five times a year and is responsible for overseeing the investment management business. This includes organising and directing the affairs of LPPI for the benefit of its shareholders in accordance with its Articles, applicable regulatory requirements and the Group's Shareholder Agreement.

Other responsibilities also include setting the overall direction and culture of LPPI and overseeing LPPI's performance against its business plan.

Furthermore, the Board sets the risk framework for LPPI and ensures a strong framework of policies and procedures are in place. The Board and its terms of reference are reviewed on an annual basis.

During 2018-19 the Board considered formalised investment beliefs, approved the preferred supplier of portfolio management systems and approved the launch of the Diversifying Strategies Fund.

The Board will be focusing on overseeing the SMCR preparation and implementation which comes into force on 9 December 2019, and the implementation of an investment operations system.

LPPI Risk Committee

The Committee meets on a quarterly basis and comprises two non-Executive Directors: Robert Vandersluis (Chair) and Martin Tully, and one Executive Director Tom Richardson (Chief Risk Officer). During the year Sir Peter Rogers resigned as a member to ensure that the membership better reflect the division of responsibilities between LPPI Risk Committee and the LPP Audit Committee. The Chief Executive, Chief Financial Officer, Deputy Chief Risk Officer, Head of Compliance and Director of Strategic Programmes & Group Company Secretary are also invited to attend. All Directors appointed at the time of the meetings

The Risk Committee is responsible for monitoring the implementation of the Risk Management Framework, ensuring that effective procedures are in place to manage LPPI's operational and investment fund risks, including but not exclusively those arising from the requirements of Alternative Investment Fund Manager Directive and EU regulations.

Following each quarterly meeting, the Risk Committee reports its activities to the LPPI Board. In addition, it reports on any Group-wide risks to the LPP Audit Committee and the LPP Board as appropriate.

During the year the LPPI Risk Committee:

- implemented a new framework for providing risk advice to clients;
- oversaw the implementation and the on-going monitoring of the investment management operations of Berkshire Pension Fund and GLIL Infrastructure;
- reviewed and supported the implementation of an investment operations system; and
- confirmed that sufficient resources were in place to meet LPPI's regulatory requirements.

Interaction with the LPP Group

Where there are common issues and it is more efficient to work in a coordinated way across the Group, LPPI share joint committees with LPP.

LPPI's remuneration and nomination activity is managed via a delegation to the Joint LPP and LPPI Remuneration and Nomination Committee. Equally the LPP Audit Committee plays an important role in reviewing financial statements prior to submission to the LPPI Board for their approval.

The Group also operates a joint Executive Committee covering all LPP and LPPI Executive matters.

LPPI Investment Committee

The Committee comprises five permanent members and other members. The permanent members are: Chief Investment Officer & Managing Director (Investments) (Chair), Deputy Chief Investment Officer, Head of Private Markets, Head of Public Markets and Chief Risk Officer. The Head of Compliance and Director of Strategic Programmes & Group Company Secretary are invited to all meetings as are those presenting reports to the Committee.

To carry out its duties as delegated by the LPPI Board, the Committee sits on a fortnightly and quarterly basis. Investment proposals are considered at the fortnightly meeting and monitored on an ongoing basis. The investment performance of the funds against agreed targets is monitored by the Committee on a quarterly basis.

The Committee reports on its activities to the LPPI Board on a quarterly basis.

During the year the Committee:

- approved a wide range of investment opportunities for the pooled funds;
- approved the transfer of existing assets into LPPI's pooling vehicles;
- managed the legal process, due diligence and operational readiness in the run up to new fund launches; and
- developed the LPPI investment beliefs.

LPPI Fair Value Pricing Committee

The Committee is chaired by the Head of Investment Operations. The other members are: Head of Financial Control, Market Risk Specialist, in-house Actuary and Deputy Chief Risk Officer. In addition, the Head of Compliance is invited to attend along with observers from the Investment team and depositary.

The Committee meets at least quarterly to discharge its duties as delegated by LPPI Board.

The Committee's core objectives are below, and these formed the basis for Committee activities during the year:

- monitor LPPI'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.

LPP and LPPI Executive Committee

Role and responsibilities

The Executive Committee is responsible for the strategic management of the LPP Group, with authority and responsibility for implementing the strategic plan as delegated to it by both LPP and LPPI Boards, and the Group's shareholders. Decisions are made on LPP and LPPI matters. LPPI matters are approved by FCA approved persons.

The Executive Committee's key responsibilities include:

- Developing and implementing the strategic plan and the annual budget for submission to the Board
- Monitoring of the operating and financial performance of the Group
- Assessing and managing risks to the business
- Prioritising and allocating resources within the business
- Maintaining oversight of the Operational Committees which consider the more business as usual activities along with operational plans, policies and procedures.

The Chief Executive reports formally to the LPP Board, and the Chief Investment Officer & Managing Director (Investments) reports formally to the LPPI Board.

LPPI Funds Launch and Product Governance Committee

The Committee comprises three members: Chief Investment Officer & Managing Director (Investments) (Chair), Deputy Chief Investment Officer and Chief Risk Officer. Its main duty is to approve the launch or winding-up of a fund, asset pool or collective investment vehicle as directed by the LPPI Board, and to review existing products in accordance with product governance requirements. The Committee reports on an ad-hoc basis around fund launches and on at least an annual basis to the LPPI Board.

During the year the Committee approved the launch of the Diversifying Strategies Fund and a number of fund transitions of Berkshire assets into LPPI's pooling vehicles.

Capital

LPPI has an issued share capital of 1 ordinary share of £1.

Going concern

After making enquiries in relation to the Company's forecasts and projects, the directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Expected future developments

Expected future developments are set out in the strategic report.

Political or charitable donations

No political or charitable donations were made during the year (2018 - nil).

Directors' idemnity

There is no qualifying third party indemnity provision (whether made by the company or otherwise) in place, for the benefit of one or more of the directors.

Research and developments

No research and development expenditure were made during the year (2018 - nil).

Financial instrument risk

The Group does not use hedging or financial risk management instruments and all cash is held within bank accounts with highly rated financial institutions.

Employee representation

Organisational wide changes are communicated to employees and major strategic projects are discussed with employees through a Staff Committee. The Committee meets with the Group CEO and other Executive Directors on a monthly basis. During the year, the Committee completed a staff engagement survey.

Disabled employees

The LPP Group is committed to ensuring equality of opportunity and access in both of the employment and service arrangements. It aims to promote diversity within its workforce and ensure that its services meet the different needs of its staff, and clients at all times. LPP Group has published an Equality Policy on its website. 8% of LPP's employees have reported some form of disability.

As a Group, LPP aims to ensure fairness and equality towards all applicants through objective based recruitment practices and family friendly policies to support staff during changing circumstances. This includes flexible working arrangements to support participation in religious and/or cultural events, to care for dependents or where reasonable adjustments are required to roles/working patterns to support declared disabilities.

Training methods and environments are tailored to support staff with declared disabilities including delivering the training with the support of sign language.

Post balance sheet events

There have been no post balance sheet events to report.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

This report was approved by the board and signed by its order on 25 July 2019

Christopher Rule
Director

Local Pensions Partnership Investments Ltd
Independent auditor's report
to the member 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 2019, which comprise the income statement, the statement of 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of 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.

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.

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.

Local Pensions Partnership Investments Ltd

Independent auditor's report
to the member of Local Pensions Partnership Investments Ltd

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.

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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received; 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.

Responsibilities of directors for the financial statements

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

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.

Local Pensions Partnership Investments Ltd
Independent auditor's report
to the member of Local Pensions Partnership Investments Ltd

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.

Grant Thornton UK LLP

Paul Flatley
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Accountants and Statutory Auditors

25 July 2019

Local Pensions Partnership Investments Ltd
Income Statement
for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover	5	19,873	14,065
Administrative expenses		(19,317)	(11,843)
Operating profit	6	556	2,222
Interest receivable		26	15
Interest payable	9	(80)	(104)
Profit before taxation		502	2,133
Tax on profit	10	(60)	(434)
Profit for the financial year		442	1,699

Local Pensions Partnership Investments Ltd
Statement of comprehensive income
for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Profit for the financial year		442	1,699
Other comprehensive income			
Remeasurement of defined benefit obligation		(162)	594
Tax on components of other comprehensive income		27	(101)
Total comprehensive income for the year		307	2,192

Local Pensions Partnership Investments Ltd
Statement of Financial Position
as at 31 March 2019

	Notes		2019 £'000		2018 £'000
Fixed assets					
Intangible assets	11		-		473
Investments	12		-		-
			-		473
Current assets					
Debtors	13	6,307		4,304	
Cash at bank and in hand		12,125		17,006	
		18,432		21,310	
Creditors: amounts falling due within one year	14	(2,988)		(4,817)	
Net current assets			15,444		16,493
Total assets less current liabilities			15,444		16,966
Creditors: amounts falling due after more than one year	15		-		(2,500)
Post employment benefits			(2,415)		(1,744)
Net assets			13,029		12,722
Capital and reserves					
Share capital	17		-		-
Share premium			10,000		10,000
Retirement benefit obligations reserve			(261)		(261)
Profit and loss account			3,290		2,983
Total equity			13,029		12,722

Thomas Richardson
Director
Approved by the board on 25 July 2019

Local Pensions Partnership Investments Ltd
Statement of Changes in Equity
for the year ended 31 March 2019

	Notes	Share capital £'000	Share premium £'000	Retirement benefit obligations reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2017		-	10,000	(561)	1,091	**10,530**
Reclassification	16	-	-	300	(300)	**-**
		-	10,000	(261)	791	**10,530**
Profit for the financial year		-	-	-	2,192	**2,192**
At 31 March 2018		-	10,000	(261)	2,983	**12,722**
At 1 April 2018		-	10,000	(261)	2,983	**12,722**
Profit for the financial year		-	-	-	307	**307**
At 31 March 2019		-	10,000	(261)	3,290	**13,029**

1 Company information

Local Pensions Partnership Investments Ltd (LPPI) is a private Company limited by shares and incorporated in England and Wales. Its registered office is 169 Union Street, London, England, SE1 0LL.

The Company's principal activities and nature of operations is included in the Strategic report on page 2-9.

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 LPPI 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 judgements 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 judgements 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. Two 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.

4 Summary of significant 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 does 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 and other short-term highly liquid investments with original maturities of three months. 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 Company 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. Summary of significant accounting policies (continued)

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 income statement, 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.

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	**Analysis of turnover**	**2019 £'000**	**2018 £'000**
	Investment management fees	19,873	14,065

6	**Operating profit**	**2019 £'000**	**2018 £'000**
	This is stated after charging:		
	Staff costs (Note 8)	4,891	4,151

The Company's parent entity paid the fee for statutory audit services amounting to £18,000 (£18,000 - 2018), and £7,000 (£7,500 - 2018) for non-audit services.

7	**Directors' emoluments**	**2019 £'000**	**2018 £'000**
	Emoluments	403	442
	Social security costs	54	58
	Other pension costs	46	53
		503	553

The emoluments above do not include those paid by the parent entity.

		2019 £'000	2018 £'000
	Highest paid director:		
	Emoluments	382	369
	Social security costs	52	50
	Other pension costs	46	44
		480	463

8	**Directors and employees**	**2019 £'000**	**2018 £'000**
	Wages and salaries	3,549	2,944
	Social security costs	443	361
	Other pension costs	899	846
		4,891	4,151

The Company is a member of two defined benefit pension schemes for the benefit of the employees and directors. The scheme is administered in-house. Employer contributions recognised as an expense during the year amount to £899,000 (2018 - £846,000). Included in these contributions is the IAS19 accrued pension costs of £509,000 (2018 - £509,000), as disclosed in note 16.

The average monthly number of employees for the LPPI, during the year to 31 March 2019 was 37 (2018 - 33), of which 2 (2018 - 2) were directors and 35 (2018 - 31) were staff.

9	**Interest payable**	**2019 £'000**	**2018 £'000**
	Loan interest	80	104

10 Taxation

	2019 £'000	2018 £'000
Analysis of charge in year		
Current tax:		
UK corporation tax on profits for the year	192	518
Adjustments in respect of previous years	(45)	13
	147	531
Deferred tax:		
Origination and reversal of timing differences	(87)	(97)
Tax on profit on ordinary activities	60	434

Factors affecting tax charge for year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	502	2,133
Standard rate of corporation tax in the UK	19%	19%
	£'000	**£'000**
Profit on ordinary activities multiplied by the standard rate of corporation tax	95	405
Effects of:		
Expenses not deductible for tax purposes	-	16
Effect of tax rate change	10	-
Adjustments to tax charge in respect of previous years	(45)	13
Tax charge for year	60	434

11 Intangible fixed assets

	Software £'000
Cost	
At 1 April 2018	473
Transfer to profit and loss account	(473)
At 31 March 2019	-

In the year to March 2018 a provision was made for project costs for a Target Operating Model. During the year to March 2019 this crystallised into a total of £349,000 which was expensed to the profit and loss account. The amount was made up of set up and planning costs.

12 Investments

	Investments in subsidiary undertakings £'000
Cost	
At 1 April 2018 & 31 March 2019	-

In the year, the Company incorporated LPPI Diversifying Strategies GP Limited with a £1 nominal value of the share capital. None of the entities below, nor the Limited Partnerships, were consolidated within the Company as they are consolidated in the financial statements of Local Pensions Partnership Ltd.

Subsidiaries - direct	Types 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
LPPI Diversifying Strategies GP Limited	Ordinary	100%	UK	General Partner

Subsidiaries - indirect	Types of Shares held	Proportion held	Country of incorporation	Nature of business
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 PE GP (No.3) LLP	LLP	100%	UK	General Partner
LPPI Infrastructure GP LLP	LLP	100%	UK	General Partner
LPPI Credit GP Limited	Ordinary	100%	UK	General Partner

13 Debtors

	2019 £'000	2018 £'000
Trade debtors	5,677	3,953
Deferred tax asset	421	307
Corporation tax overpaid	168	-
Prepayments and accrued income	41	44
	6,307	4,304

14 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	261	1,244
Amounts owed to group undertakings	1,244	370
Corporation tax	-	518
Other taxes and social security costs	149	117
Other creditors	47	40
Accruals and deferred income	1,287	2,528
	2,988	4,817

15 Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	-	2,500

The loan of £2,500,000 between Local Pensions Partnership Ltd (LPP) and LPPI was repaid in December 2018.

16 Pension schemes

Defined benefit 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 LPP and LPPI.

The transferring employees are all members of the Local Government Pension Scheme (LGPS). LPPI was allocated notional shares of the LPFA and LCPF Fund assets equal to 100% of the value of the transferring pension liabilities. The 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 LPPI 's pension liabilities were 100% funded on the relevant ongoing basis at the dates of transfer.

Notwithstanding differences between the LPFA and LCPF ongoing 2016 Triennial valuation basis, when the pension liabilities are valued for the purposes of IAS19 disclosures, the discount rate is prescribed by the IAS19 standards to be 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 basis. Therefore at the date of transfer LPPI's pension liabilities on the IAS19 accounting basis were not fully funded.

The 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 on their rate of pay. LPPI, as the employing body, also contributes in to the scheme on the employee's behalf at 12.0% and 12.4% of the employee's salary.

LGPS is accounted for as a defined benefits scheme. The liabilities of the LGPS attributable to the Company 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, and projected earnings for current employees.

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

- No pension assets are invested in the Company'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.

16. Pension schemes (continued)

During the year, management undertook a detailed assessment of the classification of components of its defined benefit obligations in its first year of operations and noted that some of the components of the actuarial reports were misinterpreted at the time of disclosures in the financial statements. This misclassification has been corrected by reclassifying a component of such actuarial assumptions which had been classified through the retired benefit obligation reserve instead of the profit and loss account, net of deferred tax.

In summary, the two defined benefit pension schemes can be summarised, by entity, as follows:

Post employment benefits summary	**Year to 31 March 2019**		
	LPFA	**LCPF**	**Total**
	£'000	**£'000**	**£'000**
Net assets	1,366	2,477	3,843
Net liabilities	(2,221)	(4,037)	(6,258)
	(855)	(1,560)	(2,415)
	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)
Net movement on pension deficit	324	347	671
Consolidated statement of comprehensive income	(71)	(91)	(162)
IAS19 pension costs accrued for the year	253	256	509

London Pensions Fund Authority

The actuaries for LPFA are Barnett Waddingham.

A summary of the defined benefit pension scheme on the Statement of Financial Position that relates to LPFA, is as follows:

	31-Mar-19	**31-Mar-18**
	£'000	**£'000**
Retirement benefit assets	1,366	833
Retirement benefit obligations	(2,221)	(1,364)
Net retirement benefit deficit	(855)	(531)

16. Pension schemes (continued)

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

	31-Mar-19 £'000	31-Mar-18 £'000
Fair value of plan assets at beginning of year	833	403
Interest income on scheme assets - employer	27	17
Return on scheme assets less interest income	68	16
Administrative expenses and taxes	(1)	(1)
Employer contributions	272	210
Contributions by employees	167	130
Benefits paid/(received)	-	58
Fair value of plan assets at end of year	1,366	833

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

	31-Mar-19 £'000	31-Mar-18 £'000
Equity instruments	744	509
Target return portfolio	364	187
Infrastructure	82	36
Property	128	60
Cash and other	48	41
At 31 March	1,366	833

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:

	31-Mar-19 £'000	31-Mar-18 £'000
Benefit obligation at beginning of year	1,364	974
Current service cost - employer	480	497
Effect of changes in financial assumptions	175	(223)
Effect of changes in demographic assumptions	(36)	(102)
Interest cost - employer	38	30
Benefits paid/(received)	-	58
Contributions by scheme participants	167	130
Past service cost	33	-
Benefit obligation at end of year	2,221	1,364

16. Pension schemes (continued)

Amounts recognised in the income statement

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Amounts recognised in operating profit		
Current service cost	480	497
Past service cost	33	-
Administrative expenses and taxes	1	1
Recognised in arriving at operating profit	514	498
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	11	13
Total recognised in the profit and loss account	525	511

Amounts recognised in the statement of comprehensive income

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	68	16
Effect of changes in financial assumptions	(175)	223
Effect of changes in demographic assumptions	36	102
Total pension cost recognised in the statement of comprehensive income	(71)	341

Principal actuarial assumptions

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

	31-Mar-19 %	31-Mar-18 %
Discount rate	2.5	2.6
Future salary increases	3.7	2.7
Future pension increases (CPI)	2.2	2.1
Future pension increases (RPI)	3.2	3.1
Inflation assumption (CPI)	2.2	2.1
Inflation assumption (RPI)	3.2	3.6

16. Pension schemes (continued)

Post retirement mortality assumptions

	31-Mar-19 Years	31-Mar-18 Years
Current UK pensioners at retirement age - male	20.6	21.1
Current UK pensioners at retirement age - female	23.4	23.9
Future UK pensioners at retirement age - male	22.1	22.6
Future UK pensioners at retirement age - female	25.0	25.4

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 2019 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 2019 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 revised 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 2019		
	%	£'000	£'000
Discount rate: 2.6%	0.1	2,161	2,277
Inflation: 2.1% CPI	0.1	2,270	2,177
Rate of salary increase: 2.7%	0.1	2,283	2,163
	Year to 31 March 2018		
	%	£'000	£'000
Discount rate: 2.8%	0.1	1,318	1,411
Inflation: 2.1% CPI	0.1	1,412	1,318
Rate of salary increase: 4.2%	0.1	1,364	1,364

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 20.6 - 25.0 years, post retirement age, 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.

16. Pension schemes (continued)

Lancashire County Pension Fund

LPPI pension information

A summary of the defined benefit pension scheme on the Company balance sheet relating to LCPF, is as follows:

	31-Mar-19	31-Mar-18
	£'000	£'000
Retirement benefit assets	2,477	2,013
Retirement benefit obligations	(4,037)	(3,226)
Net retirement benefit deficit	(1,560)	(1,213)

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

	31-Mar-19	31-Mar-18
	£'000	£'000
Fair value of plan assets at beginning of year	2,013	1,724
Interest income on scheme assets - employer	57	48
Return on scheme assets less interest income	191	17
Administrative expenses and taxes	(5)	(5)
Employer contributions	129	127
Contributions by employees	92	102
Fair value of plan assets at end of year	2,477	2,013

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

	31-Mar-19	31-Mar-18
	£'000	£'000
Equity instruments	1,093	895
Government bonds	87	50
Other bonds	30	36
Property	230	189
Cash /liquidity	12	(8)
Cash and other	1,025	851
At 31 March	2,477	2,013

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.

16. Pension schemes (continued)

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

	31-Mar-19 £'000	31-Mar-18 £'000
Benefit obligation at beginning of year	3,226	2,982
Current service cost - employer	279	299
Effect of changes in financial assumptions	282	(236)
Interest cost - employer	88	79
Contributions by employees	92	102
Past service cost	70	-
Benefit obligation at end of year	4,037	3,226

Amounts recognised in the income statement

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Amounts recognised in operating profit		
Current service cost	279	299
Past service cost	70	-
Administrative expenses and taxes	5	5
Recognised in arriving at operating profit	354	304
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	88	79
Interest cost on scheme assets - employer	(57)	(48)
Recognised in interest receivable and similar income	31	31
Total recognised in the income statement	385	335

Amounts recognised in the statement of comprehensive income

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	191	17
Effect of changes in financial assumptions	(282)	236
Total pension cost recognised in the statement of comprehensive income	(91)	253

16. Pension schemes (continued)

Principal actuarial assumptions

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

	31-Mar-19	31-Mar-18
	%	%
Discount rate	2.7	2.7
Future salary increases	3.7	3.6
Future pension increases (CPI)	2.3	2.2
Future pension increases (RPI)	3.3	3.2
Inflation assumption (CPI)	2.2	2.1
Inflation assumption (RPI)	3.2	3.1

Post retirement mortality assumptions

	31-Mar-19	31-Mar-18
	Years	Years
Current UK pensioners at retirement age - male	21.9	22.0
Current UK pensioners at retirement age - female	24.2	24.4
Future UK pensioners at retirement age - male	23.3	23.5
Future UK pensioners at retirement age - female	26.1	26.3

16. Pension schemes (continued)

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 2019 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 2019 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 revised 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 2019		
	%	**£'000**	**£'000**
Discount rate: 2.5%	0.1	3,932	4,134
Inflation: 2.2% CPI	0.1	4,130	3,952
Rate of salary increase: 3.7%	0.1	4,190	3,892
	Year to 31 March 2018		
	%	**£'000**	**£'000**
Discount rate: 2.7%	0.1	3,140	3,312
Inflation: 2.1% CPI	0.1	3,313	3,139
Rate of salary increase: 3.6%	0.1	3,253	3,199

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 21.9 - 26.1 years, post retirement age, the change in present value of scheme liabilities would be an increase of 0.2%.

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.

17 Share capital

	Nominal value	2018 & 2019 Number	2019 £'000	2018 £'000
Allotted, called up and fully paid:				
Ordinary shares	£1 each	1	-	-

18 Contingent liabilities and capital commitments

There are no contingent liabilities at the year end.
There are no capital commitments at the year end.

19 Related party transactions

The key management personnel emoluments paid by the Company total £2,422,983 (2018 - £1,439,274) for the year.

The directors of LPPI 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.

20 Controlling party

The Company's immediate parent is Local Pensions Partnership Ltd, a company incorporated in the United Kingdom and registered in England and Wales. The ultimate controlling parties are London Pensions Fund Authority and Lancashire County Council. 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, 169 Union Street, London, England, SE1 0LL.