Registered number
09835244

Local Pensions Partnership Investments Ltd

Financial Statements

for the year ended 31 March 2020

Local Pensions Partnership Investments Ltd
Report and financial statements
Contents

Local Pensions Partnership Investments Ltd
Registration number: 09835244
Company Information

Directors

Sally Bridgeland
Sarah Laessig
Michael O'Higgins
Tom Richardson
Chris Rule
Richard J Tomlinson
Martin Tully
Robert Vandersluis

Secretary

Victoria Moss

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Auditors

Grant Thornton UK LLP
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Local Pensions Partnership Investments Ltd
Strategic Report

Principal activities

Local Pensions Partnership Investments Ltd (LPPI) is part of the LPP Group and manages £17.7bn of assets, made up of Assets under Management ('AUM') on behalf of three LGPS clients and the committed capital of GLIL Infrastructure LLP (GLIL). LPPI is the Alternative Investment Fund Manager (AIFM) for GLIL.

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

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.

s172(1) Statement 2019-20

LPPI is required to publish a statement explaining key decisions that have been taken during the year and how the Directors have discharged their duty to promote the success of the Company. LPPI's Board and committee papers requiring decisions include a statement on how the decision will assist the Directors in the discharge of their obligations under section 172 of the Companies Act 2006. This requirement for all papers assists both the Directors in their decision making and in embedding the consideration of section 172 in the culture of the business and its decision making at senior management level, where papers are written.

Directors are mindful of the impact on stakeholders when making decisions. LPPI considers its stakeholders to be: LPP as its shareholder; the two Group shareholders; staff; investments clients; the members and employers of those clients where relevant; suppliers of key services and goods to the LPP Group, such as software; regulatory bodies; the Government.

LPPI is committed to maintaining a reputation for high standards of business conduct and does so with its commitment to good standards of corporate governance as described in the corporate governance statement and in its application of the Wates principles.

The key Group decisions taken during 2019-20 are outlined below and are important steps in the long-term success of the Group and of LPPI. The table describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006 to promote the success of the Company when making key decisions or when applying the strategic decisions made at Group level.

Decision taken:	**Directors' considerations in decision making**
Launch of the new five year strategy	The launch of a new five year strategy has far reaching long term consequences and in making the decision the Directors of both LPPI and of the Group Board were satisfied that it was right for the long term success of LPPI and of the wider Group. The impacted stakeholders identified and how they were engaged with was as follows: Group Shareholders – Group Shareholder feedback was sought as part of the launch of the new strategy. The launch of a new strategy is a Group shareholder reserved matter under LPP's constitution. Clients – The strategy is very client focused and the metrics demonstrating delivery of the strategy have been carefully aligned to documented needs and expectations of clients. Staff - One aspect of the new strategy was that staff who had been employed at the Group level would be moving into either LPPI or Local Pensions Partnership Administration Ltd (LPPA) and that corporate services (such as Finance, HR, Company Secretarial Services, IT) would be dedicated to one of the subsidiaries. This allocation of staff into LPPI presents an opportunity for better talent management. There was a wide programme of staff engagement and staff representatives were consulted as part of the project.
Recapitalisation of the Company	LPP was formed prior to the introduction of the updated LGPS Investment Regulations and was originally debt financed. The changes in regulation permitted the shareholder LGPS funds to invest equity in a collective vehicle and therefore worked with shareholders to repay the historic loan monies and re-finance the business using shareholder equity of £25m plus new loan facilities. LPP now has a far more resilient Statement of Financial Position providing comfort for LPPI, together with LPP's other stakeholders.
Launch of the Real Estate Fund	Launching the Real Estate Fund provides clients with an opportunity to pool their real estate investments under a new Authorised Contractual Scheme. In launching the fund, the LPPI Board delegated the decision to the Funds Launch Committee which considered: Legal documentation and key terms; Product governance - is a new ACS the most appropriate structure to have in place? This resulted in the fund being launched over two phased closes, with each investment management client being deemed suitable to invest in the fund.
Investment in IT and approval of the new IT Strategy	This was a decision taken by the Chief Risk Officer, but with the budgetary support agreed by the LPP Board. Consideration was given to clients and employees in making the decision. The IT Strategy is a multi-year investment to update LPP's infrastructure, hardware and software. Clients will benefit from improved IT resilience and cyber security environment. With the transfer of dedicated IT resource into LPPI, the LPPI Directors will oversee the roll out of this welcome investment for LPPI.

More generally, LPPI seeks to build positive relationships with suppliers by ensuring it acts as a responsible client. This means effective procurement, engagement and operating without payment delays (via purchase orders etc).

Strategic Plan 2020-25

LPPI agrees and operates under a strategic roadmap which is discussed and monitored at each board meeting. This is complementary to the overall Strategic Plan which is outlined below in more detail and which is set at Group level. The LPPI Board has provided input into the Strategic Plan including identifying projects and initiatives which support achievement of the overall Group targets. A similar process is followed for budget setting whereby LPPI provides input into the wider Group budget. The information below outlines the development of a new Group Strategic Plan which encompasses the agreed strategic direction set by the LPPI Board. The strategic priorities of LPP Group and LPPI Board are aligned and in particular there is a Group strategic objective to deliver excellent investment performance which meets client expectations.

Context to the development of the Group Strategic Plan

LPP has entered the next phase of its development having completed four years of rapid growth, the latter half of which included a focus on consolidation and seeking operational resilience.

The Strategic Plan can be summarised in three key objectives:

- prioritise self-sufficiency and stability
- deliver excellent investment performance in excess of LPPI's targets and benchmarks, and
- focus on improving the member and employer pension administration service.

These three key objectives of the Strategic Plan are reflected in a broader range of strategic goals and objectives.

LPP operates with a partnership and an asset owner ethos. This means that success is measured by achieving the performance and service delivery objectives of its pension fund clients. This allows the business to focus on long-term delivery and differentiates LPP from those focused on short-term success. The business is helping each investment client to meet their liabilities and each administration client to serve their members and employers with whom LPP engages. competitive edge versus those focused on short-term success. The business is helping each investment client to meet their liabilities and each administration client to serve their members and employers with whom we engage.

LPPI's investment approach

The LPPI model is built upon three pillars:

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

Investment management within the partners' strategic asset allocation and risk parameters

LPPI work closely with their partner pension funds to provide advice as they set their strategic asset allocation and risk parameters. This is a partnership approach, with the implementation of their strategy delegated LPPI to manage.

Client funds are allocated to one of LPPI's investment pooling vehicles which are usually multi-manager vehicles, some of which include internal management while others will be fully allocated to external managers.

Enhanced focus on Responsible Investment and Stewardship

The LPPI investment team has continued to embed Environmental, Social and Governance (ESG) factors into the core of their investment philosophy and broadened and deepened our ESG analysis when underwriting new investments and managing existing ones.

LPP is a signatory to the UN's Principles of Responsible Investment. In February, a new partnership with Robeco was signed to support engagement activity across the Global Equities portfolio, exercising active stewardship.
A responsible investment report is available on the LPP website:
https://www.localpensionspartnership.org.uk/What-we-do/Investment-management/Responsible-Investment

Asset pooling complete
Over the reporting period, LPPI completed its asset pooling with the launch of a second Authorised Contractual Scheme ('ACS'), the Real Estate Fund, in December 2019. This brings to a close the number of initial fund launches.

Investment funds

LPPI operates investment pooling vehicles across eight asset classes. These are housed within two Authorised Contractual Schemes (ACS) and a number of pooling special purpose vehicles.

Further details are available via the statement of accounts for the LPPI Asset Pooling ACS and the LPPI Real Estate ACS. Details on the investment pooling vehicles are available from Companies House.

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

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

LPPI's approach to joint management for clients

LPPI also manages £2.9bn of legacy assets for its clients, under an Advisory and Management Agreement, and these are not included in the pooled funds. These are assets which remain on the Statement of Financial Position of LPPI's clients but are still managed by LPPI.

Wider service provision
In addition, through a partnership with Northern LGPS, LPPI provides services to GLIL Infrastructure which continues to seek new infrastructure investment opportunities, with its stake in Cubico Sustainable Investments being the most recent. GLIL currently has more than £1.8bn in committed capital.

New Portfolio Management System
To help achieve a fully integrated end-to-end operation, LPPI implemented its updated Portfolio Management System – Broadridge Paladyne. Public market assets went live on the system in December 2019, and private market assets were implemented in May 2020.

This means the entire portfolio is represented within the system, with better data consistency, integrity and controls. This new system brings together the Front Office, Investment Operations and Compliance Department, all in one place.

Investment strategy – next period

In summary, LPPI's key areas of focus as a business for 2020/21 are:
- Maintaining strong investment performance
- Further enhancing our operating platform including fully embedding the Broadridge portfolio management system
- Continuing to advance our focus on sustainability and responsible investment
- Adapting to new ways of working in light of the post COVID-19 world, and
- Promoting a learning culture where inclusion, diversity and equality are core.

Principal risks

LPPI operates under LPP's risk framework which aims to:

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

Risk resilience

In line with a key business objective of increasing operational resilience, the risk management function continues to develop its resilience and maturity as a second line of defence, providing stakeholders with assurance that LPPI's business is well managed. Additional resources have been recruited focusing on investment risk management. New systems have enhanced the ability to manage operational risk across the Company. Cyber and operational risks will continue to be a focus.

The Risk Team continues to provide oversight and support to the Internal Audit function of LPP, which is outsourced to Deloitte LLP. LPP will continue to focus on taking a risk-based approach to its audit plan that is supportive of the Strategic Plan of LPP.

Impact of Covid-19 and management of crisis

At the start of the Covid-19 crisis LPP's Business Continuity Plan (BCP) was invoked, including an early move to remote working. This was a relatively smooth process. As part of the move to remote working the Contact Centre initially focused on the urgent enquiries but quickly moved to full operational capability. Service levels were generally maintained. The primary risks attributed to the Covid-19 outbreak are:

- While market moves to date have not had any material impact on income to LPPI, the potential impact exists since LPPI's income is based on AUM
- Disruption to contact centre activities
- Impact on staff wellbeing – both physical and mental
- Impact on the cyber security and data protection obligations

The impact of these risks was mitigated by the establishment of a BCP Team which ensured staff received appropriate support and technology to continue working. Staff have responded excellently.

Income levels are being monitored but the recent capitalisation of the business means that LPP's financial position is healthy. A new contact centre telephony solution has been introduced to further improve services.

Brexit

LPPI continues to monitor the Brexit timetable. Operationally a low impact to the business is expected, given that LPPI operates only in the UK and provides services to UK resident organisations. LPP and LPPI have worked closely with key suppliers, some of whom are based outside the UK, to assess whether any contractual arrangements will be negatively impacted and are satisfied that no significant issues are likely. It is possible that Brexit may cause volatility in investment asset prices and that this may impact the portfolios that LPPI manages but these are well diversified in terms of different asset classes and geographical exposures. LPPI manages with a long-term investment horizon; any short-term volatility is not expected to have a significant impact on our clients and on our business model.

LPPI Board Governance Section

Composition

The LPPI Board is chaired by Sally Bridgeland and, during the reporting year, the other non-Executive Directors were Michael O'Higgins, Martin Tully and Robert Vandersluis. Executive Directors of the Board for 2019/20 were Chris Rule and Tom Richardson. The Chief Financial Officer and Director of Strategic Programmes & Group Company Secretary were invited to attend every meeting. During the year Richard J Tomlinson was promoted from Deputy Chief Investment Officer to Chief Investment Officer.

Role and responsibilities

The Board met five times in the reporting year. It is responsible for overseeing the investment management business and directing the affairs of LPPI in accordance with its Articles, applicable regulatory requirements and the Group's Shareholder Agreement. The Board sets the overall direction and culture of LPPI, overseeing LPPI's performance against its business plan. It also sets the risk appetite and framework for LPPI, ensuring a strong framework of policies and procedures are in place.

Activity during the year

During 2019/20, the Board:

- oversaw the implementation of the Senior Managers & Certification Regime (SMCR)
- supported the implementation of the portfolio management system
- approved the upscaling of the small mid-cap incubator strategy to an Internal mandate within the Global Equities fund
- approved the launch of the Real Estate fund
- approved a set of investment beliefs
- approved the revised Articles of Association
- considered the analysis of costs in preparation to move to a formalised pricing strategy
- engaged in Group-wide discussions on the restructure and associated governance
- monitored and approved LPPI's Investment Capital position (ICAAP)
- drove LPPI's responsible investment agenda

Outlook for the next year

The Board will be focusing on embedding the arrangements of the new Group structure and moving the SMCR implementation into business as usual processes and procedures. It will also develop the work on organisational culture. The Board has agreed a strategic roadmap for 2020/21 and will review LPPI's purpose and longer term strategic initiatives as part of the overall LPP Group strategy. Continuing improvements are planned for LPPI's investment risk framework.

During the reporting year 2019/20, the Board made certain delegations to the following committees:

LPPI Risk Committee

This Committee met on a quarterly basis and comprised two Non-Executive Directors and one Executive Director. It 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.

As part of the Group restructure, during 2020/21 the LPP Audit Committee and the LPPI Risk Committee will be merged to form a new LPPI Audit and Risk Committee.

LPPI Investment Committee (executive)

This Committee met on a quarterly basis with additional ad hoc meetings as required to consider investment proposals. The Investment Committee acts under delegated authority from the LPPI Board and is responsible for the monitoring of investment performance and risk analytics, investment proposals, on-going asset management and investment strategy.

LPPI Fair Value Pricing Committee (executive)

This Committee met on a quarterly basis with additional ad hoc meetings as required. The Committee's delegation from the Board is to monitor compliance with LPPI's Valuation Policy; to approve the valuation of pooled assets; and to regulate and monitor the use of independent external valuers and valuation models together with any internal valuation models in use.

LPPI Funds Launch and Product Governance Committee (executive)

The Committee meets on an ad hoc basis around fund launches and reports on at least an annual basis to the LPPI Board following the annual review product review. 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. During the year, the Committee approved pooling of the Real Estate portfolio.

This report was approved by the Board, and signed by its order on 27 July 2020

Chris Rule
Director

Local Pensions Partnership Investments Ltd
Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2020.

Directors

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

Sally Bridgeland	
Sarah Laessig	(appointed 12 June 2020)
Susan Martin	(resigned 26 April 2019)
Michael O'Higgins	
Tom Richardson	
Chris Rule	
Richard J Tomlinson	(appointed 16 July 2020)
Martin Tully	
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 the 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.

Statement of Corporate Governance Arrangements

LPP’s Directors have agreed to the adoption of the Wates Corporate Governance Principles for the Group and although not meeting the threshold requiring the provision of a statement of corporate governance arrangements, LPP’s Directors wish to report on LPP’s application of these principles and have done so through the provision of a detailed report on LPP’s website.

Results and dividends

The trading result for the Company for the year is a profit after tax of £3,565,000 (2019 - £442,000).

No dividends were paid during the year (2019 - £nil).

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, and an internal review following the UK's exit from The European Union and the Covid-19 virus outbreak in the year (discussed in more detail in Note 2 to the Accounts) the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Added to this, the Company still continues to have the support of its immediate parent LPP, who, if required, would be able to call upon loan facilities from its parent entities, in order to provide a capital injection into the Company. Therefore, the Directors feel that 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 (2019 - nil).

Research and developments

No research and development expenditure were made during the year (2019 - nil).

Financial instrument risk

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

Business Relationships

Information on business relationships is provided in the Section 172(1) statement on page 2.

Employee engagement and representation

Organisational-wide changes are communicated to employees and major strategic projects are discussed with employees through a Staff Committee. During the reporting year the Staff Committee escalated matters to the Group CEO and other Executive Directors as required. LPP also held regular strategic update sessions for all Group employees, supplemented with informal 'Open Door' sessions where employees are encouraged to put questions to the CEO and the executive.

Further information on employee engagement is provided in the Section 172(1) statement on page 2.

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 27 July 2020

Chris 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 Pension Partnership Investments Ltd (the ‘Company’) for the year ended 31 March 2020, 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 2020 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company’s future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company’s future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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.

In our evaluation of the Directors' conclusions, we considered the risks associated with the company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

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 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 from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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 so.

Auditor’s responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company’s member, 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 member 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

27 July 2020

Local Pensions Partnership Investments Ltd
Income Statement
for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Turnover	5	22,934	19,873
Administrative expenses		(18,579)	(19,317)
Operating profit	6	4,355	556
Interest receivable		36	26
Interest payable	9	(2)	(80)
Profit before taxation		4,389	502
Tax on profit	10	(824)	(60)
Profit for the financial year		3,565	442

The notes on pages 19 to 37 form part of these financial statements.

Local Pensions Partnership Investments Ltd
Statement of Comprehensive Income
for the year ended 31 March 2020

	2020 £'000	2019 £'000
Profit for the financial year	3,565	442
Other comprehensive income		
Remeasurement of defined benefit obligation	(961)	(162)
Tax on components of other comprehensive income	183	27
Total comprehensive income for the year	2,787	307

The notes on pages 19 to 37 form part of these financial statements.

Local Pensions Partnership Investments Ltd
Statement of Financial Position
as at 31 March 2020

	Notes		2020 £'000		2019 £'000
Fixed assets					
Intangible assets	11		716		-
Current assets					
Debtors	13	7,507		6,307	
Cash at bank and in hand		16,177		12,125	
		23,684		18,432	
Creditors: amounts falling due within one year	14	(4,599)		(2,988)	
Net current assets			19,085		15,444
Total assets less current liabilities			19,801		15,444
Post employment benefits	15		(3,985)		(2,415)
Net assets			15,816		13,029
Capital and reserves					
Share capital	16		-		-
Share premium	17		10,000		10,000
Retirement benefit obligations reserve			(261)		(261)
Profit and loss account			6,077		3,290
Total equity			15,816		13,029

The notes on pages 19 to 37 form part of these financial statements.

Tom Richardson

Director

This was approved by the Board, and signed by its order on 27 July 2020

Local Pensions Partnership Investments Ltd
Statement of Changes in Equity
for the year ended 31 March 2020

	Notes	Share capital £'000	Share premium £'000	Retirement benefit obligations reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2018		-	10,000	(261)	2,983	**12,722**
Total comprehensive income for the financial year		-	-	-	307	**307**
At 31 March 2019		-	10,000	(261)	3,290	**13,029**
At 1 April 2019		-	10,000	(261)	3,290	**13,029**
Total comprehensive income for the financial year		-	-	-	2,787	**2,787**
At 31 March 2020		-	10,000	(261)	6,077	**15,816**

The notes on pages 19 to 37 form part of these financial statements.

1 Company information

Local Pensions Partnership Investments Ltd (LPPI) is a private limited company 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 pages 2-8.

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 have also adopted the following disclosure exemptions, which the shareholder has 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

The Directors are mindful of the current uncertainty surrounding Britain's exit from the European Union and the unfolding events around the Covid-19 virus. They continue to monitor closely both events and the potential impact on the Company.

The Directors have a reasonable expectation, despite current uncertainties, and based on the level of funds available, that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it has adopted the going concern basis in preparing the financial statements.

Potential implications of Covid-19 on the Company

In light of recent developments around Covid-19 (Coronavirus) since April 2020, the Directors have been actively monitoring the potential impact to the Company.

The financial statements for the year ended 31 March include the impact of Covid 19 in the value of assets under management of the Company and therefore it is reflected in the revenue recognised by the Company.

The Directors are actively monitoring the consequences of this event with their advisors. Some active measures have been taken during this time including remote working and re-validation of business continuity plans implemented by the Company which has been operating successfully with little or no loss of productivity.

At this stage, the future impact of the coronavirus outbreak on the Company is hard to precisely predict, but the Directors will continue to monitor the situation.

2. Basis of preparation (continued)

Withdrawal of the United Kingdom from the European Union ('Brexit')

The Company's client base is based in the UK and as the majority of its transactions are based in Sterling, the Directors do not feel that the Company is exposed to any foreign exchange risk.

The Company could potentially be exposed to certain legal and regulatory uncertainties as a result of Brexit. Based on the current available information, the Directors do not anticipate a material impact. Following the UK's exit of the EU on the 31 January 2020, the Directors will continue to monitor and assess the developments and any potential consequences.

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 were 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 - length of licence or 3 years, whichever is earliest

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 Summary of significant accounting policies (continued)

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.

4.7 Taxation

Current tax is recognised for the amount of corporation 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 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.

The tax charge (credit) is presented either in income statement, other comprehensive income or equity depending on the transaction that resulted in the tax charge (credit).

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 Summary of significant accounting policies (continued)

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 benefits

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined benefit pension plan

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.

A defined benefit scheme defines the pension benefit that the employee will receive on retirement, usually dependant upon several factors including age, length of service and remuneration. A defined benefit scheme is a pension scheme that is not defined as a defined contribution scheme.

The liability is recognised in the statement of financial position in respect of the defined benefit scheme is the present value of the defined benefit obligation at the reporting date less the fair value of the scheme assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on AA rated corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments (‘discount rate’).

The fair value of plan assets is measured in accordance with FRS102 fair value hierarchy and in accordance with the Company’s policy for similar held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as ‘remeasurements of net defined liability’.

The cost of the defined benefit scheme, recognised in the income statement as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and

- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as an expense.

Annual bonus plan

The Company operates an annual bonus scheme for its employees. An expense is recognised in the income statement when the Company has legal or constructive obligation to make payments under the scheme as a result of past events and a reliable estimate of the obligation can be made.

5	**Analysis of turnover**	**2020 £'000**	**2019 £'000**
	Investment management fees	22,422	19,667
	Asset and liability management	512	206
		22,934	19,873

6	**Operating profit**	**2020 £'000**	**2019 £'000**
	Staff costs (Note 8)	6,736	4,891

The Company's parent entity will pay the fee for statutory audit services amounting to £26,780 (£18,000 - 2019), and £7,210 (£7,000 - 2019) for non-audit services, paid to the auditor.

7	**Directors' emoluments**	**2020 £'000**	**2019 £'000**
	Emoluments	422	403
	Social security costs	60	54
	Pension costs	24	46
	Other pension costs	18	-
		524	503

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

	2020	2019
Highest paid director:		
Emoluments	392	382
Social security costs	57	52
Pension costs	24	46
Other pension costs	18	-
	491	480

8	**Directors and employees**	**2020**	**2019**
		£'000	**£'000**
	Wages and salaries	4,957	3,549
	Social security costs	621	443
	Pension costs	1,069	899
	Other pension costs	89	-
		6,736	4,891

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. Pension costs recognised as an expense during the year amount to £1,069,000 (2019 - £899,000). IAS19 accrued pension costs for the period amount to £609,000 (2019 - £509,000), as disclosed in note 15. Scheme alternative contributions of £89,000 were also paid during the year.

The average monthly number of employees for LPPI, during the year to 31 March 2020 was 50 (2019 - 37), of which 2 (2019 - 2) were directors and 48 (2019 - 35) were staff.

9	**Interest payable**	**2020**	**2019**
		£'000	**£'000**
	Loan interest	2	80

10	**Taxation**	**2020**	**2019**
		£'000	**£'000**
	Analysis of charge in year		
	Current tax:		
	UK corporation tax on profits for the year	950	192
	Adjustments in respect of previous years	(1)	(45)
		949	147
	Deferred tax:		
	Origination and reversal of timing differences	(125)	(87)
	Tax on profit on ordinary activities	824	60

10 Taxation (continued)

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:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	4,389	502
Standard rate of corporation tax in the UK	19%	19%
	£'000	**£'000**
Profit on ordinary activities multiplied by the standard rate of corporation tax	834	95
Effects of:		
Effect of tax rate change	(9)	10
Adjustments to tax charge in respect of previous years	(1)	(45)
Tax charge for year	824	60

11 Intangible fixed assets

	Assets under construction £'000
Cost	
Additions	716
At 31 March 2020	716
Amortisation	
At 31 March 2020	-
Carrying amount	
At 31 March 2020	716

During the year, project costs for a Target Operating Model were reclassified to capital expenditure.

12 Investments

	Investments in subsidiary undertakings £'000
Cost	
At 1 April 2019 & 31 March 2020	-

Subsidiaries - direct	Type of capital held	Proportion held	Country of incorporation	Nature of business
LPPI Scotland (No.1) Ltd	Equity	100%	UK	Investments
LPPI Scotland (No.2) Ltd	Equity	100%	UK	Investments
LPPI Diversifying Strategies GP Limited	Equity	100%	UK	General Partner
Daventry GP Limited	Equity	100%	UK	General Partner

Subsidiaries - indirect

LPPI PE GP (No.1) LLP	Debt	100%	UK	General Partner
LPPI PE GP (No.2) LLP	Debt	100%	UK	General Partner
LPPI PE GP (No.3) LLP	Debt	100%	UK	General Partner
LPPI Infrastructure GP LLP	Debt	100%	UK	General Partner
LPPI Credit GP Limited	Equity	100%	UK	General Partner

The indirect subsidiaries are held jointly by LPPI Scotland (No. 1) Ltd and LPPI Scotland (No. 2) Ltd

13 Debtors

	2020 £'000	2019 £'000
Trade debtors	6,622	5,677
Deferred tax asset	728	421
Corporation tax overpaid	-	168
Prepayments and accrued income	157	41
	7,507	6,307

14 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	986	261
Amounts owed to group undertakings	1,322	1,244
Corporation tax	571	-
Other taxes and social security costs	173	149
Other creditors	64	47
Accruals and deferred income	1,483	1,287
	4,599	2,988

15 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 Statement of Financial Position 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.

15. Pension schemes (continued)

Post employment benefits summary	**Year to 31 March 2020**		
	LPFA	**LCPF**	**Total**
	£'000	**£'000**	**£'000**
Net assets	3,097	2,864	5,961
Net liabilities	(5,178)	(4,768)	(9,946)
	(2,081)	(1,904)	(3,985)
	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)
Net movement on pension deficit	1,226	344	1,570
Statement of comprehensive income	(807)	(154)	(961)
IAS19 pension costs accrued for the period	419	190	609

15. Pension schemes (continued)

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-20	31-Mar-19
	£'000	£'000
Retirement benefit assets	3,097	1,366
Retirement benefit obligations	(5,178)	(2,221)
Net retirement benefit deficit	(2,081)	(855)

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

	31-Mar-20	31-Mar-19
	£'000	£'000
Fair value of plan assets at beginning of year	1,366	833
Interest income on scheme assets - employer	43	27
Return on scheme assets less interest income	(49)	68
Other actuarial gains/(losses)	991	-
Administrative expenses and taxes	(2)	(1)
Employer contributions	341	272
Contributions by employees	243	167
Benefits paid/(received)	164	-
Fair value of plan assets at end of year	3,097	1,366

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

	31-Mar-20	31-Mar-19
	£'000	£'000
Equity instruments	1,672	744
Target return portfolio	798	364
Infrastructure	226	82
Property	307	128
Cash and other	94	48
At 31 March	3,097	1,366

15. Pension schemes (continued)

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

	31-Mar-20	31-Mar-19
	£'000	£'000
Benefit obligation at beginning of year	2,221	1,364
Current service cost - employer	775	480
Effect of changes in financial assumptions	(171)	175
Effect of changes in demographic assumptions	91	(36)
Effect of experience adjustments	1,829	-
Interest cost - employer	59	38
Benefits paid/(received)	164	-
Contributions by scheme participants	243	167
Past service cost	(33)	33
Benefit obligation at end of year	5,178	2,221

Amounts recognised in the income statement

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Amounts recognised in operating profit		
Current service cost	775	480
Past service cost	(33)	33
Administrative expenses and taxes	2	1
Recognised in arriving at operating profit	744	514
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	59	38
Interest cost on scheme assets - employer	(43)	(27)
Total recognised in the income statement	760	525

15. Pension schemes (continued)

Amounts recognised in the statement of comprehensive income

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	(49)	68
Other actuarial gains/(losses)	991	-
Effect of changes in financial assumptions	171	(175)
Effect of changes in demographic assumptions	(91)	36
Effect of experience adjustments	(1,829)	-
Total pension cost recognised in the statement of comprehensive income	(807)	(71)

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	31-Mar-20 %	31-Mar-19 %
Discount rate	2.4	2.5
Future salary increases	3.0	3.7
Future pension increases (CPI)	2.0	2.2
Future pension increases (RPI)	2.6	3.2
Inflation assumption (CPI)	2.0	2.2
Inflation assumption (RPI)	2.6	3.2

15. Pension schemes (continued)

Post retirement mortality assumptions

	31-Mar-20	31-Mar-19
	Years	Years
Current UK pensioners at retirement age - male	23.0	20.6
Current UK pensioners at retirement age - female	24.7	23.4
Future UK pensioners at retirement age - male	24.3	22.1
Future UK pensioners at retirement age - female	26.2	25.0

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 was, 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 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	Impact of assumption change of +0.1% in present value of scheme liabilities	Impact of assumption change of (0.1%) in present value of scheme liabilities
	Year to 31 March 2020		
	%	£'000	£'000
Discount rate: 2.4%	0.1	5,019	5,343
Inflation: 2%	0.1	5,343	5,018
Rate of salary increase: 3%	0.1	5,179	5,178
	Year to 31 March 2019		
	%	£'000	£'000
Discount rate: 2.8%	0.1	2,161	2,277
Inflation: 2.1% CPI	0.1	2,270	2,177
Rate of salary increase: 4.2%	0.1	2,283	2,163

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 23 - 26.2 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.

15. Pension schemes (continued)

Lancashire County Pension Fund

LPPI pension information

A summary of the defined benefit pension scheme on the Company statement of financial position relating to LCPF, is as follows:

	31-Mar-20	31-Mar-19
	£'000	£'000
Retirement benefit assets	2,864	2,477
Retirement benefit obligations	(4,768)	(4,037)
Net retirement benefit deficit	(1,904)	(1,560)

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

	31-Mar-20	31-Mar-19
	£'000	£'000
Fair value of plan assets at beginning of year	2,477	2,013
Interest income on scheme assets - employer	64	57
Return on scheme assets less interest income	133	191
Administrative expenses and taxes	(6)	(5)
Employer contributions	115	129
Contributions by employees	81	92
Fair value of plan assets at end of year	2,864	2,477

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

	31-Mar-20	31-Mar-19
	£'000	£'000
Equity instruments	1,518	1,093
Government bonds	-	87
Other bonds	72	30
Property	243	230
Cash and other	1,031	1,037
At 31 March	2,864	2,477

15. Pension schemes (continued)

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

	31-Mar-20	31-Mar-19
	£'000	£'000
Benefit obligation at beginning of year	4,037	3,226
Current service cost - employer	261	279
Effect of changes in financial assumptions	44	282
Effect of experience adjustments	243	-
Interest cost - employer	102	88
Contributions by employees	81	92
Past service cost	-	70
Benefit obligation at end of year	4,768	4,037

Amounts recognised in the income statement

	Year to 31 March 2020	Year to 31 March 2019
	£'000	£'000
Amounts recognised in operating profit		
Current service cost	261	279
Past service cost	-	70
Administrative expenses and taxes	6	5
Recognised in arriving at operating profit	267	354
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	102	88
Interest cost on scheme assets - employer	(64)	(57)
Total recognised in the income statement	305	385

15. Pension schemes (continued)

Amounts recognised in the statement of comprehensive income

	Year to 31 March 2020 £'000	Year to 31 March 2019 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	133	191
Effect of changes in financial assumptions	(44)	(282)
Effect of experience adjustments	(243)	-
Total pension cost recognised in the statement of comprehensive income	(154)	(91)

Principal actuarial assumptions

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

	31-Mar-20 %	31-Mar-19 %
Discount rate	2.3	2.7
Future salary increases	3.6	3.7
Future pension increases (CPI)	2.2	2.3
Future pension increases (RPI)	2.8	3.3
Inflation assumption (CPI)	2.2	2.2
Inflation assumption (RPI)	2.8	3.2

Post retirement mortality assumptions

	31-Mar-20 Years	31-Mar-19 Years
Current UK pensioners at retirement age - male	21.9	21.9
Current UK pensioners at retirement age - female	24.5	24.2
Future UK pensioners at retirement age - male	22.7	23.3
Future UK pensioners at retirement age - female	25.8	26.1

15. 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 was, 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 2020 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**	**Impact of assumption change of +0.1% in present value of scheme liabilities**	**Impact of assumption change of (0.1%) in present value of scheme liabilities**
	Year to 31 March 2020		
	%	**£'000**	**£'000**
Discount rate: 2.3%	0.1	4,652	4,887
Inflation: 2.2% CPI	0.1	4,887	4,652
Rate of salary increase: 3.6%	0.1	4,800	4,737
	Year to 31 March 2019		
	%	**£'000**	**£'000**
Discount rate: 2.7%	0.1	3,932	4,134
Inflation: 2.1% CPI	0.1	4,130	3,952
Rate of salary increase: 3.6%	0.1	4,190	3,892

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 - 25.8 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.

16	**Share capital**	**Nominal value**	**Number**	**2020 £'000**	**2019 £'000**
	Allotted, called up and fully paid:				
	Ordinary shares	£1 each	1	-	-

17	**Share premium**	**2020 £'000**	**2019 £'000**
	At 31 March 2020	10,000	10,000

18 Related party transactions

The key management personnel emoluments paid by the Company total £1,932,360 for the year.

The Directors of LPPI had no transactions with the Company, its parent entity, 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.

Included within trade creditors is a balance owing to the parent entity of £758,664.

19 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 wholly 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.