Company number 09835244

LOCAL PENSIONS PARTNERSHIP INVESTMENTS LTD

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2021

Contents

Local Pensions Partnership Investments Ltd

Registration number: 09835244

Company Information

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Sarah Laessig
Tom Richardson
Chris Rule
Adrian Taylor
Richard J Tomlinson
Martin Tully
Robert Vandersluis

Company Secretary

Victoria Moss

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Strategic Report

Principal Activities

Local Pensions Partnership Investments Ltd (LPPI) is part of the Local Pensions Partnership (LPP) Group and manages £20.4bn of assets, made up of Assets under Management (AUM) on behalf of three LGPS clients[1] and the committed capital of GLIL Infrastructure LLP (GLIL) (LPPI is the Alternative Investment Fund Manager (AIFM) for GLIL). Of the £20.4bn, £2.2bn is legacy assets for its clients, which remain directly on the balance sheet of clients (as opposed to being held within LPPI managed investment pooling vehicles) but are still managed by LPPI.

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

LPPI's Delegated Model

LPPI provides tailored advice to clients to support them in setting strategic asset allocation and other strategic investment policy decisions. LPPI's clients retain full responsibility for their investment strategy but delegate fully the implementation of investment management activities to LPPI. This delegation includes all sub-strategy, manager selection and stock selection decisions.

This delegation model helps LPPI achieve economies of scale from which clients can benefit, both by consolidating third party fund managers and the use of internal investment management. LPPI's scale provides clients access to a broad range of diversified investment opportunities implemented in a cost-effective and liability-aware manner.

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.
- Inhouse investment and risk management – deep and broad inhouse 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 Funds

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

Further details are available in the statements of accounts for the LPPI Asset Pooling Authorised Contractual Scheme (ACS) and the LPPI Real Estate ACS available from the LPP website. Details on the investment special pooling vehicles are available from Companies House.

Further information and product factsheets can be found on the LPP website, investment management section.

Wider Service Provision

In addition, through a partnership with Northern LGPS, LPPI provides services to GLIL, an innovative collaboration between aligned and like-minded investors who are seeking investment into core infrastructure opportunities predominantly in the United Kingdom.

[1] LPPI's clients are London Pensions Fund Authority ("LPFA"), Lancashire County Pension Fund ("LCPF") and The Royal County of Berkshire Pension Fund ("RCBPF").

ESG, Responsible Investment and Stewardship

LPPI is a signatory to the UN-supported Principles for Responsible Investment.

The LPPI investment team has continued to embed the consideration of Environmental, Social and Governance (ESG) factors within its investment philosophy and implementation. ESG features in the due diligence and analysis undertaken when LPPI is selecting and underwriting new investments, appointing new delegate managers and monitoring and managing the existing portfolio. The global experience of Covid-19 has brought a sharper focus to how investee companies influence society through the quality of their ESG management.

In 2021 LPPI will publish its second Annual Report on Stewardship and Responsible Investment. This report will meet the requirements for disclosure under the UK Stewardship Code (2020) and annual TCFD (Task Force on Climate Related Financial Disclosures) reporting. The report will cover LPPI's culture, investment beliefs and approach to responsible investment, along with examples of stewardship including shareholder voting and investor engagement.

LPP Group has signed up to the Planet Mark initiative. During 2020/21 LPP Group has collected data from across the Group to produce a business operations carbon emissions report. A plan will be put in place based on this data to report on and reduce annually, where possible, LPP Group's carbon footprint.

The London Fund

The London Fund was established towards the end of 2020 as a collaboration between LPPI (investment manager) and London CIV (AIFM) with the ambition to provide sustainable, long-term, risk-adjusted value to pension scheme investors, while creating a 'double bottom line' by making a positive contribution to social and environmental issues in London. The Fund has a focus on investment opportunities in residential property and affordable housing, community regeneration, digital infrastructure and clean energy.

Covid-19

As Covid-19 struck, LPPI's workforce was moved swiftly to homeworking with our people and operations supported to ensure operation as close as possible to business as usual. This was achieved by a significant investment in IT to support homeworking.

LPPI's approach incorporated a heavy emphasis on employee wellbeing with regular communications, surveys and virtual team 'get togethers'. This was supported by dedicated health and safety and remote-working initiatives. Throughout the year LPPI operated under various degrees of Business Continuity protocols, with its own dedicated business continuity team.

At the time of writing LPPI continues to operate remotely but the office is being made available in line with Government guidelines, including social distancing measures where required. The office accommodation move during 2020 supports the move towards a preferred hybrid model of working going forwards.

Thanks to the efforts of our staff and the support of our clients, services provided by LPPI to clients have largely been maintained as 'business as usual'.

Strategic Plan 2020-25

LPPI operates under a strategic roadmap which is integrated with the LPP Group five-year business plan which was initiated in April 2020. The most important of these objectives is to deliver excellent investment performance which meets client expectations. This is aligned with LPPI's purpose statement:

We deliver first class, value for money, investment outcomes aligned to our clients' interests.

We bring our expertise and spirit of collaboration together to help our clients invest sustainably in better futures.

Key Strategic Deliverables Achieved 2020/21

Robust financial performance: Investment cost savings against the pre-pooling position for Lancashire County Pension Fund (LCPF) and London Pension Fund Authority (LPFA) have been published. In aggregate LPPI had achieved £47m of cumulative savings to end March 2020 compared with the pre-pooling position.

Responsible investment: Responsible investment is integrated with the investment process with detailed and practical reporting delivered to clients quarterly.

Corporate restructure of the business: With the restructure of the LPP Group, corporate services staff, previously employed by LPP, were transferred to LPPI and employed directly by LPPI for increased cost transparency and focussed specialisation.

London office move: LPPI relocated its office to premises which afford the possibility of more flexible and hybrid working.

Looking ahead – 2021/22 strategic priorities

2021/22 will see LPPI move into the second year of the five-year Group strategy. The Board has considered the objectives for the coming year to focus on sustaining strong performance in parallel to preparing for a period of potential industry change, with updated Government pooling guidance anticipated during 2021. LPPI's strategic objectives can be summarised as:

- Outperformance of policy portfolio benchmark
- Continuing to develop internal management capacity
- Maintain and enhance operational resilience
- Further Responsible Investment (RI) integration and innovation

s172(1) Statement 2020/21

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 include a statement on how proposed decisions will assist the Directors in the discharge of their obligations under Section 172 of the Companies Act 2006. This requirement for all papers assists the Directors in their decision making and embeds 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; investment clients; the members and employers of those clients where relevant; suppliers of key services and goods to the LPP Group, such as software; and the Government.

LPPI is committed to maintaining a reputation for high standards of business conduct and its commitment to good standards of corporate governance is described in the corporate governance statement (pages 10-12) which reflects its application of the Wates Principles.

The key decisions taken by LPPI's Directors during 2020/21 are outlined below and are important steps in the long-term success of LPPI. The table describes how the Directors have had regard to the matters set out in Section 172(1) (a) to (e)[2] when performing their duty under Section 172 of the Companies Act 2006 when making key decisions or when applying the strategic decisions made at Group level.

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

[2] *(f) The need to act fairly as between members of the Company* is not addressed as LPPI has only one shareholder: LPP.

Decision taken: LPP Board Decision to restructure the Group. LPPI had already been directly employing investment management teams but during the restructure corporate services teams were transferred from LPP to LPPI.
Section 172(1) paragraph(s) relevant to this decision: (a) the likely consequences of any decision in the long term; (b) the interests of the Company's employees; (c) the need to foster the Company's business relationships with suppliers, customers and others; and (e) the desirability of the Company maintaining a reputation for high standards of business conduct.
Directors' regard to wider stakeholder needs: • 48 LPP members of staff were TUPE transferred to LPPI in the first half of the reporting period year, the majority on 1 June 2020 following a two-month consultation period. A significant internal communications programme supported the change. • Group Shareholders were consulted on the proposals. • The new structure has enabled LPPI's corporate services teams to wholly focus on the investment business, providing a consistent service of enhanced quality to support delivery of the strategy.
Decision taken: Office Accommodation Move. LPPI's registered office address moved to 1 Finsbury Avenue on 9 October 2020.
Section 172(1) paragraph(s) relevant to this decision: (a) the likely consequences of any decision in the long term; and (b) the interests of the Company's employees.
Directors' regard to wider stakeholder needs: • Employee wellbeing factored highly in the considerations for the office move. • The new London office provides enhanced collaboration space and is suitable for social distancing requirements mandated by the Covid-19 pandemic. • The flexible space is well suited to the future model of hybrid working and is cost effective.
Decision taken: Decisions made to enable remote working, and support staff, during the Covid-19 Pandemic
Section 172(1) paragraph(s) relevant to this decision: (a) the likely consequences of any decision in the long term; (b) the interests of the Company's employees; (c) the need to foster the Company's business relationships with suppliers, customers and others; and (e) the desirability of the Company maintaining a reputation for high standards of business conduct.

Directors' regard to wider stakeholder needs:

- The Covid-19 necessitated move to an extended period of home working in March 2020 provided an opportunity to bring forward the scheduled investment of the three-year IT strategy, already endorsed by the LPP Board with allocated budget.
- A significant investment was made in laptops and home office equipment to ensure staff were able to work from home effectively and comfortably.
- Support was provided to all staff and guidance to managers, followed up with regular staff surveys to monitor wellbeing.
- In responding to the pandemic, these measures put in place were perceived positively by staff. Clients were satisfied that high service levels were maintained with a highly effective workforce situated remotely.

Decision taken: Approval of the Responsible Investment Roadmap 2020/21

Section 172(1) paragraph(s) relevant to this decision:

(a) the likely consequences of any decision in the long term;

(d) the impact of the Company's operations on the community and the environment; and

(e) the desirability of the Company maintaining a reputation for high standards of business conduct.

Directors' regard to wider stakeholder needs:

- The roadmap operationalises an objective from the LPPI Strategic Plan 2020/25 to place increased focus on ensuring that LPPI can demonstrate how responsible investment is implemented in practice on behalf of client pension funds.
- In considering the roadmap Directors were mindful of the Group shareholders', and LPPI's clients' focus on climate change and sustainability as responsible investment priorities.
- The road map recognised the importance of LPPI exemplifying responsible investment good practice standards on behalf of all clients.
- A focus on systematic ESG integration was a core objective to better demonstrate to clients how responsible investment influences investment decision making and stewardship practice.

Decision taken: Approval of the People and Culture Strategy

Section 172(1) paragraph(s) relevant to this decision:

(a) the likely consequences of any decision in the long term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers, and others;

(d) the impact of the Company's operations on the community and the environment; and

(e) the desirability of the Company maintaining a reputation for high standards of business conduct.

Directors' regard to wider stakeholder needs:

- The development of a people and culture strategy is central to the delivery of the strategic priorities to 2025 in terms of how LPPI recruits, engages and retains talent.
- The people and culture strategy sets out the path to creating a high performing and inclusive organisational culture, with emphasis on learning and development and talent management.
- The people and culture strategy includes a clear focus on enhancing diversity and inclusion across LPPI. For example, it involves participation in #100blackinterns and support of employee network groups, together with learning opportunities around topics such as LGBT+.
- In addition to their annual leave entitlement, all employees have two discretionary leave days available to celebrate events of personal importance, with encouragement to use one of these days for charitable volunteering either locally or nationally, providing a positive social impact.

Principal Risks

LPPI operates under a 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 programme of firm-wide risk analysis, stress testing, scenario development, thematic review and reverse stress testing; and
- Integrate risk management into the culture of the firm.

The Board and its Audit and Risk Committee has in the reporting year developed LPPI's risk appetite statement. Updates on the identification of principal risks and their management and mitigation are provided to each meeting of the Audit and Risk Committee and the Board.

Two of the key emerging risks managed in the year were:

Covid-19 – this was a key risk in the reporting year but LPPI was able to operate largely uninterrupted and continues to do so. Further detail on the approach to managing the impact of Covid-19 can be found elsewhere in this report.

Brexit – LPPI monitored the Brexit timetable and worked closely with key suppliers, some of which are based outside the UK, to assess whether any contractual arrangements would be negatively impacted. LPPI experienced no material impacts of Brexit. Peripheral impacts include changes to mobility of labour and ambiguity with respect to how UK authorities would progress previously in train European regulatory change.

Risk Resilience

In line with a key business objective of increasing operational resilience, the risk management function continues to develop its maturity as a second line of defence, providing stakeholders with assurance that LPPI's business is well managed.

The risk management function provides oversight and support to the internal audit function which is outsourced to Deloitte LLP. There is a continued focus on taking a risk-based approach to the audit plan.

Corporate Governance Statement

LPPI Board

Board Composition

The LPPI Board is chaired by Sally Bridgeland and, during the reporting year, the other Non-Executive Directors were: Sarah Laessig (appointed 12 June 2020); Michael O'Higgins (stood down 18 September 2020); Martin Tully; and Robert Vandersluis. Executive Directors of the Board for 2020/21 were: Tom Richardson; Chris Rule; Adrian Taylor (appointed 4 August 2020); and Richard J Tomlinson (appointed 16 July 2020).

At 31 March 2021 25 per cent of Board Directors were women.

Conflicts of Interest and Independence

The process by which Directors' conflicts might be authorised is set out in detail in LPPI's Articles of Association. A Conflicts of Interest Policy is also in place, ensuring a proper process for the identification, consideration of, authorisation and appropriate recording of any conflicts of interest. This policy is reviewed regularly, and any amendments approved by the Board. Directors declare any conflicts at the start of each Board or Committee meeting to be recorded in the minutes of the meeting and the conflicts of interest register.

Activity During the Year

The Board met five times during the year and held one informal session. All meetings were well attended. The Board is responsible for overseeing the investment manager business and directing the affairs of LPPI in accordance with its Articles, applicable regulatory requirements and the LPP Group's Shareholders 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 is in place.

During the reporting year the Board's activity included:

- Embedding the arrangements of the new Group structure and then reviewing LPPI governance arrangements;
- Overseeing the move of the Senior Manager and Certification Regime implementation into business as usual processes and procedures;
- Developing LPPI's KPIs and purpose statement;
- Oversight of the arrangements related to Covid-19, specifically remote working and staff wellbeing;
- Development of the work on organisational culture, including the people and culture strategy;
- Engagement with the Responsible Investment roadmap;
- London accommodation move; and
- Board succession planning.

Outlook for 2021/22

The Board will be focusing on embedding the post Covid-19 hybrid working model and overseeing the delivery of the strategic priorities as detailed on page 6.

The Board will also assess its own effectiveness with an internally facilitated Board effectiveness review in quarter one and an externally facilitated review in quarter four.

Committees

During the reporting year the Board made certain delegations to the following committees:

Risk Committee

This Committee met twice in the reporting year, prior to the formation of the Audit and Risk Committee. Its membership was two Non-Executive Directors and one Executive Director. It was responsible for monitoring the implementation of the Risk Management Framework, ensuring that effective procedures were in place to manage LPPI's operational and investment fund risk, including but not exclusively those arising from the requirements of Alternative Investment Fund Manager Directive and EU regulations.

Audit and Risk Committee

The Audit and Risk Committee was established as part of the Group restructure and first met in September 2020. It met a total of three times during the reporting year and was well attended by its three Non-Executive Director Members and one Independent Member. The Committee assists the Board with its oversight responsibilities related to present and emerging risk issues associated with the Company's activities; and for the financial reporting process, the system of internal control, the audit process and the Company's process for monitoring compliance with laws, regulations and its code of conduct.

LPP Group Remuneration and Nomination Committee

This Group Committee reports to the different Boards in the LPP Group and is tasked with ensuring formal, transparent and rigorous policies and procedures are in place for Executive Director remuneration and Non-Executive Director appointments. The non-executive membership is from across the Group and includes the LPPI Chair.

Executive Committee/Management Committee

During the reporting year there was a transition from an Executive Committee to a Management Committee with a slightly broader membership. The Committees had broadly similar roles, to assist the Chief Executive Officer with overseeing the activities of the Company and determining key strategic and/or operational decisions under delegation from the Board. Also, to provide executive leadership of the business, taking responsibility for monitoring progress against the strategic objectives and providing an escalation point for important decisions. The Management Committee now meets monthly, or more frequently as required.

Investment Committee

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, ongoing asset management and investment strategy.

Fair Value Pricing Committee

This Committee met on a quarterly basis with additional informal members' meetings held as required. Positive steps were implemented to improve Committee procedures with the creation a pre-meeting to enhance discussions. The Committee's delegation from the Board is to monitor compliance with LPPI's Valuation Policy; to approve the valuation of pooled assets; to appoint and monitor the use of independent external valuers; and approve and monitor the use of valuation models developed internally or by third party valuation providers.

Funds Launch and Product Governance Committee

The Committee met on an ad hoc basis around fund launches and reports on at least an annual basis to the LPPI Board following the annual product governance review. Its main duty is to approve the launch or the 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.

This report was approved by the Board on 22 July 2021 and signed by its order on 27 July 2021.

Chris Rule
Director

Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2021.

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)
Michael O'Higgins	(resigned 18 September 2020)
Tom Richardson	
Chris Rule	
Adrian Taylor	(appointed 4 August 2020)
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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 though the provision of a detailed report on LPP's website.

Capital

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

Results and Dividends

The trading result for the Company for the year is a loss after tax of £1,877,000 (2020: profit £3,565,000). This trading result takes into account the non-cash accounting adjustments for the defined benefit pension scheme described in Notes 4 (n) and 16. Without these the Company would have made a profit after tax of £901,000 (2020: £4,059,000).

No dividends were paid during the year (2020: £Nil).

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 pandemic the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Added to this, the Company 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 on page 6.

Political or Charitable Donations

No political or charitable donations were made during the year (2020: £Nil).

Research and Development

No research and development expenditure was made during the year (2020: £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 pages 7-8.

Employee Engagement and Representation

Organisational-wide changes are communicated, and major strategic projects discussed with employees through all staff email communications, intranet announcements and 'town hall' events (successfully held remotely in the reporting year). Strategic update sessions are supplemented with informal 'open door' sessions where employees are encouraged to put questions to the CEO and the executive. Also introduced in the reporting year were 'big conversations' which were small group sessions open to all staff to discuss specific issues, such as diversity and inclusion, in a safe space with the conversations facilitated by senior managers (but not the Executive Directors).

Regular surveys are used to gauge employee engagement and wellbeing, also to seek opinions on relevant topics such as flexible working post the pandemic, in order to factor employee views into the planning.

Further information on employee engagement is provided in the Section 172(1) statement on pages 7-8.

Reward and Recognition

All employees across LPPI now have the opportunity to earn variable pay as part of their remuneration package, via the introduction of the "All Company Scheme" during the 2020/21 performance year. This is an important step to creating a competitive package that sits well against the investment management peer group. Variable pay is linked to performance ratings and considers delivery of objectives alongside conduct and behaviours in line with the LPPI valued behaviours. LPPI is committed to rewarding high performance and good conduct whilst addressing instances of poor conduct in a timely manner.

Disabled Employees

LPPI is committed to ensuring equality of opportunity and access in both 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. 7 per cent of LPPI's employees have reported some form of disability.

LPPI 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 has been of particular importance during the Covid-19 pandemic. 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 on 22 July 2021 and signed by its order on 27 July 2021

Chris Rule
Director

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Local Pensions Partnership Investments Ltd (the 'Company') for the year ended 31 March 2021, 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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.

Report on the audit of the financial statements

Other information

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
- 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

Report on the audit of the financial statements

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We determined that the following laws and regulations were most significant; FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and FCA regulations. The Company is regulated by the FCA as an Alternative Investment Fund Manager. We obtained an understanding of how the Company is complying with these legal frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated the results of our enquiries through our review of the minutes of the Company's meetings and correspondence with the FCA. We did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the Company's operations, including the nature of its operations, and of its objective to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
    - the Company's control environment to mitigate risks of fraud or non-compliance with the relevant laws and regulations.
- In assessing the appropriateness of the collective competence and capabilities of the engagement team, the engagement partner considered the engagement team's:
    - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
    - knowledge of the industry in which the client operates.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included review of manual journal entries. We also reviewed the financial statements disclosures and the corresponding supporting documentation.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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
Statutory Auditor, Chartered Accountants
London.
27 July 2021

Income Statement

For the year ended 31 March 2021

	Notes	2021	2020
		£'000	£'000
Turnover	6	23,645	22,934
Administrative expenses		(26,661)	(18,579)
Other operating income		710	-
Operating (loss) / profit	7	(2,306)	4,355
Interest receivable	9	7	36
Interest payable	9	-	(2)
(Loss) / Profit before taxation		**(2,299)**	**4,389**
Taxation	10	422	(824)
(Loss) / Profit for the financial year		**(1,877)**	**3,565**

Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021	2020
		£'000	£'000
(Loss) / Profit for the financial year		**(1,877)**	**3,565**
Other comprehensive income			
Remeasurement of defined benefit obligation	16	(3,135)	(961)
Total tax on components of other comprehensive income	10	610	183
Other comprehensive income for the year, net of tax		(2,525)	(778)
Total comprehensive income for the year		**(4,402)**	**2,787**

Statement of Financial Position

As at 31 March 2021

	Notes	2021	2020
		£'000	£'000
Fixed assets			
Intangible assets	11	756	716
Tangible assets	12	152	-
Investments	13	0	0
		908	716
Current assets			
Debtors	14	6,334	7,507
Cash at bank and in hand		19,704	16,177
		26,038	23,684
Creditors: amounts falling due within one year	15	(4,983)	(4,599)
Net current assets		21,055	19,085
Total assets less current liabilities		21,963	19,801
Post-employment benefits	16	(10,549)	(3,985)
Net assets		**11,414**	**15,816**
Capital and reserves			
Share capital	17	0	0
Share premium		10,000	10,000
Retirement benefit obligations reserve		(2,518)	(261)
Profit and loss account		3,932	6,077
Total equity		**11,414**	**15,816**

The notes on pages 22 to 34 form an integral part of these financial statements.

The financial statements were approved by the Board on 22 July 2021 and signed by its order on 27 July 2021

Adrian Taylor
Director

Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital	Share Premium	Retirement benefit obligations reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2019	**0**	**10,000**	**(261)**	**3,290**	**13,029**
Profit for the year	-	-	-	3,565	3,565
Other comprehensive income for the year	-	-	-	(778)	(778)
Total comprehensive income for the year	-	-	-	2,787	2,787
Balance as at 31 March 2020	**0**	**10,000**	**(261)**	**6,077**	**15,816**
Balance as at 1 April 2020	**0**	**10,000**	**(261)**	**6,077**	**15,816**
Loss for the year	-	-	-	(1,877)	**(1,877)**
Other comprehensive income for the year	-	-	-	(2,525)	**(2,525)**
Total comprehensive income for the year	-	-	-	(4,402)	**(4,402)**
Transfer of net liabilities relating to new pension scheme members, net of tax	-	-	(2,257)	2,257	**-**
Balance as at 31 March 2021	**0**	**10,000**	**(2,518)**	**3,932**	**11,414**

Notes to the Financial Statements Year Ended 31 March 2021

1. Introduction

The Company is part of the Local Pensions Partnership Group of Companies and was formed on 19 October 2015. The Company is a wholly owned subsidiary of Local Pensions Partnership Ltd, whose other subsidiary is Local Pensions Partnership Administration Ltd. The principal activity of the Company is the provision of management of assets on behalf of its three LGPS clients and GLIL Infrastructure LLP, providing economies of scale and consolidation of third-party fund managers.

The Company is a regulated entity incorporated (as a limited liability company under the laws of England and Wales) in the UK. The Registered Office is located at 1 Finsbury Avenue, London, EC2M 2PF. The Company is authorised and regulated by the Financial Conduct Authority FRN No.724653.

The financial statements are presented in sterling (£) which is the functional and presentational currency of the Company and rounded to the nearest £000 except where otherwise stated.

The Company is a wholly owned subsidiary of Local Pensions Partnership Ltd.
The Company's parent undertaking, Local Pensions Partnership Ltd includes the Company and the Company's subsidiaries in its Consolidated financial statements which are prepared in accordance with UK-adopted International Accounting Standards and are available to the public and may be obtained from 1 Finsbury Avenue, London, EC2M 2PF. In these financial statements, the Company is a qualifying entity and has applied the exemptions available under Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") in respect of the following disclosures:

- Cash flow statement and related notes
- Related party disclosures
- Key management compensation

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

2. Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

The Company's financial statements have been prepared under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements of the Company 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.

- Related party transactions (s33 FRS 102).

3. Going concern

The financial position of the Company is presented in the primary financial statements and disclosure notes on pages 18 to 34. The Company manages and monitors its capital and liquidity, and various assessments and stresses are applied to those positions to understand potential impacts of market downturns. Based upon the available information, the Directors consider that the Company remains financially strong.

The Directors have taken into consideration the guidance provided by the Financial Reporting Council ("FRC") on 'Going Concern and Liquidity Risk' published in April 2016. The Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements. Therefore, they have considered it appropriate to continue to adopt the going concern basis of accounting when preparing the financial statements.

Withdrawal of the United Kingdom from the European Union ('Brexit'):
The Company's clients are based in the UK and as most of its transactions are in Sterling, the Directors do not feel that the Company is exposed to any foreign exchange risk.

Notes to the Financial Statements Year Ended 31 March 2021

Basis of presentation and significant accounting policies

4. Summary of significant accounting policies

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

(a) Basis of Preparation

The preparation of financial statements under FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out in Note 5.

(b) Investment in subsidiaries and associates

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. Investment in subsidiaries and associates are held at cost less accumulated impairment losses.

c) Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged 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

(d) Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Costs includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount over their residual values over their estimated useful lives, as follows:

- Fixtures and Fittings 3 to 5 years
- Office equipment 3 to 5 years
- IT equipment 3 to 5 years

(e) Debtors

These amounts generally arise from the normal operating activities of the Company. Debtors that are receivables within one year are recorded at the undiscounted amount expected to be received. 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.

(f) 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.

(g) 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.

Notes to the Financial Statements Year Ended 31 March 2021

Basis of presentation and significant accounting policies

4. Summary of significant accounting policies (continued)

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

(i) 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, considering 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.

(j) Taxation

Current tax is recognised for 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 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). The current and deferred taxation assets and liabilities are not discounted.

(k) 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.

(l) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Inter and intra company debtors and creditors

These amounts generally arise from normal operating activities within the LPP Group. Due to the short-term nature of these receivables and payables, usually less than one year, the carrying amount is the same as the fair value.

The preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about carrying amounts of assets and liabilities that are not objectively verifiable.

Actual results may differ from the estimates made. Estimates and underlying assumptions are reviewed on an ongoing basis and where necessary are revised to reflect current conditions. The accounting estimates discussed in this section are those considered to be particularly critical to an understanding of the financial statements of the Company because their application places the most significant demands on our ability to judge the effect of inherently uncertain matters on the financial results.

Notes to the Financial Statements Year Ended 31 March 2021

Basis of presentation and significant accounting policies

4. Summary of significant accounting policies (continued)

(n) 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 pension 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 dependent upon several factors including age, length of service and remuneration.

The liability is recognised in the statement of financial position in respect of the defined benefit scheme as 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 together with the return on scheme assets, less amounts included in net interest, are disclosed as 'Remeasurements of net defined benefit obligations.

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.

(o) 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. Significant judgements and estimates

(a) Sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts to the assets and liabilities within the next financial year are addressed below

(i) Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors including interpretations of tax regulations.

Estimation is required by management to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with an assessment of the effect of future tax planning strategies.

Notes to the Financial Statements Year Ended 31 March 2021

Basis of presentation and significant accounting policies

5. Significant judgements and estimates (continued)

(ii) 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.
As part of the five-year strategic roadmap initiated in April 2020, corporate services staff employed by LPP under the LPFA pension scheme were transferred under TUPE arrangement to LPPI. Despite being a transfer between parent and subsidiary, this was initiated and executed on a commercial basis, in line with the LPP Strategic Plan 20-25. The defined benefit liabilities shown in the financial statements are reported as a consequence of this restructure, in compliance with the LPFA Pensions Admissions Agreement and the pensions regulations. Management have used the FRS102 guidance to treat the liability, in respect of TUPE transfer employees to LPPI, as introductions of the defined benefit scheme. The Company Income Statement has been charged with the additional non-cash expense.
See Note 16 for additional information

6. Analysis of turnover

	2021 £'000	2020 £'000
Investment management fees	23,121	22,422
Asset and liability management fees	524	512
Total	**23,645**	**22,934**
Geographical analysis		
UK	23,645	22,934
Total	**23,645**	**22,934**

7. Operating profit

	2021 £'000	2020 £'000
Operating Profit is stated after charging:		
Wages and salaries	10,728	4,957
Social security costs	1,356	621
Defined benefit pension costs	4,330	1,069
Other pension costs	130	89
Staff costs charged to profit and loss	**16,544**	**6,736**
Operating lease charges	1,394	-
Loss on disposal of tangible assets	6	-

	2021 £'000	2020 £'000
Included within administration expenses are:		
Audit services:		
Audit fees payable to the Company's auditors	29	27
Non-audit services:		
Audit-related assurance services	8	7
Total	**37**	**33**

The average number of employees (including Directors) employed by the Company during the year was 108 (2020: 57).

Notes to the Financial Statements Year Ended 31 March 2021

8. Directors' emoluments	2021	2020
	£'000	£'000
The Directors' emoluments were as follows:		
Aggregate remuneration	**1,558**	**464**

The number of Directors who are members of a defined benefit pension scheme	1	-

The remuneration above does not include amounts paid by the parent entity.

	2021	2020
Highest paid Director (included in the above figures)	£'000	£'000
Total amount of emoluments	509	392
Other pension costs	31	42
Total	**540**	**434**

Included in the aggregate remuneration and highest paid Director emoluments are £121,000 (2020: £Nil) and £85,000 (2020: £Nil) respectively of deferred bonuses which will be paid in later years.

9. Interest receivable and similar income	2021	2020
	£'000	£'000
Bank interest received	7	36
Total	**7**	**36**

Interest payable and similar charges	2021	2020
	£'000	£'000
Interest payable on loans	-	2
Total	**-**	**2**

10. Taxation	2021	2020
	£'000	£'000
Analysis of charge in year		
Current tax:		
UK Corporation tax charge on profits for the year	242	950
Adjustments in respect of previous years	(4)	(1)
Total current tax charge	**238**	**949**

	2021	2020
	£'000	£'000
Deferred taxation:		
Origination and reversal of timing differences	(660)	(125)
Total deferred tax	**(660)**	**(125)**
Tax (credit) / charge in the profit and loss account	**(422)**	**824**

Tax income included in Other Comprehensive Income Statement	2021	2020
	£'000	£'000
Deferred tax:		
Origination and reversal of timing differences	(596)	(183)
Impact of change in tax rate	(14)	-
Total tax income included in other comprehensive income statement	**(610)**	**(183)**

Notes to the Financial Statements Year Ended 31 March 2021

10. Taxation (continued)

Tax expense included in equity	**2021**	**2020**
	£'000	**£'000**
Deferred tax	18	-
Total tax expense included in equity	**18**	**-**

Reconciliation of tax charge	**2021**	**2020**
	£'000	**£'000**
The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:		
(Loss) / profit before Tax	(2,299)	4,389
Profit multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	(437)	834
Effects of:		
- Expenses not deductible for tax purposes	1	-
- Adjustments to tax charge in respect of prior years	14	(1)
- Re-measurement of deferred tax - change in UK tax rate	-	(9)
Tax (credit) / charge for the year	**(422)**	**824**

The Finance Bill 2021 contained provisions to increase the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023.

As this change had not been substantially enacted at 4 June 2021 no account was taken of this in providing for deferred tax in the financial statements. However, if deferred tax had been provided at the rate of 25%, rather than 19%, the impact would have been to increase the deferred tax asset by £631,000.

11. Intangible assets

	Assets under Construction	**Software**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 April 2020	**716**	**-**	**716**
Transfers	(858)	858	-
Additions	170	-	170
At 31 March 2021	**28**	**858**	**886**
Accumulated amortisation			
At 1 April 2020	**-**	**-**	**-**
Amortisation during the year	-	130	130
At 31 March 2021	**-**	**130**	**130**
Net book value at 1 April 2020	**716**	**-**	**716**
Net book value at 31 March 2021	**28**	**728**	**756**

Notes to the Financial Statements Year Ended 31 March 2021

12. Tangible assets

	Fixtures, fittings, & office equipment	IT equipment	Total
Cost	**£'000**	**£'000**	**£'000**
At 1 April 2020	-	-	-
Additions	57	145	202
Disposals	(6)	-	(6)
At 31 March 2021	51	145	**196**
Depreciation			
At 1 April 2020			
Depreciation for the year	12	32	44
On Disposals	0	-	0
At 31 March 2021	12	32	**44**
Net book value at 1 April 2020	-	-	-
Net book value at 31 March 2021	**39**	**113**	**152**

13. Investment in Group undertakings

	Investment undertakings	
	2021	**2020**
	£'000	**£'000**
Cost	0	0

Subsidiaries - direct	**Type of Capital held**	**Proportion held**	**Country of incorporation**	**Nature of business**
LPPI Scotland (No.1) Ltd	Equity	100%	United Kingdom	Investments
LPPI Scotland (No.2) Ltd	Equity	100%	United Kingdom	Investments
LPPI Diversifying Strategies GP Limited	Equity	100%	United Kingdom	General Partner
Subsidiaries - indirect				
LPPI PE GP (No.1) LLP	Debt	100%	United Kingdom	General Partner
LPPI PE GP (No.2) LLP	Debt	100%	United Kingdom	General Partner
LPPI PE GP (No.3) LLP	Debt	100%	United Kingdom	General Partner
LPPI Infrastructure GP LLP	Debt	100%	United Kingdom	General Partner
LPPI Credit GP Limited	Equity	100%	United Kingdom	General Partner

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

Associate - indirect				
The London Fund GP LLP	Debt	49%	United Kingdom	General Partner

14. Debtors

	2021	2020
	£'000	£'000
Trade debtors	1,203	5,760
Deferred taxation	1,998	728
Prepayments and accrued income	2,918	1,019
Other debtors	215	-
Total	**6,334**	**7,507**

Other debtors include £215,000 (2020: £Nil) falling due after more than one year.

Amounts owed by Group undertakings are unsecured, interest free, no fixed repayment date and repayable on demand.

15. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	356	986
Amounts owed to Group undertakings	426	1,322
Corporation tax	33	571
Other taxation and social security	332	173
Other creditors	140	64
Accruals and deferred income	3,696	1,483
Total	4,983	4,599

Amounts owed by Group undertakings are unsecured, interest free, no fixed repayment date and repayable on demand.

16. Post-employment benefits

Defined benefit schemes

On 1 June 2020 and 1 July 2020, some of the current employees of LPP, who are members of the London Pensions Fund Authority ("LPFA") Pension Fund and Lancashire County Pension Fund ("LCPF"), were transferred to LPPI under the Transfer of Undertakings (Protection of Employment) Regulations ("TUPE").

The transferring employees are all members of the Local Government Pension Scheme ("LGPS") through participation in either LPFA or LCPF. LPPI was allocated notional shares of the LPFA and LCPF Fund assets on a fully funded basis. The liabilities were calculated on the ongoing basis appropriate for funding, either the LPFA or LCPF 2019 Triennial valuation basis assumptions depending on the Fund from which employees' liabilities were transferred. The Company acquired its share of assets and liabilities based upon members transferred. The liability acquired, at the time of the transfer was, £3.6m. This is reflected in the increase in liability shown below under scheme introductions.

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements and the 2016 cost cap process. Currently, each member contributes a proportion of their salary to the scheme, between 5.5% to 12.5% per annum depending on their rate of pay. LPPI, as the employing body, also contributes to the scheme as determined by each Fund's respective Fund Actuary on the employee's behalf, currently at 12.0% and 13.7% of salary p.a. The liabilities of the LGPS attributable to the Company are included in the Statement of Financial Position.

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

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

16. Post-employment benefits (continued)

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 Funds holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Funds' liabilities for accounting purposes are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Funds hold assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. The benefits under the Funds are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation;
- Longevity risk. If the members live longer than assumed a deficit will emerge. There is also other demographic risk; 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.

	LPFA		LCPF	
	2021	**2020**	**2021**	**2020**
The principal actuarial assumptions used were as follows:	**%**	**%**	**%**	**%**
Discount rate	2.1	2.4	2.2	2.3
Future salary increases	3.8	3.0	4.2	3.6
Future pension increases (CPI)	2.8	2.0	2.8	2.2
Inflation assumption (RPI)	3.4	2.6	3.4	2.8

	LPFA		LCPF	
Longevity at age 65 for current pensioners	**2021**	**2020**	**2021**	**2020**
- Men	22.9	23.0	21.9	21.9
- Women	24.3	24.7	24.6	24.5
Longevity at age 65 for future pensioners				
- Men	24.2	24.3	22.7	22.7
- Women	25.7	26.2	25.8	25.8

	LPFA		LCPF	
	2021	**2020**	**2021**	**2020**
Post-employment benefits summary	**£'000**	**£'000**	**£'000**	**£'000**
Fair value of plan assets	6,675	3,097	3,495	2,864
Defined benefit obligation	(14,522)	(5,178)	(6,197)	(4,768)
Net defined benefit liability	**(7,847)**	**(2,081)**	**(2,702)**	**(1,904)**

Notes to the Financial Statements Year Ended 31 March 2021

16. Post-employment benefits (continued)

The defined benefit pension scheme on the Company Statement of Financial Position is as follows:

	LPFA		LCPF	
	2021	2020	2021	2020
Reconciliation of defined benefit obligation	**£'000**	**£'000**	**£'000**	**£'000**
Defined benefit obligation at start of year	**5,178**	**2,221**	**4,768**	**4,037**
Current service cost	1,683	775	275	261
Past service cost	-	(33)	-	-
Benefits received	229	164	47	-
Contributions by employees	548	243	89	81
Interest cost	180	59	111	102
Scheme introductions	3,637	-	-	-
Remeasurements				
Effect of changes in financial assumptions	3,356	(171)	907	44
Effect of changes in demographic assumptions	(127)	91	-	-
Effect of experience adjustments	(162)	1,829	-	243
Defined benefit obligation at end of year	**14,522**	**5,178**	**6,197**	**4,768**

	LPFA		LCPF	
	2021	2020	2021	2020
Reconciliation of fair value of plan assets	**£'000**	**£'000**	**£'000**	**£'000**
Fair value of plan assets at beginning of year	**3,097**	**1,366**	**2,864**	**2,477**
Benefits received	229	164	47	-
Interest income on scheme assets - employer	117	43	69	64
Administrative expenses and taxes	(4)	(2)	(6)	(6)
Employer contributions	729	341	172	115
Contributions by employees	548	243	89	81
Scheme introductions	1,380	-	-	-
Remeasurements				
Return on scheme assets less interest income	579	(49)	260	133
Actuarial gains	-	991	-	-
Fair value of plan assets at end of year	**6,675**	**3,097**	**3,495**	**2,864**

	LPFA		LCPF	
Analysis of assets	2021	2020	2021	2020
	£'000	**£'000**	**£'000**	**£'000**
Equities	3,627	1,672	1,935	1,518
Target return portfolio	1,571	798	-	-
Corporate and Government bonds	566	226	619	727
Property	607	307	496	243
Cash and other	304	94	445	376
Total assets	**6,675**	**3,097**	**3,495**	**2,864**

	LPFA		LCPF	
	2021	2020	2021	2020
Defined benefit costs recognised in income statement	**£'000**	**£'000**	**£'000**	**£'000**
Current service cost	1,683	775	275	261
Past service cost	-	(33)	-	-
Net interest on defined liability	63	16	42	38
Administrative expenses and taxes	4	2	6	6
Scheme introductions	2,257	-	-	-
Total defined benefit costs recognised in income statement	**4,007**	**760**	**323**	**305**

Notes to the Financial Statements Year Ended 31 March 2021

16. Post-employment benefits (continued)	**LPFA**		**LCPF**	
Defined benefit costs recognised in other comprehensive income	**2021**	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Return on scheme assets less interest income	(579)	(49)	(260)	133
Other actuarial gains	-	991	-	-
Effect of changes in financial assumptions	3,356	171	907	(44)
Effect of changes in demographic assumptions	(127)	(91)	-	-
Effect of experience adjustments	(162)	(1,829)	-	(243)
Total defined benefit costs recognised in other comprehensive income	**2,488**	**(807)**	**647**	**(154)**

Sensitivity analysis

The sensitivity to principal assumptions used to measure the scheme liabilities are set out below:

Approximate increase to defined benefit obligation

	LPFA		**LCPF**	
	%	**£'000**	**%**	**£'000**
0.10% decrease in discount rate	3.37%	489	2.42%	150
0.10% increase in long-term salary increases	0.17%	25	0.61%	38
0.10% increase in pension increases	3.17%	460	2.49%	154
+1.00 year in life expectancy assumption	3.78%	549	2.79%	173

Reconciliation of funded position:	**LPFA**	**LCPF**	**Total**
	£'000	**£'000**	**£'000**
Net defined benefit (liability) at start of the year	(2,081)	(1,904)	(3,985)
Expense recognised in profit and loss	(1,750)	(323)	(2,073)
Loss recognised in OCI	(2,488)	(647)	(3,135)
Transfer of assets and liabilities	(2,257)	-	(2,257)
Contributions by the Company	729	172	901
Net defined benefit liability at end of the year	**(7,847)**	**(2,072)**	**(10,549)**

No amounts were included in the cost of assets. (2020: £Nil)

No amounts included in assets relate to property leased by the Company (2020: £Nil).

Total Post-employment benefits position	**2021**	**2020**
	£'000	**£'000**
Fair value of plan assets	10,170	5,961
Defined benefit obligation	(20,719)	(9,946)
Net defined benefit liability	**(10,549)**	**(3,985)**

Notes to the Financial Statements Year Ended 31 March 2021

17. Share Capital

	Number	£'000
Ordinary shares of £1 each allotted and fully paid		
At 1 April 2020	**1**	**0**
Issued during the year	-	-
At 31 March 2021	**1**	**0**

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

18. Deferred taxation

	2021	2020
The provision for deferred tax consists of the following deferred tax assets:	£'000	£'000
Accelerated capital allowances	16	-
Post-employment benefits	1,982	728
Total asset	**1,998**	**728**

19. Capital and other commitments

	2021	2020
	£'000	£'000
Contracts for future capital expenditure not provided in the financial statements	13	-

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payment due	2021	2020
	£'000	£'000
Not later than one year	1,309	-
Later than one year and not later than five years	675	-
Later than five years	-	-
Total	**1,984**	**-**

20. Related party transactions

In accordance with Section 33 of FRS102, the Company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group. Excluding the parent company, there were no related party transactions with non-wholly owned companies with the Group.

21. Contingent liabilities

There are no contingent assets or liabilities. (2020: £Nil).

22. 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, 1 Finsbury Avenue, London EC2M 2PF.

23. Post balance sheet events

There are no known Post Balance Sheet Events at the point of publication.