LPP
Local Pensions Partnership Investments

Local Pensions Partnership Investments Ltd

Annual Report and Financial Statements

for the year ended 31 March 2022

Registration number: 09835244

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Company Information

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Sally Bridgeland
Malcolm Cooper
Sarah Laessig
Tom Richardson
Chris Rule
Adrian Taylor
Richard J Tomlinson
Martin Tully

Company Secretary

Victoria Moss

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Principal Activities

Local Pensions Partnership Investments Ltd (LPPI) is part of the Local Pensions Partnership (LPP) Group and manages £22.8bn of assets, made up of Assets under Management (AUM) on behalf of three Local Government Pension Scheme (LGPS) clients* and the committed capital of GLIL Infrastructure LLP (GLIL) (LPPI is the Alternative Investment Fund Manager (AIFM) for GLIL).

LPPI seeks to deliver investment returns in excess of agreed benchmarks, along with savings in the investment management costs borne by clients. 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 clients are London Pensions Fund Authority ("LPFA"), Lancashire County Pension Fund ("LCPF") and The Royal County of Berkshire Pension Fund ("RCBPF").

LPPI's Delegated Model

LPPI provides tailored advice to clients to support them in setting their strategic asset allocation and making other strategic investment policy decisions. LPPI's clients retain 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 and allows LPPI to achieve the economies of scale and cost savings mentioned above.

LPPI's Investment Approach

The LPPI model is built upon three pillars:

- **Scale** – enables access to a broader range of investment opportunities and provides clients with access to a broad range of diversified investment opportunities implemented in a cost-effective and liability-aware manner.
- **Governance** – delegated, independent decision-making and governance structures enable cost-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 Funds

LPPI operates investment pooling vehicles across eight 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 ACS and the LPPI Real Estate ACS available from the LPP website. Details on the investment pooling vehicles are available from Companies House.

Further information on the LPPI pooled funds can be found on the LPP website, investment management section.

Wider Service Provision

Through a partnership with Northern LGPS, LPPI also 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.

Responsible Investment and Stewardship

During 2021/22 LPPI extended the range of activities it undertakes in stewardship of the investments which it manages. As a result, LPPI has been accepted by the Financial Reporting Council as a signatory to the UK Stewardship Code (2020).

LPPI's Responsible Investment and Stewardship Report 2021 gives further information about the year's activities, including a focus on the priorities arising from LPPI's drive for continuous improvement, managing issues created by the pandemic, working in partnership, and implementing industry and regulatory best practice. Case studies and examples of activities are included to help bring stewardship and responsible investment to life.

Net Zero

In September 2021 LPPI confirmed a commitment to the long-term goal of achieving net zero greenhouse gas emissions by 2050 and to working towards this outcome in partnership with clients.

LPPI is a member of the Institutional Investors Group on Climate Change ("IIGCC") and in November 2021 was officially confirmed as a participant in the IIGCC's Net Zero Asset Manager initiative, following a commitment to meet the requirements of the IIGCC Net Zero Investment Framework ("NZIF") which is a continuously evolving standard. LPPI will publish a Climate Action Plan in Autumn 2022 sharing details of its approach, delivery plan and initial targets.

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. The Fund's first investment was in Delancey and Oxford Residential's DOOR SLP 'build to rent' housing platform to support the development of new quality housing stock for London. Recent investment commitments include the development of net zero office accommodation and mixed use "placed based" development.

Strategic Plan 2020-25

LPPI operates under a strategic roadmap which is integrated with the LPP five year Group Strategy which was initiated in April 2020. The most important of these strategic 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 2021/22

Robust financial performance: Investment cost savings against the pre-pooling position for LCPF and LPFA have been published. In aggregate LPPI has achieved £74m of cumulative savings to end March 2021 compared with the pre-pooling position.

Investment performance: Investment performance has been broadly in line or ahead of benchmark, helping support client funding levels.

Responsible investment: Responsible investment integrated with the investment process with detailed and practical reporting delivered to clients quarterly. LPPI being accepted as a signatory to the UK Stewardship Code.

Operational Resilience: Several key projects were initiated to enhance operational resilience, including the Audit and Assurance Faculty Type 1 report, successfully completed during the reporting year.

Client focus: LPPI's first client conference was held in early March 2022 and was very well received.

Looking ahead – 2022/23 strategic priorities

2022/23 will see LPPI move into the third year of the five-year Group strategy and the first year of the new Business Plan for 2022-25. The Board has considered the objectives for the coming year and will continue to deliver in line with the five year Group Strategy, including an ongoing focus on sustaining strong performance. LPPI's strategic objectives can be summarised as:

- Outperformance of policy portfolio benchmark
- A focus on business maturity and improvements to the operating platform
- Continuing to develop internal management capacity
- Maintain and enhance operational resilience
- Continued implementation against the Net Zero Carbon investing target and innovation with the Responsible Investment agenda.

s172(1) Statement 2021/22

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 LPPI – the Company. LPPI's Board and committee papers for decision 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 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; employees; 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.

Three of the key decisions taken by LPPI's Directors during the reporting year are outlined below and are important steps in the long-term success of LPPI. The detail for each decision describes how the Directors have had regard to the matters set out in section 172(1) (a) to (e)[1] 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.

1. Issuance of Share Capital

Decision taken: To ensure sufficient regulatory capital was in place following the impact of the implementation of IFPR, in December 2021 the Board approved the issuance of 3,000,000 shares to its sole shareholder, LPP.

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:

- It is essential to have sufficient capital in place to meet the FCA's requirements and therefore for the Company to continue in operation – in the interests of all its stakeholders.
- LPP, as LPPI's sole shareholder, has a responsibility to ensure that LPPI, as its wholly owned subsidiary, has sufficient capital in place. Therefore, the interests of LPPI and LPP were wholly aligned in this decision.
- Addressing key matters such as this in a timely fashion is essential for LPPI maintaining a reputation for high standards of business conduct.

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

2. Business Plan 2022-25

Decision taken: The Board approved LPPI's Business Plan 2022-25.

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:

- LPPI's Business Plan 2022-25 sets out the next phase of LPPI's development. In approving the Plan, the Board noted that it addresses clients' current needs and provides a foundation for a long-term future supporting shareholder objectives.
- One of the Plan's key areas of focus is transitioning portfolios to a net zero position, therefore considering the impact of the Company's operation on the community and the environment.
- The plan also focuses on delivering excellent service to clients and providing a good working environment for employees.

3. Net Zero Carbon Investing

Decision taken: The Board confirmed its agreement to LPPI committing to Net Zero Carbon investing and delegated to the Executive Directors the finalisation and publication of LPPI's statement of commitment.

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

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

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

(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:

- It is important for LPPI to take action on Net Zero to ensure the long-term success and continued operation of the Company. This action includes working in partnership with asset owner clients on decarbonisation goals with an ambition to reach net zero emissions by 2050 or sooner across all assets under management.
- There is a strong reputational impact of issuing a statement of commitment, expected to be well-received by suppliers, customers and other stakeholders.
- Making a commitment to Net Zero Carbon investing will lead to a positive impact on the environment and on communities where, for example, real estate investment projects have a clear focus on environmental factors.

Consideration of LPPI's Employees

In discharging their duties under section 172(1) directors are mindful of the impact on employees. During the reporting year Directors received assurance that organisational-wide changes are communicated and major strategic projects discussed with employees through firm-wide email communications, intranet announcements and 'town hall' events (which are now hybrid events). Strategic update sessions are supplemented with informal 'open door' sessions where employees are encouraged to put questions to the CEO and members of the Management Committee.

Directors are kept updated on the results of the regular surveys which are used to gauge employee engagement and well-being, also to seek opinions on relevant topics such as flexible working post the pandemic, in order to factor employee views into the planning. These results are also transparently shared at the quarterly 'town hall' events by the Chief People and Culture Officer, together with action plans.

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 further developed its risk appetite and tolerances, and reporting framework. Updates on the identification of principal and emerging risks and their management and mitigation are provided to each meeting of the Audit and Risk Committee and the Board.

The key principal and emerging risks managed in the year were:

Covid-19 – the impacts and legacy of Covid-19 continued over the year as firms and operations returned to new operating norms. LPPI continued to manage and support the resilience of staff to protracted uncertainties resulting from the evolution of the virus, including mental health support, and continued to operate uninterrupted over the year.

Russia-Ukraine – the world has seen the escalation of the crisis in Ukraine. LPPI monitored its investment portfolio, reviewed its outsourced arrangements and implemented enhanced cyber security training. A working group was established to monitor and respond to the evolution of the crisis and assess its potential implications for LPPI. There was also active engagement with colleagues directly impacted due to nationality or close personal connections, together with messages identifying sources of support for all colleagues.

Investment Firm Prudential Regime (IFPR) – The new regime went live on 1 January 2022. LPPI established a cross-functional project team that successfully implemented the required changes over 2021, enabling LPPI to continue to be compliant with the regulatory capital and liquidity coverage requirements; and make its first formal quarterly IFPR submissions to the FCA successfully.

Staff pension scheme – Certain staff within LPPI continue to accrue benefits within a defined benefit pension scheme. The impact of these benefits on an accounting basis can create volatility in the LPPI financial position. The exposure is monitored by the Audit and Risk Committee.

Risk Resilience

In line with a key business objective of increasing operational resilience, the Risk function has been separated from the Operations team and now reports independently and directly to the CEO. LPPI has undergone an externally led Audit and Assurance Type 1 assessment which achieved an unqualified outcome and serves to provide independent assurance over the quality of its control environment to support the assurance it can provide to its stakeholders that the business is well managed.

The risk management function provides support to the Internal Audit function which is outsourced to Deloitte LLP, providing a conduit to the business. There is a continued focus on taking a risk-based approach to the audit plan.

Corporate Governance Statement

Board

Board Composition

The Board is chaired by Sally Bridgeland and, during the reporting year, the other Non-Executive Directors were: Margaret Ammon (appointed 1 September 2021); Malcolm Cooper (appointed 1 September 2021); Sarah Laessig; Martin Tully; and Robert Vandersluis (stood down 31 December 2021). Executive Directors of the Board for 2021/22 were: Tom Richardson; Chris Rule; Adrian Taylor; and Richard J Tomlinson.

In recruiting for and appointing the two new Non-Executive Directors during the reporting year, there was reference to the Board skills and experience matrix to appropriately focus the search. The selection was conducted from an expansive and diverse pool of candidates.

At 31 March 2022 Board Directors were 33 per cent women.

Directors' 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 process for the identification, consideration of, authorisation and appropriate recording of any conflicts of interest is in place and, in addition to the detail in the Articles of Association, this is set out in the Code of Conduct for Board Members. This LPPI-specific Code of Conduct was approved by the Board in March 2022 and will be reviewed regularly. Before this date, the process to manage Directors' conflicts was set out in the Conflicts of Interest Policy. Directors declare any conflicts at the start of each Board or Committee meeting to be recorded in the minutes of the meeting and the LPPI Directors' Register of Interests and Potential Conflicts.

Activity During the Year

The Board met seven times during the year and held two away days. All meetings were well attended. The Board is responsible for overseeing 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:

- Approving the issuance of share capital.
- Approving LPPI's purpose statement and Business Plan 2022-25.
- Agreeing to LPPI committing to Net Zero Carbon investing.
- Adoption of the LPP Group Remuneration Policy.
- Approving the Risk Appetite and Tolerances Schedule together with a suite of revised risk policies.
- Approving LPPI's approach to the implementation of the Investment Firms Prudential Regime (IFPR).
- Consideration of the Audit and Assurance Faculty type 1 report (final approval was delegated to the Audit and Risk Committee).
- Discussions on People and Culture, including approaches to flexible working, diversity & Inclusion, succession planning and talent management.
- Participating in an internally facilitated review of its own performance, agreeing and actioning resulting recommendations.
- Appointing two new Non-Executive Directors.
- Reviewing and enhancing governance and compliance arrangements around matters such as delegated authorities and conflicts of interest.

Activity During the Year (continued)

The Board received briefings on: Net Zero Carbon Investing; and Stewardship and Responsible Investment, also quarterly updates on cyber security.

A Board event was held for face-to-face engagement with representatives of the LPP Group Shareholders.

Many of the Directors attended LPPI's first client conference in March 2022.

Outlook for 2022/23

The Board will monitor progress against the Business Plan 2022-25.

The Board will oversee a review of internal investment governance arrangements to ensure these are optimal now and for the next stage of LPPI's evolution.

The Board will also be receiving a series of reports considering enhancements to talent management, succession planning and progressing the diversity and inclusion agenda.

The Board will be assessing its own effectiveness with an externally facilitated Board effectiveness review in quarter three, having reviewed and enhanced its skills and experience matrix.

A formal programme of Board deep dives and briefing sessions has been developed to run throughout the year.

Committees

The Board delegates to the following committees in accordance with the matters reserved to the Board and the committees' Terms of Reference:

Audit and Risk Committee

Membership: LPPI Non-Executive Directors only

The Audit and Risk Committee met a total of five times during the reporting year and was well attended by its Non-Executive Director Members and one Independent Member (until his appointment as a Director effective 1 September 2021). Following Robert Vandersluis' resignation from the Board, Malcolm Cooper took the Chair of the Committee effective from 1 January 2022, bringing with him extensive experience of chairing Audit and Risk Committees elsewhere. As a chief risk officer at another asset manager, Margaret Ammon's appointment to the Committee during the year bolstered the risk skills on the Committee.

The Committee assists the Board with its oversight responsibilities for present and emerging risks associated with the Company's activities; and for the financial reporting process, for the system of internal control, the audit process and the Company's process for monitoring compliance with laws, regulations and its Code of Conduct. During the year the Committee finalised the Audit and Assurance Faculty Type 1 report (under delegation from the Board). The Committee has confirmed that the business is satisfied that internal audit has the appropriate resources in place.

LPP Group Remuneration and Nomination Committee

Membership: Non-Executive Directors only, from across the LPP Group

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. In August 2021 LPPI Non-Executive Director, Martin Tully, took the Chair of the Committee, appropriately increasing LPPI's representation.

Management Committee

Membership: Executive only

The Management Committee assists the Chief Executive Officer with overseeing the activities of the Company and determining key strategic and/or operational decisions under delegation from the Board. It also provides 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 meets monthly, or more frequently as required.

Investment Committee

Membership: Executive only

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 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

Membership: Executive only

This Committee met on a quarterly basis with additional informal meetings held 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; 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

Membership: Executive only

This Committee meets on an ad hoc basis around fund launches and annually to review product governance. It reports on at least an annual basis to the 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 Board and to review existing products in accordance with product governance requirements. In the reporting year it met once.

This report was approved by the Board of Directors on 22 July 2022 and signed on its behalf.

Chris Rule
Director

The Directors present their report and financial statements for the year ended 31 March 2022.

Directors

Margaret Ammon (appointed 1 September 2021)

Sally Bridgeland

Malcolm Cooper (appointed 1 September 2021)

Sarah Laessig

Tom Richardson

Chris Rule

Adrian Taylor

Richard J Tomlinson

Martin Tully

Robert Vandersluis (resigned 31 December 2021)

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

The LPP Group does not meet the size threshold requiring the provision of a statement of corporate governance arrangements, and therefore, neither does LPPI. However, LPP's Directors have agreed to the adoption of the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) for the Group and report on the LPP Group's application of these principles though the provision of a detailed report on LPP's website. LPPI's Directors are supportive of LPP's voluntary adoption of the Wates Principles, noting the intention to seek continuous improvement in corporate governance standards.

Results and Dividends

The trading result for the Company for the year is a profit after tax of £518,000 (2021: loss after tax of £1,877,000). This trading result takes into account the non-cash accounting adjustments for the defined benefit pension scheme described in Notes 4 (n) and 18. Without these the Company would have made a profit after tax of £1,853,000 (2021: £901,000).

No dividends were paid during the year (2021: £nil).

Capital

LPPI has an issued share capital of 3,000,001 ordinary shares of £1, with a share premium bringing the total capital to £13m.

Going Concern

After making enquiries in relation to the Company's forecasts and projects, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. 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 pages 3-12.

Political or Charitable Donations

No political or charitable donations were made during the year (2021: £nil).

Research and Development

No research and development expenditure was made during the year (2021: £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 6-8.

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 of Directors on 22 July 2022 and signed on its behalf.

Chris Rule
Director

Opinion

We have audited the financial statements of Local Pensions Partnership Investments Ltd (the 'company') for the year ended 31 March 2022, 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 2022 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 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.

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).

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 identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors, management and the compliance officer. We determined that the most significant laws and regulations those that relate to the financial reporting framework, being United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006, together with UK tax legislation;
- We enquired of the directors and management including legal, compliance to obtain an understanding of how the company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the company's board, audit and risk committee meetings, inspection of the complaints register and breaches register , inspection of legal and regulatory correspondence and reports to the regulator the FCA;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:

- evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
- testing journal entries, including manual journal entries processed at the year-end for financial statements preparation and
- challenging the assumptions and judgements made by management in its significant accounting estimates.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.

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

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of 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 company operates; and
- understanding of the legal and regulatory frameworks applicable to the company.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
- the company's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- the rules and interpretative guidance issued by the Financial Conduct Authority applicable to the company and the scope of its authorisation; and
- the company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the company's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

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
22 July 2022

Local Pensions Partnership Investments Ltd
Income Statement
for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Turnover	6	26,686	23,645
Administrative expenses		(27,068)	(26,661)
Other operating income		599	710
Operating profit/(loss)	7	**217**	**(2,306)**
Interest receivable	9	3	7
Profit/(loss) before taxation		**220**	**(2,299)**
Taxation	10	298	422
Profit/(loss) for the financial year		**518**	**(1,877)**

Local Pensions Partnership Investments Ltd
Statement of Comprehensive Income
for the year ended 31 March 2022

LPP
Local Pensions Partnership Investments

	Notes	2022 £'000	2021 £'000
Profit/(loss) for the financial year		**518**	**(1,877)**
Other comprehensive income			
Remeasurement of defined benefit obligation	18	2,703	(3,135)
Total tax on components of other comprehensive income	10	(384)	610
Other comprehensive income for the year, net of tax		**2,319**	**(2,525)**
Total comprehensive income for the year		**2,837**	**(4,402)**

Local Pensions Partnership Investments Ltd
Statement of Financial Position
as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	11	676	756
Tangible assets	12	153	152
Investments	13	0	0
		829	**908**
Current assets			
Debtors	14	7,829	6,334
Cash at bank and in hand		23,916	19,704
		31,745	**26,038**
Creditors: amounts falling due within one year	15	(4,724)	(4,686)
Provisions for other liabilities	16	(479)	-
Net current assets		**26,542**	**21,352**
Total assets less current liabilities		**27,371**	**22,260**
Creditors: amounts falling due after more than one year	17	(493)	(297)
Post-employment benefits	18	(9,627)	(10,549)
Net assets		**17,251**	**11,414**
Capital and reserves			
Share capital	19	3,000	0
Share premium		10,000	10,000
Profit and loss account		4,251	1,414
Total equity		**17,251**	**11,414**

The notes on pages 24 to 40 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 22 July 2022 and signed on its behalf.

Adrian Taylor
Director

Local Pensions Partnership Investments Ltd
Statement of Changes in Equity
for the year ended 31 March 2022

LPP
Local Pensions Partnership Investments

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Balance as at 1 April 2020	**0**	**10,000**	**5,816**	**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)**
Balance as at 31 March 2021	**0**	**10,000**	**1,414**	**11,414**
Balance as at 1 April 2021	**0**	**10,000**	**1,414**	**11,414**
Profit for the year	-	-	518	**518**
Other comprehensive income for the year	-	-	2,319	**2,319**
Total comprehensive income for the year	**-**	**-**	**2,837**	**2,837**
Proceeds from shares issued	3,000	-	-	**3,000**
Total transactions with shareholders, recognised directly in equity	**3,000**	**-**	**-**	**3,000**
Balance as at 31 March 2022	**3,000**	**10,000**	**4,251**	**17,251**

1 General information

The Company is part of the Local Pensions Partnership Group of Companies and was formed on 21 October 2015. The Company is a wholly owned subsidiary of Local Pensions Partnership Ltd, whose other subsidiaries include Local Pensions Partnership Administration Ltd. The principal activity of the Company is the provision of management of assets on behalf of its three Local Government Pension Scheme ("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 First Floor, 1 Finsbury Avenue, London, EC2M 2PF. The Company is authorised and regulated by the Financial Conduct Authority FRN No.724653.

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 United Kingdom Accounting Standards and are available to the public and may be obtained from First Floor, 1 Finsbury Avenue, London, EC2M 2PF.

2 Basis of measurement and preparation of financial statements

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' ("FRS 102") and the Companies Act 2006.

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.

In these financial statements, the Company is a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes
- Related party disclosures
- Key management compensation
- Categories of financial instruments
- Items of income, expenses, gains, or losses relating to financial instruments
- Exposure to and management of financial risks relating financial instruments

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

3 Going concern

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.

3 Going concern (continued)

Potential implications of the macroeconomic climate on the Company

The Directors, together with their advisors, have been actively monitoring the potential impacts arising from macroeconomic uncertainties such as Brexit, Covid-19, and the conflict between Ukraine and Russia on the Company.

Some specific measures have been taken during this time including remote working and re-validation of business continuity plans implemented by the Company.

The Company's clients are based in the UK and most of its transactions are in Sterling, therefore the Directors do not feel that the Company is exposed to any foreign exchange risk or macroeconomic risks as a result of the ongoing conflict between Ukraine and Russia.

The Directors have considered the inherent risks mentioned above and do not believe that any material uncertainties relating to these events, individually or collectively, will impact the Company’s ability to continue as a going concern.

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 associate

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 entities but merely the Company's investment in the subsidiaries. Investment in the subsidiaries and associate 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

4 Summary of significant accounting policies (continued)

(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.

(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.

4 Summary of significant accounting policies (continued)

(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.

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).

(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) Intercompany 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.

(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 factors such as 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’).

4 Summary of significant accounting policies (continued)

(n) Employee benefits

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.

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

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 below 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.

(i) Taxation

The Company establishes provisions where appropriate on the basis of amounts expected to be paid to 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.

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 a 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 in June/July 2020. 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 comparative 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 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's income statement was charged with the additional non-cash expense.

See Note 18 for additional information.

(iii) Useful economic life

The Company estimates useful economic life of tangible assets based on the number of years they are likely to remain in service for based on condition at time of purchase and nature of use.

The Company's intangible assets are deemed to have a finite life in line with legal or contractual provisions and consideration of our historical experience in renewing or extending similar arrangements.

6 Analysis of turnover

	2022 £'000	2021 £'000
Investment management fees	26,153	23,121
Asset and liability management fees	533	524
Total	**26,686**	**23,645**
Geographical analysis		
UK	**26,686**	**23,645**

7 Operating profit

	2022 £'000	2021 £'000
Operating profit is stated after charging:		
Wages and salaries	13,767	10,728
Social security costs	1,525	1,356
Defined benefit pension costs	2,615	4,330
Other pension costs	483	130
Staff costs charged to profit and loss	**18,390**	**16,544**
Operating lease charges	1,410	1,394
Loss on disposal of tangible assets	5	6

	2022 £'000	2021 £'000
Included within administration expenses are:		
Audit services:		
Audit fees payable to the Company's auditor	33	29
Non-audit services:		
Audit-related assurance services payable to the Company's auditor	8	8
Total	**40**	**37**

The average Company headcount (including Directors) during the year was 123 (2021: 108).

8 Directors' emoluments

	2022 £'000	2021 £'000
The Directors' emoluments were as follows:		
Aggregate remuneration	**1,718**	**1,558**
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.

	2022 £'000	2021 £'000
Highest paid Director (included in the above figures)		
Total amount of emoluments	518	509
Other pension costs	31	31
Total	**549**	**540**

9 Interest receivable and similar income

	2022 £'000	2021 £'000
Bank interest received	**3**	**7**

10 Taxation

Analysis of charge in year

	2022 £'000	2021 £'000
Current tax:		
UK Corporation tax charge on profits for the year	370	242
Adjustments in respect of previous years	(139)	(4)
Total current tax charge	**231**	**238**
Deferred tax:		
Origination and reversal of timing differences	(446)	(660)
Adjustments in respect of previous years	196	-
Impact of change in tax rate	(279)	-
Total deferred tax	**(529)**	**(660)**
Total tax credit in the income statement	**(298)**	**(422)**

Tax included in other comprehensive income

	2022 £'000	2021 £'000
Deferred tax:		
Origination and reversal of timing differences	675	(596)
Impact of change in tax rate	(291)	(14)
Total tax charge/(credit) in statement other comprehensive income	**384**	**(610)**

Reconciliation of tax charge

	2022 £'000	2021 £'000
The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:		
Profit/(loss) before tax	**220**	**(2,299)**
Profit multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	42	(437)
Effects of:		
- Expenses not deductible for tax purposes	(11)	1
- Adjustments to tax charge in respect of prior years:		
- Corporation tax	(139)	14
- Deferred tax	196	-
- Re-measurement of deferred tax - change in UK tax rate	(279)	-
- Tax rate differential on deferred tax	(107)	-
Tax credit for the year	**(298)**	**(422)**

The Finance Act 2021 will increase the rate of corporation tax to 25% with effect from 1 April 2023. Deferred tax has been restated and provided for at 25% to reflect this.

11 Intangible assets

	Assets under Construction	Software	Total
	£'000	£'000	£'000
Cost			
At 1 April 2021	**28**	**858**	**886**
Transfers	(38)	38	-
Additions	10	76	86
At 31 March 2022	**-**	**972**	**972**
Accumulated amortisation			
At 1 April 2021	**-**	**130**	**130**
Amortisation during the year	-	166	166
At 31 March 2022	**-**	**296**	**296**
Net book value at 1 April 2021	**28**	**728**	**756**
Net book value at 31 March 2022	**-**	**676**	**676**

12 Tangible assets

	Fixtures, fittings, & office equipment	IT equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2021	**51**	**145**	**196**
Additions	3	119	122
Disposals	-	(10)	(10)
At 31 March 2022	**54**	**254**	**308**
Accumulated depreciation			
At 1 April 2021	**12**	**32**	**44**
Depreciation for the year	26	90	116
On disposals	-	(5)	(5)
At 31 March 2022	**38**	**117**	**155**
Net book value at 1 April 2021	**39**	**113**	**152**
Net book value at 31 March 2022	**16**	**137**	**153**

13 Investment in Group undertakings

	2022 £'000	2021 £'000
Cost	**0**	**0**

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

Country of incorporation for all entities is United Kingdom.

14 Debtors

	2022 £'000	2021 £'000
Trade debtors	1,357	1,203
Deferred taxation	2,143	1,998
Prepayments and accrued income	4,114	2,918
Other debtors	215	215
Total	**7,829**	**6,334**

Other debtors include £215,000 (2021: £215,000) 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

	2022 £'000	2021 £'000
Trade creditors	321	356
Amounts owed to Group undertakings	60	426
Corporation tax	53	33
Other taxation and social security	366	332
Other creditors	122	140
Accruals and deferred income	3,802	3,399
Total	**4,724**	**4,686**

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

16 Provisions for other liabilities

At 1 April 2021	**-**
Additions	479
At 31 March 2022	**479**

The above relates to reorganisational costs that are expected to be fully utilised and paid by 31 March 2023.

17 Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Deferred remuneration	**493**	**297**

18 Post-employment benefits

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 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 comparative year below as an increase in liability shown 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.

18 Post-employment benefits (continued)

In accounting for the defined benefit schemes, the Company has applied the principle that 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, inflation risk, longevity risk and salary risk, as follows:

- Investment risk. The Funds hold investments 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	
	2022	**2021**	**2022**	**2021**
	%	**%**	**%**	**%**
The principal actuarial assumptions used were as follows:				
Discount rate	2.6	2.1	2.8	2.2
Future salary increases	4.1	3.8	4.7	4.2
Future pension increases (CPI)	3.1	2.8	3.3	2.8
Inflation assumption (RPI)	3.6	3.4	4.0	3.4

	LPFA		LCPF	
	2022	**2021**	**2022**	**2021**
Longevity at age 65 for current pensioners				
- Men	23.0	22.9	22.3	21.9
- Women	24.4	24.3	25.0	24.6
Longevity at age 65 for future pensioners				
- Men	24.3	24.2	23.7	22.7
- Women	25.8	25.7	26.8	25.8

18 Post-employment benefits (continued)

	LPFA		LCPF	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Post-employment benefits summary				
Fair value of plan assets	8,549	6,675	4,242	3,495
Defined benefit obligation	(15,656)	(14,522)	(6,762)	(6,197)
Net defined benefit liability	**(7,107)**	**(7,847)**	**(2,520)**	**(2,702)**

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

	LPFA		LCPF	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Reconciliation of defined benefit obligation				
Defined benefit obligation at start of year	**14,522**	**5,178**	**6,197**	**4,768**
Current service cost	2,404	1,683	309	275
Benefits (paid) / received	(1)	229	-	47
Contributions by employees	482	548	77	89
Interest cost	294	180	137	111
Scheme (settlements)/introductions	(770)	3,637	-	-
Remeasurements				
Effect of changes in financial assumptions	(1,321)	3,356	(168)	907
Effect of changes in demographic assumptions	-	(127)	196	-
Effect of experience adjustments	46	(162)	14	-
Defined benefit obligation at end of year	**15,656**	**14,522**	**6,762**	**6,197**

18 Post-employment benefits (continued)

	LPFA		LCPF	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	**6,675**	**3,097**	**3,495**	**2,864**
Benefits (paid) / received	(1)	229	-	47
Interest income on scheme assets - employer	143	117	79	69
Administrative expenses and taxes	(9)	(4)	(5)	(6)
Employer contributions	648	729	159	172
Contributions by employees	482	548	77	89
Scheme (settlements)/introductions	(422)	1,380	-	-
Remeasurements				
Return on scheme assets less interest income	1,033	579	437	260
Fair value of plan assets at end of year	**8,549**	**6,675**	**4,242**	**3,495**

	LPFA		LCPF	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Analysis of assets				
Equity	4,098	3,064	2,037	1,639
Private equity	768	563	348	280
Diversifying strategies	908	740	-	-
Real Estate	767	607	369	496
Infrastructure	871	566	484	420
Fixed income	237	282	182	115
Credit	696	549	568	468
Cash and other	204	304	254	77
Total assets	**8,549**	**6,675**	**4,242**	**3,495**

	LPFA		LCPF	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Defined benefit costs recognised in income statement				
Current service cost	2,404	1,683	309	275
Net interest on defined liability	151	63	58	42
Administrative expenses and taxes	9	4	5	6
Scheme (settlements)/introductions	(348)	2,257	-	-
Total defined benefit costs recognised in income statement	**2,216**	**4,007**	**372**	**323**

18 Post-employment benefits (continued)

	LPFA		LCPF	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Defined benefit (gain)/loss recognised in other comprehensive income				
Return on scheme assets less interest income	(1,033)	(579)	(437)	(260)
Effect of changes in financial assumptions	(1,321)	3,356	(168)	907
Effect of changes in demographic assumptions	-	(127)	196	-
Effect of experience adjustments	46	(162)	14	-
Total defined benefit (gain)/loss recognised in other comprehensive income	**(2,308)**	**2,488**	**(395)**	**647**

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	3.35%	525	2.43%	164
0.10% increase in long-term salary	0.13%	21	0.58%	39
0.10% increase in pension increases	3.20%	501	2.48%	168
+1.00 year in life expectancy	3.63%	569	2.77%	187

Reconciliation of funded position:

	LPFA	**LCPF**	**Total**
	£'000	**£'000**	**£'000**
Net defined benefit liability at start of the year	**(7,847)**	**(2,702)**	**(10,549)**
Expense recognised in profit and loss	(2,216)	(372)	(2,588)
Gain recognised in OCI	1,960	395	2,355
Transfer of assets and liabilities	348	-	348
Contributions by the Company	648	159	807
Net defined benefit liability at end of the year	**(7,107)**	**(2,520)**	**(9,627)**

No amounts were included in the cost of assets. (2021: £Nil).

No amounts included in assets relate to property leased by the Company (2021: £Nil).

Total Post-employment benefits position

	2022	**2021**
	£'000	**£'000**
Fair value of plan assets	12,791	10,170
Defined benefit obligation	(22,418)	(20,719)
Net defined benefit liability	**(9,627)**	**(10,549)**

19 Share Capital

	Number	£'000
Ordinary shares of £1 each allotted and fully paid		
At 1 April 2021	**1**	**0**
Issued during the year	3,000,000	3,000
At 31 March 2022	**3,000,001**	**3,000**

On 20 December 2021, 3,000,000 ordinary shares were issued at par value for £3,000,000.

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

20 Reserves

Presented separately in previous years, the retirement benefit obligation reserve has been subsumed by the profit and loss account. This reclassification has been done to aid users in the understanding of the financial statements. The retirement benefit obligation reserve amount reclassified was negative £2,518,000 (net of deferred tax), based on the balance as of 1 April 2021.

21 Deferred taxation

	2022 £'000	2021 £'000
The provision for deferred tax consists of the following deferred tax assets:		
Accelerated capital allowances	(143)	16
Post-employment benefits	2,286	1,982
Total asset	**2,143**	**1,998**

22 Capital and other commitments

	2022 £'000	2021 £'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	2022 £'000	2021 £'000
Not later than one year	1,467	1,309
Later than one year and not later than five years	2,120	675
Total	**3,587**	**1,984**

23 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.

24 Contingent liabilities

There are no contingent assets or liabilities. (2021: £Nil).

25 Controlling party

The Company's immediate parent is LPP, a company incorporated in the United Kingdom and registered in England and Wales. The ultimate controlling parties are LPFA and LCC. LPP 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, First Floor, 1 Finsbury Avenue, London EC2M 2PF.

26 Events after the end of the reporting period

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