ANNUAL REPORT AND FINANCIAL STATEMENTS

LGPS Central Limited

FOR THE YEAR ENDED 31 MARCH 2020

CONTENTS

ABOUT LGPS CENTRAL LIMITED

LGPS Central Limited ("the Company") has been established to manage the pooled investment assets of eight Local Government Pension Scheme (LGPS) funds across the centre of England (our Partner Funds). Our Partner Funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. The Company is jointly owned on an equal-shares basis by the eight Partner Funds. The combined assets of these funds (pre-Covid19 market volatility) are approximately £45 billion, managed on behalf of around one million LGPS members and some 2,000 participating employers.

The Company is authorised and regulated by the Financial Conduct Authority (the FCA) to operate as an Alternative Investment Fund Manager (AIFM). In this capacity the Company acts as the operator of a collective investment vehicle called an Authorised Contractual Scheme (ACS) and may also run other collective investment vehicles, in addition to discretionary and advisory services, under our MiFID II authorisation. All investment products are designed to meet our Partner Funds' needs for sufficient investment returns to secure the payment of accrued and future pensions obligations over the long-term at a sustainable cost to members and sponsoring employers.

CHESHIRE PENSION FUND

Derbyshire Pension Fund

Leicestershire County Council PENSION FUND

Nottinghamshire County Council

SHROPSHIRE COUNTY PENSION FUND

Staffordshire Pension Fund Local Government Pension Scheme

West Midlands Pension Fund

Worcestershire Pension Fund

LGPS Central Limited

WELCOME FROM THE CHAIR

JOANNE SEGARS, CHAIR, LGPS CENTRAL LIMITED

I am pleased to introduce the Annual Report and Accounts for LGPS Central Limited for the year ended 31 March 2020.

As we reflect on the activities and outcomes described in this report, it is important to remember that this is just our second year of operation. We are still a new and evolving Company. Yet in the short time since we were launched, we've grown up very quickly. At the end of the 2019/20 financial year, we managed around £20bn of Partner Funds' assets – just under half the total assets owned by Partner Funds; we were responsible for seven ACS sub-funds, three of which were launched during the course of the financial year covered by this report; we have developed more efficient, repeatable and scalable processes to support and enhance our ability to launch the new asset class sub-funds that our Partner Funds need; and we have recruited a team of experienced and dedicated professionals committed to do their best for Partner Funds.

There have been many achievements over the year, and I'd like to take this opportunity to highlight just a few.

- Responsible investment is important to our Partner Funds and to the Company and the launch of our All World Equity Climate Multi Factor Fund at the London Stock Exchange last October is a really great way of giving effect to that. It demonstrates our combined commitment to addressing the global climate emergency whilst still protecting the financial interests of pension scheme members.
- By the end of the year we had seen investment in LGPS Central Limited ACS pooled funds from each of our Partner Funds. This is a major milestone.
- On the people front, one of our ambitions as a Company was to grow our talent, so I was especially pleased to welcome our first group of graduate trainees. They are fantastically talented, and it is really exciting to see their enthusiasm as they work their way around the different departments across the business and we all learn from their fresh and energetic thinking.

Stepping back, our focus throughout the year has been on delivering investment performance from the assets under our management and stewardship – we know that's essential for the ability of our Partner Funds to pay pensions as they fall due; building the new ACS pooled sub-funds to deliver the strategic asset allocation needs of Partner Funds; and delivering cost savings, a core tenet of LGPS pooling. Since the establishment of LGPS Central Limited, we have already secured over £14m of gross investment cost savings for Partner Funds from the assets under our management.

These achievements have not been easy, and we continue to learn and adapt to improve the service

QUICK NAVIGATION

LGPS Central Limited

WELCOME FROM THE CHAIR CONTINUED

we provide to Partner Funds. But we have been able to move forward as a result of their support and partnership. I am extremely grateful for the hard work and dedication of officers and members. It is only by working together, with clarity and mutual understanding, that we can continue this progress.

Moving into the next phase of our development it will be important that we have a clear and shared understanding of priorities – especially on the future trajectory of ACS pooled sub-fund launches. Ensuring we have regular contact with Partner Funds is essential for this. I am always pleased to meet Partner Funds' officers and members at Shareholder meetings, Joint Committees and at Partner Funds' Pension Committee meetings.

As we came to the close of the financial year, the country was hit by the scourge of Covid-19, and it would be remiss of me not to comment on that and the effects on the Company. Our primary focus has been on the safety of our staff, their families, our Partner Funds and the communities in which we operate. Thankfully, as I write, I am pleased to report that no members of LGPS Central Limited staff have been infected with the virus. We know that others, including in our Partner Fund communities, have not been so fortunate, and our thoughts are with their families and colleagues. The Company was quick to move to remote working, and because of our robust Business Continuity Plan, we were rapidly able to get all colleagues up and working from home. We are grateful to the support provided by our corporate infrastructure providers – including the City of Wolverhampton Council – for ensuring we were able to transition to remote working so quickly and so smoothly.

Our work has continued throughout the lockdown, including the transition of Partner Fund assets into our Corporate Bond ACS pooled sub-fund and the appointment of external investment managers for our new Emerging Market Debt ACS pooled sub-fund at the start of the 2020/21 financial year. The virus has had a significant effect on the global economy and on investment markets. As long-term investors, we will work with Partner Funds to ride out the storm.

Our staff have adapted magnificently to the difficult environment. I would like to take this opportunity to place on record my thanks, and that of the whole Board, for their commitment and adaptability.

Finally, I would like to take the opportunity to thank my fellow Board directors for their continued hard work and dedication throughout the year. They bring a diverse range of experience, views and expertise to the Board to ensure that we can have robust discussions and reach well-founded decisions. Our Board was further strengthened this year with the appointment of Susan Martin who brings a wealth of LGPS experience to the Board. I am delighted to welcome and be working alongside Susan.

I look forward to continuing to work with you over the course of the coming years.

J. Segars.

JOANNE SEGARS, CHAIR,
LGPS CENTRAL LIMITED

> **"I AM EXTREMELY GRATEFUL FOR THE HARD WORK AND DEDICATION OF OFFICERS AND MEMBERS. IT IS ONLY BY WORKING TOGETHER, WITH CLARITY AND MUTUAL UNDERSTANDING, THAT WE CAN CONTINUE THIS PROGRESS.**

QUICK NAVIGATION

LGPS Central Limited

STRATEGIC REPORT FROM THE CHIEF EXECUTIVE OFFICER

MIKE WESTON, CEO,
LGPS CENTRAL LIMITED

It's been a very busy first year as CEO of LGPS Central Limited. I have thoroughly enjoyed working with a committed and talented team of employees and a group of Partner Funds who are clearly determined to serve the best interests of their individual scheme members.

When I first arrived, I knew it was essential to work closely with Partner Funds to enhance the Company's communications, client-first culture and investment performance focus. With their support, we have made significant progress to transition more assets into pooled stewardship, to launch new and innovative investment funds tailored to their needs and to further consolidate our already robust governance and control environment. All this while keeping Responsible Investment at the heart of everything we do.

When the UK Government launched the LGPS asset pooling initiative in 2015 it had four key goals which would benefit local authority pension schemes, scheme members and ultimately local taxpayers.

01 **Capturing economies of scale cost savings** was the highest profile objective of LGPS asset pooling. I am pleased to report that these have been delivered for each of the ACS pooled active investment products launched by the Company since its establishment. Not just delivered, but delivered at levels in excess of initial expectations. Our projected gross cost savings over the period to 2033/34, just for the products that have already been launched and are operating, has increased to £234m. Of course, the funds will not cease operating at the end of 2034 so these savings will continue to grow as time goes on.

02 Pooling allows for **access to a broader range of asset classes**. LGPS Central Limited investment vehicles have been, or are being, developed in a range of asset classes including equities (both public and private), corporate bonds, emerging market debt and multi-asset credit.

We successfully concluded the final closing of our first Private Equity Limited Partnership; the first pensions pool to achieve this for an internally managed

STRATEGIC REPORT FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

investment vehicle. During the 2019/20 financial year we were also able to fully commit the Partner Fund assets within the "Primary Fund" investment sleeve of the Limited Partnership to a series of high quality and responsibly invested external funds.

03 The third goal was an **increase in infrastructure investment**. LGPS Central Limited currently manages a £784 million infrastructure portfolio for a Partner Fund under an advisory agreement. An infrastructure investment programme has been established which includes the seven other Partner Funds and there is potential for new invested assets of up to £300m over the next two years as a pooled vehicle is established and funded, alongside additional individual advisory agreements.

04 Finally, pooling would mean **improved governance**. A good example of our continuing focus on governance is our first AAF 01/06 Internal Controls Report. Investment management companies use the AAF 01/06 framework to monitor the internal controls they have in place. Our initial assessment started on 1 January 2020 and ran for 3 months – including the unprecedented period in March when the Covid-19 pandemic exploded within the UK. It is testament to the control environment established within the Company since its formation two years ago, and the huge efforts of all our staff, that despite the disruption, we received an unqualified independent AAF audit report. Another first amongst LGPS pool companies and one we are very proud of. We are now working on our second assessment which runs until the end of 2020 and building on our initial experiences to add further resilience to our internal control systems. Adhering to these externally accredited standards helps us provide assurance to our Partner Funds that we are operating with sound and secure processes.

I am also extremely proud of the way the entire LGPS Central Limited team responded as the Covid-19 virus spread through the UK and we all adjusted to lockdown working from home arrangements. Our well-rehearsed Business Continuity Plan was put into operation. Daily client and management team briefings were established to ensure business as usual could continue and all stakeholders received full communication on our response through the initial period of extreme uncertainty and investment market volatility.

The Company's financial performance for the year was a net profit before tax of £535,000 (2018/19: £378,000). Income from Partner Funds of £10.5 million was receivable during the year (2018/19: £9.9 million), whilst operating expenditure stood at £9.7 million (2018/19: £9.3 million). Net assets at the year-end stood at £6.8 million, up from £6.5 million. These numbers are broadly consistent with the Company's Business Plan approved prior to the start of the year, in February 2019.

The Company's principal risks include liquidity, credit and cash flow risk. A discussion of the nature of these risks and the steps the Company has taken to manage and mitigate them is included in the Directors' Report on page 22.

In last year's Report and Accounts I detailed the key performance indicators set for the Company in our Strategic Business Plan for 2019/20. I am pleased to report that we have made good progress as shown in Figure 1 below:

KPI	2019/20 KPIS	ACHIEVED
1	Target of £22bn AUM with £15bn in ACS funds	
2	Launch of sub-funds in line with agreed product delivery schedule – ensure pooled products are available across a wide range of asset classes (public and private markets)	
3	Delivery time for new pooled products, (from the date that the mandate is agreed to product open), approximately 3 months for internally managed funds and approximately 6 months for externally managed funds	
4	Provide superior investment returns net of costs	
5	Performance reporting/fund factsheets to be delivered in line with mandates and in line with SAB Transparency Code	
6	Being an active and responsible investor – 100% of product launches receive or maintain our RI-integrated status	
7	Reduce average investment management costs in each asset class	
8	Generate cost savings in the 2019/20 financial year in excess of those included in the Regulatory Business Plan	
9	Client satisfaction survey undertaken in 2019/20 to provide a baseline for future years' targets	
10	Client Portal launched	
11	We will have in place a robust control environment as evidenced by an unqualified AAF report	
12	All (non-trainee) members of LGPS Central Limited staff are assessed as competent for their roles and have Personal Development Plans in place	
13	We deliver within budget	

Figure 1: LGPS Central Limited Progress Against 2019/20 Business Plan Priorities Source: LGPS Central Limited

NOTES:

KPI 1: by March 2020 AUM stood at c.£20bn; although that was below the target of £22bn it nonetheless constituted a significant increase over March 2019 (and was impacted by market falls in the final quarter). In addition, planning for other products was well-progressed as at 31 March 2020 and shortly after year-end there was additional investment in Corporate Bonds and the new discretionary gilts mandate. Therefore this KPI has been evaluated as amber, representing a partial success.

KPI 4: the evaluation of this is considered in two distinct parts: the first of these (percentage of active funds outperforming mandate targets) is red and the second (percentage of passive funds within mandate tracking error targets) is green. Considered as a whole therefore, the RAG status is assessed as amber.

QUICK NAVIGATION

STRATEGIC REPORT FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

As Joanne has mentioned in her introduction, the Company hired a group of graduate trainees in September 2019 (below). They integrated very quickly into the Company and are already making a positive contribution.

First cohort of Graduate trainees to join LGPS Central Limited (l – r)
Jordan Bryan, Victor Popescu, Majid Mohamed, Sanesh Patel, Amelia Gaston, Laura Michie

Establishing a centre of expertise in investment management in the West Midlands is one of the eight long term objectives we share with our Partner Funds. These are shown in Figure 2. This first graduate cohort, along with the development and internal promotion of our existing people, are key steps in achieving this goal.

Figure 2: LGPS Central Pool Shared Objectives

OUR SHARED OBJECTIVES

LGPS Central Limited and our Partner Funds have the following Shared Objectives. These form part of the Pool's founding documents (the Inter Authority Agreement and Shareholders' Agreement) and remain the cornerstone aims and principes to which we remain committed, and which informed our Strategic Business Plan for 2019/20.

1. To meet the investment objectives of the participating LGPS funds.
2. To establish a collaborative platform through which administering authorities of the participating LGPS funds can aggregate their pension assets with a view to providing scale economies and improved investment efficiency.
3. To develop internal investment management capabilities for the collective benefit of the participating LGPS funds, to provide wider investment choice and market competition.
4. To create capacity to invest in asset classes which individual funds may find difficult to access.
5. To stimulate innovation and provide an opportunity for funds to engage with the investment industry in finding new and creative approaches to the funding challenges faced by the LGPS (and the wider pensions sector).
6. To act as a responsible, long-term investor, using its influence as a shareholder to promote the highest standards of corporate stewardship.
7. To create a regional centre of excellence for investment management, able (in the long term) to offer services to other pension funds, charities and endowments.
8. Following transitioning arrangements, to invest each Shareholder's pension assets either through the ACS operated by LGPS Central Limited, as the primary and exclusive collective investment vehicle for all eligible pension assets, or by appointing LGPS Central Limited to manage any non-eligible assets outside of such ACS.

DURING THE YEAR WE ALSO ACHIEVED TWO IMPORTANT OPERATING MILESTONES:

01 The value of pooled assets managed by LGPS Central Limited exceeded that of cumulative segregated mandates under our stewardship for the first time and;

02 Each one of the eight LGPS Central Pool Partner Funds is now invested in at least one of the Company's pooled funds.

Notable progress was also made during the last year in line with our commitment to our internal Responsible Investment (RI) initiatives. We met our target that 100% of our products have RI Integrated Status and that RI is fully integrated into our investment process. The RI team provided bespoke RI support to all eight Partner Funds, launched a Climate Risk Monitoring Service and we also launched our £2.1bn All World Equity Climate Multi Factor Fund. RI will remain a high priority for all stakeholders in the Central Pool in the years ahead and we will continue to develop and enhance our corporate capabilities in this area.

LGPS Central Limited

STRATEGIC REPORT FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

LOOKING FORWARDS

2020/21 was always going to be an important year for the Company as we move to consolidate the successes and learnings from our first two years of operations, continue to launch the investment vehicles identified by Partner Funds as needed to implement their strategic asset allocations, and we attempt to maintain a matching growth profile for the resources, capabilities and control systems of the business.

The challenge to our Partner Funds, all my colleagues at LGPS Central Limited and myself has undoubtedly risen as we entered 2020/21 in the unprecedented conditions of Covid-19 and the measures being taken to defend ourselves against it. The outlook for investment markets, the UK economy and how we all live our lives remains highly uncertain. However, what is certain is the need our Partner Funds will continue to have to generate sufficient investment returns to pay pensions to their scheme members and dependents as they fall due over the long-term, at a sustainable cost to local employers and taxpayers. And we at LGPS Central Limited understand the important role we have to play in this.

Whatever happens in the world around us, our priorities are to keep our people safe, deliver those investment returns, keep operating costs low and deploy Partner Fund capital in a responsible way that protects the quality of the world into which scheme members will retire.

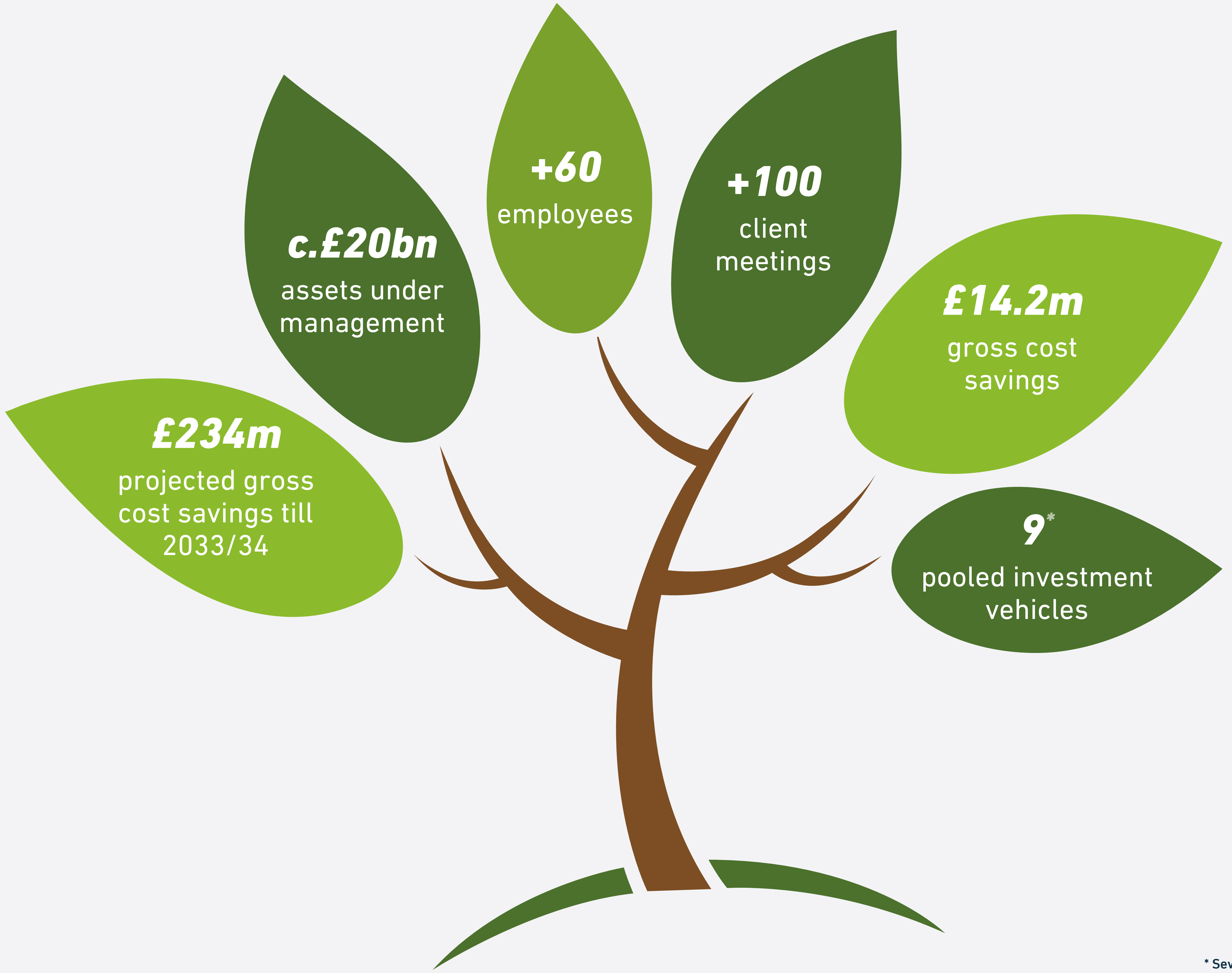
Finally, and most importantly, I would like to publicly thank all my colleagues, and Partner Fund stakeholders for their effort and commitment over the last year, and especially in these last few months of pandemic disruption. I look forward to continuing our pooling progress together, in partnership, in the year ahead.

MIKE WESTON, CEO,
LGPS CENTRAL LIMITED

> “WHATEVER HAPPENS IN THE WORLD AROUND US, OUR PRIORITIES ARE TO KEEP OUR PEOPLE SAFE, DELIVER THOSE INVESTMENT RETURNS, KEEP OPERATING COSTS LOW AND DEPLOY PARTNER FUND CAPITAL IN A RESPONSIBLE WAY THAT PROTECTS THE QUALITY OF THE WORLD INTO WHICH SCHEME MEMBERS WILL RETIRE.

QUICK NAVIGATION

OUR PROGRESS SINCE LAUNCH



£234 MILLION

is the projected cumulative gross saving until 2033/34 inclusive arising from products which were live at 31 March 2020, calculated using the LGPS Central Pool Savings Model. Note that this is subject to potential future changes in the underlying assumptions, including AUM and costs.

£14.2 MILLION

is the cumulative gross saving until 2019/20 inclusive arising from products which were live at 31 March 2020, calculated using the LGPS Central Pool Savings Model. Note that this was based on provisional AUM and cost figures in respect of the 2019/20 year and is subject to changes in those assumptions.

* Seven ACS sub-funds and two Private Equity LPs.

QUICK NAVIGATION

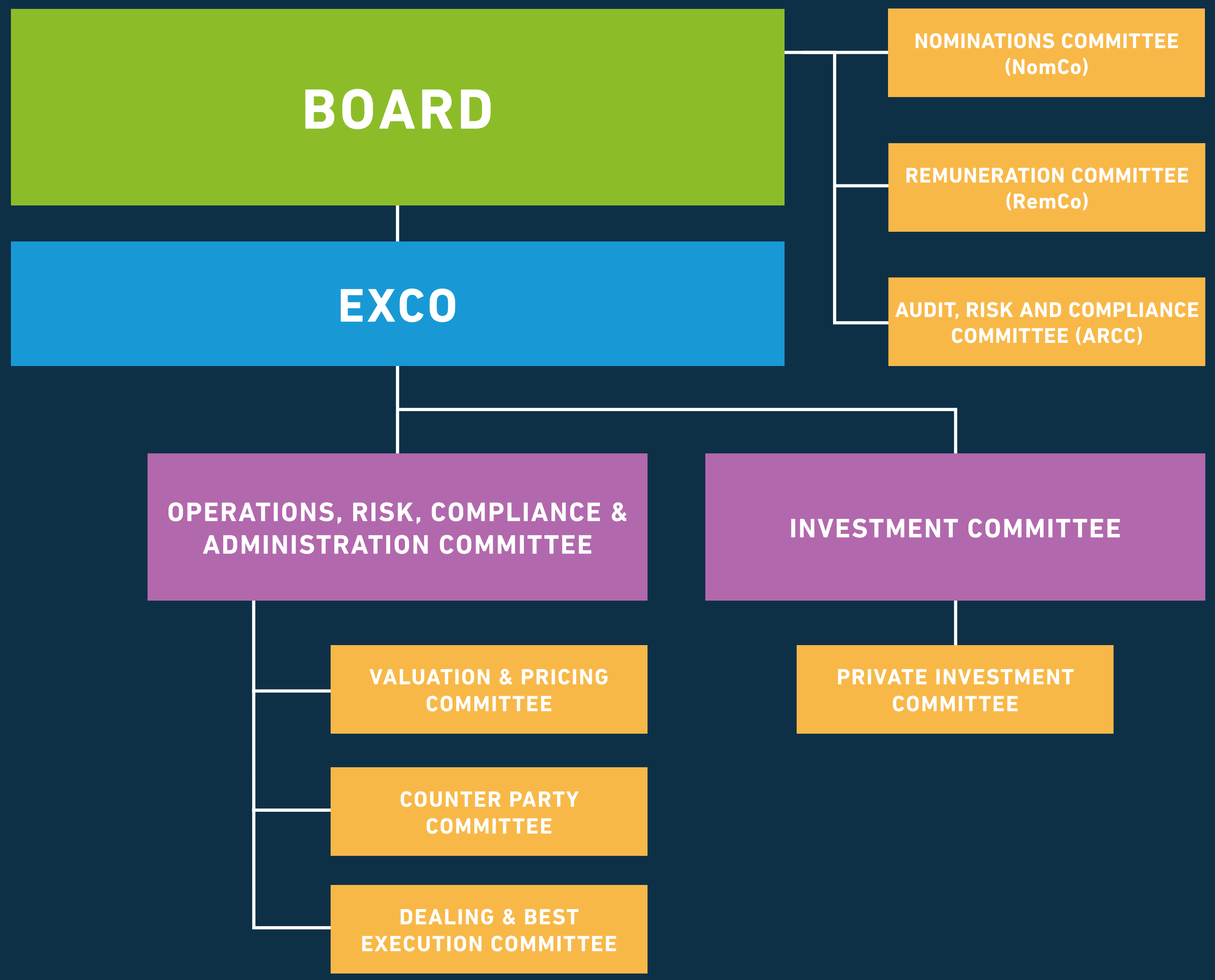
LGPS Central Limited

GOVERNANCE STRUCTURE

We take governance seriously. It is key to the effective operation and success of the Company, and to our legal and regulatory compliance.

LGPS Central Limited acknowledges that good governance is key to the effective operation of the Company, and to legal and regulatory compliance, and accordingly it has put in place a robust governance structure as shown in Figure 3.

Figure 3: LGPS Central Limited governance structure



QUICK NAVIGATION

LGPS Central Limited

GOVERNANCE STRUCTURE CONTINUED

THE BOARD

During 2019/20 the Board continued to invest significant time and effort to ensure our robust governance framework operates effectively throughout the Company. The Company Board comprises a Non-Executive Chair and three further Non-Executive Directors (NEDs). The Chief Executive Officer (CEO) and the Deputy Chief Executive and Chief Operating and Financial Officer (COFO) are executive Board members.

JOANNE SEGARS OBE

Chair and Non-Executive Director, Chair of the Nominations Committee and member of the Remuneration Committee

Joanne was appointed as the first Chair of LGPS Central Limited in May 2017. In December 2017, Joanne became a Trustee Director of NOW: Pensions, one of the UK's largest auto-enrolment pension providers and was appointed its Chair in 2019. She joined the Legal and General Independent Governance Committee, which is charged with acting in the interests of the members of L&G's DC workplace pensions, in January 2019. Joanne is Chair of the Joint Expert Panel on the Universities Superannuation Scheme and is also a Director of the Pensions Policy Institute. Joanne was the Chief Executive of the Pensions and Lifetime Savings Association (formerly the NAPF) from 2006 to 2017 having been its first Policy Director from 2005-2006. She joined the organisation from the Association of British Insurers where she was Head of Pensions and Savings. Joanne held the pensions brief at the Trades Union Congress from 1988-2001 and started her career as a Pensions Researcher and Journalist at Incomes Data Services. She was a member of the Board of the Environment Agency and chaired its pension funds from 2017-2018. From 2017-2018 she was an expert adviser to the CERN pension fund working group. She was a Board member of Pensions Europe, the EU trade association for pensions, from 2010-2017 and its Chair from 2012-2015, and Chair of the Pensions Infrastructure Platform from 2013-2016. Joanne has a degree in economics from John Moores University and an MA in Industrial Relations from the University of Warwick. She was awarded the OBE for services to pensions in the 2003 Queen's Birthday Honours.

EITHNE MCMANUS

Non-Executive Director, Chair of the Audit, Risk and Compliance Committee and member of the Nomination Committee

Eithne has worked in regulated financial services companies for over 30 years and is an experienced NED. Eithne currently sits on the Board of Countrywide Assured, where she is a member of the Audit & Risk and Investment Committees. Eithne is also a Board member at Scor Life Ireland, where she is Chair of the Risk Committee, and the mutual insurer UIA (Insurance) Ltd, where she chairs the Audit Committee and is a member of the Risk Committee. In her executive career she was a Director of Countrywide Assured and CEO of City of Westminster Assurance, having previously been its CFO. Eithne is a qualified actuary.

JOHN NESTOR

Non-Executive Director, Chair of the Remuneration Committee and member of the Audit Risk and Compliance Committee

John has worked in asset management for over 30 years. Over the course of his executive career, where he held FCA approved control functions, he was responsible for a large number of LGPS investment mandates. John was CEO and Director for the UK Institutional, Retail and Chair of the Life Company at UBS Global Asset Management, CEO at Citigroup Asset Management, and Director of Institutional Marketing and Client Service at Henderson Global Investors. He is currently an Independent Member of the Independent Governance Committee for Prudential and Chairman of the Prudential Corporate Pension Trustee Limited, and Chairman of the staff pension scheme for the Marylebone Cricket Club.

LGPS Central Limited

GOVERNANCE STRUCTURE *CONTINUED*

SUSAN MARTIN

Non-Executive Director, Member of the Nominations Committee, Audit, Risk and Compliance Committee and Remuneration Committee

Susan is a member of the Board of Town and Country Housing and an executive coach. She is the former CEO of fellow UK LGPS pensions pool, Local Pensions Partnership Ltd. Prior to this, she held multiple senior roles at the London Pension Fund Authority, including more than two years as CEO. She has also held director roles at Greenstone Consulting, Queen Victoria Hospital NHS Foundation Trust and Cancer Research UK. She has experience in strategic partnership working, start-ups, acquisitions, mergers, business change and organisational development in several industries. Additionally, she was Pensions Lead and Board Member at the Public Services People Managers Association for three years and a member of the defined benefit council and LGPS committee at the Pensions and Lifetime Savings Association.

MIKE WESTON

Executive Director, Chief Executive Officer (CEO)

Mike was appointed Chief Executive Officer of LGPS Central Limited in March 2019. He was previously Chief Executive of the Pensions Infrastructure Platform (PiP) between 2014 and 2019. Earlier in his career Mike had been Chief Investment Officer for the DMGT pension schemes and worked as an Investment Director in the City managing institutional equity portfolios at investment management firms such as Hermes and Merrill Lynch Investment Managers. In 2013 Mike was appointed as an Independent Trustee of the Institute of Cancer Research Pension Scheme and in 2019 he took over as Chair of the Trustee Board. He has also served as a Non-Executive Director of the NAPF and as Vice Chair of its Defined Benefit Council. Mike holds an MBA from Cranfield School of Management and graduated from Cambridge University with an MA in Natural Sciences.

JOHN BURNS

Executive Director, Deputy Chief Executive and Chief Operating and Financial Officer (COFO)

John joined the Board of LGPS Central Limited in September 2017 where he is responsible for the oversight of corporate and control functions and for the financial management of the Company. John was previously Group Chief Operating Officer with Baring Asset Management, a London based global asset manager. He has extensive international COO experience in developed, emerging and frontier markets across both institutional and wholesale sectors. Prior to this, John had various COO, finance and risk management positions with Schroders, Fidelity and Visor Capital in London and in Asia. His previous experience as an Executive Management Committee member encompasses leadership, strategic business development and oversight of many aspects of asset management, together with practical knowledge of global regulatory and governance regimes.

The Board met eleven times during the year. Attendance at the Board and sub-committee meetings is shown below in Figure 4, with the first number denoting meetings attended and the second the number of meetings they were eligible to attend.

Figure 4: Board attendance for the period 1 April 2019 to 31 March 2020

NAME	BOARD (INC. SPECIALS)	REM CO	ARCC	NOM CO
Joanne Segars	11/11	4/4	4/4	4/4
Eithne McManus	10/11	3/4	4/4	4/4
John Nestor	10/11	4/4	4/4	3/4
Susan Martin *	1/1	1/1	1/1	-
Mike Weston	11/11	4/4	4/4	4/4
John Burns	11/11	4/4	4/4	4/4

* Susan Martin was appointed on 3 February 2020

During the 2019/20 financial year, Joanne Segars, Eithne McManus and John Nestor were all members of RemCo, NomCo and ARCC.

QUICK NAVIGATION

LGPS Central Limited

GOVERNANCE STRUCTURE CONTINUED

To support its work, the Board has established three sub-committees. In line with FCA guidance, membership of these committees is limited to the NEDs:

01

REMUNERATION COMMITTEE

The responsibilities of the Remuneration Committee are to approve the Company's remuneration strategy and policy, to review pensions arrangements for staff, succession planning and to approve performance objectives for senior management. The members of the Committee are John Nestor (Chair), Joanne Segars and Susan Martin, all of whom are independent NEDs. The Committee met four times during 2019/20. The activities of the Committee during this time included the recommendation to Shareholders of remuneration packages for Executive Directors, the approval of remuneration packages for all other staff and approval of the remuneration policy in light of the changes to SMCR.

02

AUDIT, RISK AND COMPLIANCE COMMITTEE

The responsibilities of the Audit, Risk and Compliance Committee are to ensure the effectiveness of systems control. It provides leadership and oversight of the Company's risk management system and compliance policies and procedures, and of the internal and external audit processes. The members of the Committee are Eithne McManus (Chair), John Nestor and Susan Martin, all of whom are Independent NEDs. The Committee met four times during 2019/20. The activities of the Committee during this time included discussion and approval of the Company's risk register and compliance monitoring plan, review of the an Internal Capital Adequacy Assessment Process review and Pillar Three disclosures and the significant work which was carried out within all areas of the company to prepare for the AAF review of the control framework. The Committee also provided oversight of the outsourced internal audit process, including agreeing the audit plan and reviewing with management the results of the internal audit reviews which were carried out during the year. It also oversaw the external audit process, both for LGPS Central Limited itself and the first financial statements of Private Equity entities. It approved the extension of the role of the external auditor, Deloitte, to provide assurance in relation to the AAF process.

03

NOMINATIONS COMMITTEE

The responsibilities of the Nominations Committee are to recommend to Shareholders the appointment/re-appointment of Executive and NEDs, the evaluation of the performance of the Board and succession planning. The members of the Committee are Joanne Segars (Chair), Eithne McManus and Susan Martin, all of whom are Independent NEDs. The Committee met four times during 2019/20. The activities of the Committee during this time included the appointment of Susan Martin as NED, an annual review of Chair and Non-Executive Directors and Board Committee memberships.

QUICK NAVIGATION

LGPS Central Limited

GOVERNANCE STRUCTURE *CONTINUED*

The Board has created an Executive Committee (ExCo) which is chaired by the CEO. In addition to the COFO, ExCo members are the Chief Investment Officer (CIO), Chief Compliance and Risk Officer (CCRO), General Counsel (GC) and from May 2020 our Head of HR, Harj Kaur. ExCo has primary authority and responsibility for the management of the Company's asset management business, all operational and financial functions, the risk, compliance and legal functions, and for the formulation and implementation of the Company's strategy and budget, subject to the delegations approved by the Board.

The Board has also created an Investment Committee (IC) which is subordinate to ExCo and is chaired by the CIO. In addition to the CIO, IC members are the Deputy Chief Investment Officer (DCIO), six Investment Directors, the Director of Responsible Investment and Engagement and the CCRO. The IC has primary authority for the management of the Company's investment management function, and for the formulation and implementation of the Company's investment strategy and product development, under the direction and oversight of ExCo, and subject to the investment strategy approved by the Board.

In addition, the Company operates an Operations, Risk, Compliance and Administration Committee (ORCA) which also reports to ExCo,and which has primary authority for the management of LGPS Central Limited's support functions, and for the formulation and implementation of the Company's operations strategy. Members are the DCEO, CCRO, General Counsel and the Head of Investment Operations.

The ORCA is responsible for ensuring the effective and efficient operation of the Company's infrastructure, operational oversight of key outsourcing arrangements, procurement and risk, as well as valuations and pricing and counterparty credit through two sub-committees.

MESSAGE FROM THE CIO

GORDON ROSS,
CHIEF INVESTMENT OFFICER

The 2019/20 financial year proved to be one our Investments team can look back on and be proud of. We launched three new sub-funds:

Figure 5: 2019/20 LGPS Central Limited launched sub-funds

ACS SUB-FUND	PARTICIPATING PARTNER FUNDS	AUM AT LAUNCH (£)	LAUNCH DATE
Emerging Markets Equity Active Multi-Manager Fund	Leicestershire, Nottinghamshire, Worcestershire	0.53bn	July 2019
All World Equity Climate Multi Factor Fund	WMPF, Cheshire	2.1bn*	October 2019
Global Investment Grade Corporate Bond Fund	Derbyshire, Nottinghamshire, Staffordshire, Worcestershire, WMPF	1.4bn	February 2020
TOTAL	7 participating Partner Funds	4.03bn	

* The Climate Multi Factor Fund includes £1.5bn transferred from an existing pooled sub-fund

Source: LGPS Central Limited

These funds meant we transitioned over £4bn of assets under our stewardship, received investments from all our Partner Funds, and - for the first time - the value of our pooled assets exceeded that of cumulative segregated mandates.

Our AUM now stands at c.£20bn, almost half of the Pool's total collective assets.

The team welcomed several new faces who have added real value to the Company as we continue our ambitious growth programme.

These included Elizabeth Bebb, Portfolio Manager for Active Equities, and Nadeem Hussain, Senior Portfolio Manager for Property and Infrastructure.

We've also developed newer and more efficient ways of working, using the experience from our first year in operation to offer an enhanced service to our clients. An example of this is our new Product Development Protocol, which gives Partner Funds multiple touchpoints to work collaboratively with us before the launch of a fund.

QUICK NAVIGATION

LGPS Central Limited

MESSAGE FROM THE CIO CONTINUED

We were delighted to launch our £2.1bn All World Equity Climate Multi Factor Fund at the London Stock Exchange in October 2019, something that enables us to align our shared sustainable investment ethos with our long-term investment goals.

I'm also personally very proud of launching our Global Investment Grade Corporate Bond Fund in March 2020.

Not only did we have to deal with the backdrop of a snap UK General Election and the prospect of a no deal Brexit, but the asset transition took place just as the Covid-19 pandemic was beginning to spread across the globe.

It took a lot of cool heads and collaboration to ensure everything ran smoothly and reached a successful conclusion.

Indeed, last year presented an economic backdrop more volatile than many of us have ever experienced.

The most dominant theme affecting financial markets has been the reaction to the outbreak of Covid-19. However, the effects of this were only felt from Q1 2020, diverting the attention away from the other global themes characterising markets during the full financial year of 2019/20.

Before the coronavirus dominated headlines, we saw an oil price war amid the ebb and flow of trade tensions between the US and China. The Eurozone made efforts to expand their economy and the UK saw its political and Brexit uncertainty continue into the new fiscal year.

Other events that impacted on the global economy included US tariffs on Mexican imports, speculation over possible further stimulus from the European Central Bank (ECB) and an attack on oil infrastructure in Saudi Arabia in September 2019 resulting in a sharp rise in the price of crude oil.

We may have experienced some turbulent times, but much was achieved by the Pool.

Our passively managed pooled ACS sub-funds performed as expected. They have low tracking errors ensuring their returns match the indices they are benchmarked against.

Within our actively managed ACS sub-funds, the Global Emerging Markets Equity Fund is outperforming its mandate target. Both it and the Global Active Equities Fund are very early into the first rolling five-year performance assessment period agreed with Partner Fund clients as the most appropriate measure for the Pool as a long-term investor.

We have been closely monitoring our investment performance and working with Partner Funds to develop and enhance the reporting process. Over the course of the year, over 60 individual reports have been issued on time. Three different levels of report have now been introduced to ensure that the most relevant information is shared with each different client group in a timely manner.

Finally, cost savings have been delivered for each of the pooled active investment products launched by the Company since its establishment and delivered at levels in excess of initial expectations. These have been driven by significant reductions in external manager fees.

As we move forward in what will be unprecedented economic times, we will do all we can to achieve the returns our Partner Funds need to pay their scheme members. Not only that, but we will do it with Responsible Investment at the heart of what we do.

We are a long-term investor and believe that our long-term goals are still very much achievable, despite short-term volatility.

RESPONSIBLE INVESTMENT

One of the things we've been most proud of this year has been our commitment to Responsible Investment (RI). This is extremely important to the Company, our Partner Funds and their pension scheme members.

We made some great progress, including the launch of our All World Equity Climate Multi Factor Fund, which is designed to take into account the risks and opportunities associated with climate change.

The engagement work we carry out with the firms we invest in has resulted in many positive outcomes, such as Barclays' recent milestone climate change policy to be a net zero bank by 2050, work with Royal Dutch Shell to limit the firm's net carbon footprint in line with the Paris Agreement, and link executive pay to the attainment of this goal, and work with mining company BHP to implement sufficient safety standards in their mines.

We're proud to have achieved RI-integrated status on 100% of our products, and we rolled out our Climate Risk Monitoring Service to help Partner Funds make better informed investment choices.

We were also delighted to be awarded the Impact Investment Award at the 2019 Institutional Investment Peer to Peer awards in recognition of our sector leading RI work.

For more on our RI work, including our latest Quarterly Stewardship Report, voting principles and consultation responses, please visit:
www.lgpscentral.co.uk/responsible-investment

LGPS Central Limited

SHARING OUR INVESTMENT EXPERTISE

Our Partner Funds make important investment decisions that impact on hundreds of thousands of their pension scheme members. So, it's important they are given the right information to make the best decisions.

The individual LGPS pension schemes that make up the Central Pool already do a tremendous job at training their Pension Committee members. LGPS Central Limited was able to contribute to this effort during 2019/20 by staging two investment summits for Partner Fund elected members, officers and Pension Board members.

Recognising the importance of RI to Partner Funds, on 9 July 2019 the LGPS Central Limited team hosted a Responsible Investment Summit. During a full day of wide-ranging presentations and discussions, topics such as climate change, disruptive industries and single-use plastics were highlighted.

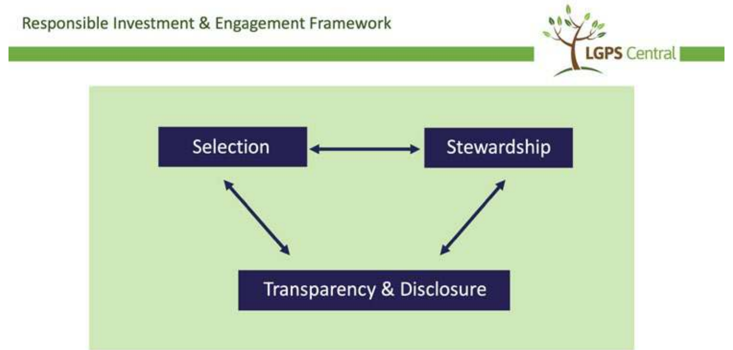
Increasing investment allocations to the Infrastructure asset class has been a consistent objective of LGPS pooling and a focus for elected members within the Central Pool. On 26 November 2019, LGPS Central Limited delivered its first Infrastructure Investment Summit. The event focused on the opportunities infrastructure investment can bring to pension funds looking to diversify their asset portfolios and enhance investment returns.

Both summits were well received by the Partner Fund audience and individual delegate feedback confirmed the events were appropriately structured, technically professional and achieved their educational objectives.

HERE ARE SOME COMMENTS FROM THE AUDIENCE:

RESPONSIBLE INVESTMENT SUMMIT

9 JULY 2019



"AN ENGAGING AND INTERACTIVE EVENT THAT INFORMED AND BROUGHT DEBATE TO TODAY'S KEY ISSUES ON RESPONSIBLE INVESTMENT

"WELL ORGANISED FOCUSED EVENT. HOPEFULLY ALLOW A CONSISTENT DEVELOPED STRATEGY FOR RI

"REALLY GOOD DAY – WELL ATTENDED BY OFFICERS AND MEMBERS WHICH SHOWS A LEVEL OF INTEREST

"I THOUGHT THIS WAS A HELPFUL AND WELL-STRUCTURED EVENT

INFRASTRUCTURE INVESTMENT SUMMIT

26 NOVEMBER 2019

"WELL ORGANISED AND THOUGHT-THROUGH EVENT. PITTED AT RIGHT LEVEL FOR ALL TO LEARN SOMETHING NEW ABOUT INFRASTRUCTURE

"EXCELLENT SESSION TO INTRODUCE THE INVESTMENT OPTIONS

"GOOD MIX OF SPEAKERS AND TABLE DISCUSSION

QUICK NAVIGATION

LGPS Central Limited

COMPLIANCE & RISK MANAGEMENT

MIKE VINTON,
CHIEF RISK & COMPLIANCE OFFICER

The Company is committed to maintaining a robust culture of risk management and compliance.

Over the course of 2019/20 the Compliance and Risk team worked to enhance and embed the Risk Framework approved by the LGPS Central Limited Board and appropriate for the size and complexity of our business.

The Risk Framework has been designed to meet the expectations created by the risk appetite articulated by the Board. This risk appetite is a statement of the baseline risk the Company is willing to accept in meeting its strategic goals before mitigating actions are triggered.

These organisational arrangements underpin our governance model and demonstrate that the Company is identifying, monitoring and managing its regulatory and risk environment. Our risk frameworks are embedded within each department of the Company, allowing them to develop specific control processes to mitigate the individual risks they are most exposed to. This encourages a culture of ownership and accountability across the Company.

The Compliance, HR and Legal teams worked closely together during the year to design, deliver and implement the policies, processes and governance changes needed to successfully introduce the requirements of the FCA's new UK Senior Managers and Certification Regime (SMCR). SMCR applied to the Company from 9 December 2019 and in preparation we had identified all Senior Managers and Certification staff; provided both SMCR and Conduct training to all staff; ensured that Prescribed Responsibilities were appropriately apportioned; and that all Senior Managers had documented their own Reasonable Steps to comply. The Board were provided with bespoke training and now receive regular management information to monitor adherence to our regulatory requirements.

In line with another FCA regulatory requirement, the Company is currently preparing its first "Value for Money Assessment," which will be shared with Partner Funds.

Following a period of preparation during 2019, the Company embarked on an externally verified full type 2 AAF 01/06 internal controls report covering the period 1 January 2020 to 31 March 2020. This has involved extensive tests of the design and operational effectiveness of our key controls within the business areas of investment management, private equity and information technology. This is an important report for the demonstration of the robustness of our control environment and it is an ambitious step given the relatively early stage of the Company's development. The final, unqualified report was made available to Partner Funds in June 2020. This was a huge achievement for such a young Company and the result of a dedicated team effort.

The Company's successful response to Covid-19 and the subsequent changes to working arrangements is testament to the robustness of our Business Continuity Plan arrangements, control environment and governance structure. Our actions have included the creation of a forward-looking four-week rolling business plan, an issues log and a dedicated Covid-19 Risk Register. These are discussed at ExCo and Senior Management Team meetings and are regularly communicated to the Board. In addition, the significant investment market movements caused by the pandemic have necessitated an increased focus on liquidity monitoring and fair value pricing arrangements in relation to the funds and portfolios being managed by LGPS Central Limited. No adverse issues have been identified.

LGPS Central Limited

COMPLIANCE & RISK MANAGEMENT CONTINUED

Our ICAAP (Internal Capital Adequacy Assessment Process) is a measure of the amount of capital required for the risks the Company faces. This was reviewed by the Audit, Risk and Compliance Committee in March 2020. It is designed to ensure that all the business risks of the Company are adequately and appropriately considered and stress tested.

The Company's capital held for regulatory purposes is made up of equity and debt capital provided by its Partner Funds (net of cumulative losses). At year-end, the Company's available capital exceeded the amount required by its ICAAP. The Company did not have any externally-imposed capital requirements during the year. There were no changes in the Company's regulatory capital during the year.

The Company's objectives for the management of regulatory capital are to ensure that the capital is held in a form which is secure and liquid and therefore readily accessible by the Company in the event of a significant risk event materialising.

Monitoring of regulatory capital is integrated with the monitoring of expenditure, income and the Company's balance sheet position, and is subject to regular reporting to senior management.

OUR PEOPLE

HARJ KAUR,
HEAD OF HR

The talented and committed team at LGPS Central Limited is key to the Company's growth, development and ultimate success. During 2019-20 we progressed our people development strategy across a number of critical areas, two of which are highlighted below.

LEARNING AND DEVELOPMENT

We completed our first full cycle of performance development reviews for every member of staff. These focussed on personal behaviours, technical skills and leadership capabilities. A formal company training plan has been developed that focuses on core role requirements to maintain staff competence but also develops additional technical capabilities and soft skills that align to Company values and behaviours.

STAFF RECRUITMENT & ENGAGEMENT

During 2019/20 we recruited great candidates from across the public and private sectors bringing a wealth of diverse experience into the Company. We encourage diversity and inclusivity and are working towards a 50/50 gender balance alongside a positive age and ethnicity mix. We have increased our proportion of female staff by 6% and seen an increase in BAME recruitment of 14% in the last 18 months. We reinforce this inclusive culture through membership of leading organisations such as the 30% Club.

Our culture is regularly monitored through staff engagement surveys. The most recent achieved a highly encouraging 80% participation rate and overwhelmingly positive comments around the friendly and supportive workplace that has been developed across the Company offices in Wolverhampton and Matlock.

During 2019/20 we introduced a "Staff Voice Group" to promote the airing of staff views and opinions for further improving our workplace environment. We also introduced an Employee Assistance Programme (EAP) to support staff and their families, which was well received and utilised. A gauge of our success with employee engagement are our sickness and staff turnover rates, which are consistently below national averages.

During the year we also launched a monthly value recognition award scheme. This recognises colleagues who have delivered strong performances in their individual areas whilst simultaneously demonstrating commitment to our corporate values and behaviours.

QUICK NAVIGATION

LGPS Central Limited

DIRECTORS' REPORT

The directors present their annual report on the affairs of LGPS Central Limited, together with the financial statements and auditor's report, for the year ended 31st March 2020.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report from the Chief Executive Officer on pages 6 to 9.

GOING CONCERN

The report and accounts have been prepared on the going concern basis. Details of the considerations that the Company has taken into account in determining that the Company should be accounted for on the going concern basis are set out in note 2 to the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events since the balance sheet date are contained in the Strategic Report from the Chief Executive Officer on pages 6 to 9 and in note 19 to the financial statements.

EXISTENCE OF BRANCHES OUTSIDE THE UK

The Company has no branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The nature of the shareholder structure and the client relationship mitigates much of the Company's financial risk exposure. The Company does not use derivative financial instruments.

CASH FLOW RISK

The Company's activities expose it primarily to the financial risks of delayed or disputed trade receivables. However, this is mitigated by the joint and several obligations of shareholders to bear the costs of the Company.

CREDIT RISK

The Company's principal financial assets are bank balances, trade and other receivables.

The Company's credit risk against its trade receivables is considered to be minimal as at 31st March 2020 as the only trade receivables were income due from Partner Funds, and therefore Government-backed.

The credit risk on liquid funds is limited because the counterparty at the year-end is a UK bank and a small number of Money Market Funds (MMFs) with high credit-ratings assigned by international credit-rating agencies.

LIQUIDITY RISK

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term capital and medium-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

DIVIDENDS

The Directors do not recommend a final dividend in relation to the year 2019/20.

DIRECTORS

The Directors, who served throughout the year except as noted, were as follows:

NAME	POSITION	DATE OF APPOINTMENT
Joanne Segars	Chair, Non-Executive Director	1st May 2017
Mike Weston	Director and Chief Executive Officer	7th March 2019
Eithne McManus	Non-Executive Director	11th August 2017
John Nestor	Non-Executive Director	11th August 2017
John Burns	Director and Chief Operating and Financial Officer	21st September 2017
Susan Martin	Non-Executive Director	3rd February 2020

* Joanne Segars and Eithne McManus were formally re-appointed to the Board on 23 April 2020 (with effect from 1 May 2020 for Joanne Segars and with effect from 11 August 2020 for Eithne McManus).

POLITICAL CONTRIBUTIONS

No political donations were made during the year.

AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

MIKE WESTON, CEO,
LGPS CENTRAL LIMITED

06 July 2020

Mander House
Mander Centre
Wolverhampton
WV1 3NB

LGPS Central Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGPS CENTRAL LIMITED

Report on the audit of the financial statements

OPINION
In our opinion the financial statements of LGPS Central Limited ('the Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss and other comprehensive income;
- the statement of financial position;
- the statement of total changes in equity;
- the statement of cash flows;
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Financial Reporting Council's (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 required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

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 respect of these matters.

RESPONSIBILITIES OF DIRECTORS
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.

LGPS Central Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGPS CENTRAL LIMITED CONTINUED

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Andrew Partridge CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Glasgow, United Kingdom

LGPS Central Limited

FINANCIAL STATEMENTS *for the Year Ended 31st March 2020*

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2020

	Notes	2020 £000	2019 £000
Revenue	5		
Operating Income		10,479	9,890
Total Revenue		10,479	9,890
Expenses	6		
Staff Costs		(5,283)	(5,525)
Other Operating Expenses		(4,452)	(3,740)
Total Expenses		(9,735)	(9,265)
Operating Profit		744	625
Interest Receivable		117	92
Interest Payable	12, 13	(326)	(339)
Profit Before Taxation		535	378
Taxation	7	-	-
Profit for the year		535	378
Other Comprehensive Income			
Net Actuarial (Loss)/Gain on Defined Benefit Schemes	14	(272)	18
Total Comprehensive Income for the Year		263	396

All results are from continuing operations. Items of other comprehensive income will not be reclassified to profit or loss.

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2020

	Notes	31st March 2020 £000	31st March 2019 £000
Assets			
Non-Current Assets			
Right-of-Use Assets	8	110	207
Total Non-Current Assets		110	207
Current Assets			
Trade and other receivables	9	3,319	2,080
Cash and cash equivalents	10	13,077	13,404
Total Current Assets		16,396	15,484
Total Assets		16,506	15,691
Liabilities			
Current Liabilities			
Trade and other payables	11	(2,001)	(1,903)
Borrowing	12, 13	(335)	(404)
Other financial liabilities	15	(79)	(43)
Total Current Liabilities		(2,415)	(2,350)
Non-Current Liabilities			
Borrowing	12, 13	(4,823)	(4,908)
Other financial liabilities	15	(685)	(685)
Post-employment benefits	14	(1,805)	(1,233)
Total Non-Current Liabilities		(7,313)	(6,826)
Total Liabilities		(9,728)	(9,176)
Net Assets		6,778	6,515
Capital and Reserves			
Called-up share capital	15	10,520	10,520
Retained losses		(3,742)	(4,005)
Total Capital and Reserves		6,778	6,515

The financial statements on pages 26 to 40 were approved by the Board of Directors and authorised for issue on 06 July 2020 and were signed on their behalf by:
John Burns, Director, Company Registration Number 10425159

LGPS Central Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2020

	Share Capital £000	Profit and Loss Reserve £000	Total £000
Balance at 1 April 2019	10,520	(4,005)	**6,515**
Profit for the year	-	535	**535**
Other Comprehensive Income:			
Net Actuarial Loss on Defined Benefit Schemes	-	(272)	**(272)**
Balance at 31 March 2020	10,520	(3,742)	6,778

	Share Capital £000	Profit and Loss Reserve £000	Total £000
Balance at 1 April 2018	10,520	(4,401)	**6,119**
Profit for the year	-	378	**378**
Other Comprehensive Income:			
Net Actuarial Gain on Defined Benefit Schemes	-	18	**(18)**
Balance at 31 March 2019	10,520	(4,005)	6,515

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2020

	Notes	2020 £000	2019 £000
Net Cash Flows used in Operating Activities	16	(210)	(2,488)
Net Cash Flows from Investing Activities		-	-
Net Cash Flows used in Financing Activities			
Contractual Amounts Payable for Leases Recognised under IFRS 16		**(117)**	(108)
Total Net Cash Flows used in Financing Activities		**(117)**	(108)
Net Decrease in Cash and Cash Equivalents		(327)	(2,596)
Cash and Cash Equivalents at the Beginning of the Year		**13,404**	16,000
Cash and Cash Equivalents at the End of the Year		13,077	13,404

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 31st March 2020

1. COMPANY INFORMATION

LGPS Central Limited is a private Company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. Its registered office is Mander House, Mander Centre, Wolverhampton, WV1 3NB.

The nature of the Company's operations and its principal activities are set out in the Strategic Report from the Chief Executive Officer on pages 6 to 9.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by the European Union and the requirements of the Companies Act applicable to companies reporting under IFRS. In adopting IFRS, LGPS Central Limited is consistent with its Partner Funds.

The financial statements have been prepared on the historical cost basis. The significant accounting policies adopted by the Company are set out in Note 4.

BASIS OF CONSOLIDATION

LGPS Central Limited has control over the assets held by LGPS Central ACS. However, since these are held on behalf of investors, and LGPS Central Limited has no right to the economic benefits arising from these assets, the assets, and the investment income and costs associated with them, have not been consolidated into the Company's accounts.

Similarly, LGPS Central Limited has control over the assets held by LGPS Central GP LLP, and in turn the underlying Limited Partnerships in which that LLP is a partner, which were set up to manage alternative investments through partnerships. However, since these are held on behalf of investors, and LGPS Central Limited has no right to the economic benefits arising from these assets, the assets, and the investment income and costs associated with them, have not been consolidated into the Company's accounts.

The Company is also the sole owner of a subsidiary entity, LGPS Central (Feeder) Limited, which was established for the same purpose of managing alternative investments. However, this entity had no assets, liabilities, income or expenditure during the financial year and therefore has not been consolidated into the Company's accounts.

There are no other entities whose relationship with LGPS Central Limited would require consolidation with the Company's accounts.

GOING CONCERN

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

During the final quarter of the financial year, the effects of the COVID-19 global health pandemic began to be felt in the United Kingdom as elsewhere. The pandemic has had major social and economic impacts in the impacted countries.

Markets have experienced large general declines in values, which have had a direct impact on the valuations of funds managed by LGPS Central Limited. However, due to the nature of the Company's revenue model, this has not impacted on the Company's revenues, nor is it expected to do so in the future. The decline in market values does not therefore affect the Company's use of the going concern assumption.

The pandemic has had a significant impact on the Company operationally, following the introduction of a general confinement from March 2020. This has meant that all of the Company's employees have been working from home since that date, as have the employees of its key suppliers. However, by implementing its business continuity plan the Company was able to ensure a smooth transition with minimal impact on day-to-day processes and internal controls. The Company has also worked closely with its key suppliers to ensure that services and controls operated by them as well as lines of communication between the organisations continued to operate effectively.

In light of this above, the directors believe that the Company has responded and adapted effectively to the operational impact of the COVID-19 pandemic and could continue to operate as it currently is for the foreseeable future, and that therefore this too does not affect the use of the going concern assumption.

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, which are described in Note 4, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

PENSIONS LIABILITY

There is a source of estimation uncertainty in respect of the pensions liability: estimates of the net pension obligation 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. Because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Further detail about the potential impact of these assumptions is included in Note 14 (Pension Benefits).

4. PRINCIPAL ACCOUNTING POLICIES

REVENUE

Revenue from the sale of services is recognised in the period in which services are delivered, provided that the amount of revenue can be measured reliably, and it being considered probable that the Company will receive the consideration due.

The Company's principal source of revenue is its Partner Funds. The Company and the Partner Funds have entered into a Cost-Sharing Agreement, which provides a commitment by the Partner Funds to meet the Company's costs (subject to the annual budgetary approval process) and sets out how those costs will be shared between the Partner Funds. This is supplemented by the Pricing Schedule, which sets out the exact prices which apply to each product or service line at a particular time, and which is subject to quarterly review to reflect changes in costs, the make-up of products and services and the value of assets under management during the course of the financial year.

FOREIGN CURRENCY

Transactions entered into by the Company in a currency other than sterling are recorded at the rates ruling when those transactions occurred.

Financial Instruments

The Company adopted IFRS 9 for the first time in 2018/19, and accordingly has classified its assets in accordance with the standard, as set out in the following paragraphs.

FINANCIAL ASSETS

LGPS Central Limited classifies its financial assets as set out below, based on the purpose for which the asset was acquired.

Trade Receivables

Trade receivables are classified as financial assets at amortised cost and are initially recognised at transaction price. They are subsequently measured at their amortised cost using the effective interest method, less any allowance for credit losses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and other highly-liquid short-term deposits held by the Company with maturities of less than three months. Bank overdrafts, where applicable, are presented within loans and borrowings in current liabilities.

FINANCIAL LIABILITIES

LGPS Central Limited classifies its financial liabilities as set out below, based on the purpose for which the liability was acquired.

Trade Payables

Trade payables are classified as financial liabilities at amortised cost and are accordingly recognised at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are classified as financial liabilities at amortised cost and are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Preference Shares

Preference shares issued by the Company are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest method.

SHARE CAPITAL

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity investments.

DEFINED CONTRIBUTION PENSION SCHEMES

Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income in the year to which they relate.

DEFINED BENEFIT PENSION SCHEMES

Defined benefit pension scheme surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less:
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high-quality corporate bonds that have maturity dates approximating to the terms of the liabilities and are denominated in the same currency as the post-employment benefit obligations; less:
- The effect of minimum funding requirements

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

agreed with scheme trustees.

Re-measurements of the net defined benefit obligation are recognised directly within equity. The re-measurements include:

- Actuarial gains and losses;
- Return on plan interests (excluding interest);
- Any asset ceiling effects (excluding interest).

Service costs are recognised in the Statement of Comprehensive Income and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (or income) is recognised in the Statement of Comprehensive Income and is calculated by applying the discount rate used to measure the defined benefit obligation (or asset) at the beginning of the year to the balance of the net defined benefit obligation (or asset), considering the effects of contributions and benefit payments during the year.

Gains or losses arising from changes to scheme benefits or scheme curtailment are recognised immediately in the Statement of Comprehensive Income.

DIVIDENDS

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Dividends on the preference shares are recognised on an accruals basis when an obligation exists at the reporting date.

TAXATION

The Company incurs irrecoverable Value-Added Tax (VAT) on some of its expenses, which is shown as an operating cost in the Statement of Comprehensive Income. The actual amount of irrecoverable VAT incurred is subject to an agreement with Her Majesty's Revenue and Customs (HMRC), and the amounts shown in the Statement of Comprehensive Income have been calculated in accordance with this agreement.

LEASES

The Company adopted IFRS 16 for the first time in 2018/19 (a year earlier than required by the standard) and has accounted for leases in accordance with the standard. Further details of the assets can be found at Note 8, and details of the lease liabilities can be found at Note 13.

In calculating the net present value of the Company's future obligations under lease agreements, the Company has applied a discount rate equal to the rate of interest payable on the loans provided by its Partner Funds.

5. REVENUE

The Company's principal source of income is fees payable by its Partner Funds. Income due for the year ended 31st March 2020 is analysed as follows.

All of the Company's income streams are linked to a particular time period, meaning that benefits are received and consumed simultaneously by its customers, which in turn means that there are no income streams for which performance obligations are partially-complete. Furthermore, invoices are only issued after the end of the time period to which they relate and the Company therefore has an unconditional right to such income. In light of these factors, the Company has not identified any contract assets or contract liabilities.

	2020 £000	2019 £000
Investment Management and Monitoring		
Authorised Contractual Scheme	1,326	929
Limited Partnership	169	97
Discretionary	406	732
Advisory and Advisory-with-Execution	487	812
Execution-Only	17	17
Product Development	1,408	1,094
Governance	1,725	1,581
Operator Running Costs	4,913	4,370
Pensions Entry Debt	-	191
Other Recharges	28	67
Total	**10,479**	9,890

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

6. EXPENSES

The Company's expenses for the year ended 31st March 2020 are analysed as follows:

	2020 £000	2019 £000
Staff costs		
Salaries	4,085	3,702
Social Security Contributions	465	393
Pension Contributions	733	1,430
Audit fees (financial statements)	23	23
Assurance fees (CASS) payable to Auditor	9	9
AAF 01/06 Review Fees Payable to Auditor	65	-
Irrecoverable VAT	32	30
Depreciation	105	100
Other Administrative Expenses	4,218	3,578
Total	**9,735**	9,265

Employees of LGPS Central Limited are members of one of two pension schemes: the Local Government Pension Scheme (LGPS), administered by West Midlands Pension Fund, and a Defined Contribution (DC) scheme operated by Aviva. Further details about the pension schemes can be found in Note 14.

The number of employees rose from 48 at the beginning of the year to 62 at 31st March 2020 (2018/19: 17 to 48). The average number of employees over the course of the 2019/20 year was 57 (2018/19: 43). The following table provides a breakdown of the number of employees.

	31st March 2019	31st March 2020	Average 2019/20
Board	5	6	5
Investments	22	26	24
Support Services	21	30	28
Balance at 31 March 2020	48	**62**	57

Fees of £65,000 were payable to the external auditor during 2019/20 for the AAF 01/06 review (2018/19: nil). No other fees were payable to the external auditor other than for the audit of the financial statements and CASS requirements.

Details of directors' remuneration are included in Note 18.

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

7. TAXATION

Since the Company brought forward cumulative losses in the form of pre-trading expenditure during 2017/18, which more than offset the net profits for 2018/19 and 2019/20, no corporation tax was payable for either year.

	2020 £000	2019 £000
Current tax:		
Total current tax	-	-
Deferred tax:		
Total deferred tax	-	-

	2020 £000	2019 £000
Profit before tax	535	378
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	102	72
Effect of pre-trading expenses used to reduce taxable profit for the year	(102)	(72)
Tax expense for the year	-	-

The standard rate of corporation tax applied to reported profit is 19% (2019: 19%).

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However in the March 2020 budget it was announced that the reduction in the UK rate to 17% will now not occur and the corporation tax rate will be held at 19%.

8. RIGHT-OF-USE ASSETS

The Company does not own any property, plant and equipment directly, but has recognised assets arising from leases under IFRS 16 (details of commitments under those leases are provided in Note 13). These assets are depreciated on a straight-line basis over the life of the lease contract (the useful life of the asset being at least as long as the life of the lease in each case). There was no impairment of assets during 2019/20 or 2018/19.

	Premises £000	IT Equipment £000	Total £000
Cost			
Balance at 1 April 2019	207	100	307
Additions	-	8	8
Balance at 31 March 2020	**207**	**108**	**315**
Accumulated Depreciation			
Balance at 1 April 2019	(61)	(39)	(100)
Depreciation	(61)	(44)	(105)
Balance at 31 March 2020	**(122)**	**(83)**	**(205)**
Net Book Value			
Balance at 1 April 2019	146	61	207
Additions	-	8	8
Depreciation	(61)	(44)	(105)
Balance at 31 March 2020	**85**	**25**	**110**

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

9. TRADE AND OTHER RECEIVABLES

	31st March 2020 £000	31st March 2019 £000
Trade Debtors	3,207	2,028
Prepayments	112	52
Total	3,319	2,080

The trade debtors above all fall due within one year. The company has not experienced any credit losses to date and all of its trade debtor balances relate to its Partner Funds; therefore, it is considered extremely unlikely that a credit loss would arise and accordingly no allowance for credit losses has been made with regard to trade debtors.

10. CASH AT BANK

	31st March 2020 £000	31st March 2019 £000
Cash at Bank	13,077	13,404
Total	13,077	13,404

11. TRADE AND OTHER PAYABLES

	31st March 2020 £000	31st March 2019 £000
Trade Creditors	1,799	1,605
Social Security Contributions	64	52
VAT	138	246
Total	2,001	1,903

The amounts above are all due within one year.

12. BORROWING

	31st March 2020 £000	31st March 2019 £000
Payable Within One Year		
Accrued Interest Payable on Borrowing	252	301
Leases	83	103
Total Payable Within One Year	**335**	**404**
Payable After More than One Year		
Loans	4,795	4,795
Leases	28	113
Total Payable After More than One Year	**4,823**	**4,908**
Total	5,158	5,312

In January 2018, the Company entered into loan agreements with seven of its Partner Funds amounting to £4.795 million. These loans, all of which were entered into on identical terms, have a life of ten years and bear interest of LIBOR plus 4.5% per year, with the first payment being due on 31st March 2019 and payments annually thereafter. Interest of £252,000 has been accrued in respect of the 2019/20 year (2018/19: £248,000). Interest Payable included in the Statement of Profit or Loss and Other Comprehensive Income is analysed as follows:

	2020 £000	2019 £000
Interest Payable on Borrowing	253	249
Interest Payable on Leases	12	17
Net Interest Payable on Net Defined Benefit Liabilities	25	37
Preference Dividends Payable	36	36
Total	326	339

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

13. LEASES AND LEASE COMMITMENTS

The following table summarises LGPS Central Limited's payments under leases during 2019/20, and the year-end balance.

	Premises £000	IT Equipment £000	Total £000
Balance at 1 April 2019	159	57	216
Additions	-	-	-
Interest Payable	8	3	11
Amounts Payable under Leases	(71)	(44)	(115)
Balance at 31 March 2020	**96**	**16**	112

The Company has another lease agreement, relating to IT equipment, which it has deemed to be low value and has therefore not included in the table above. The total amount payable under this lease for 2019/20 was £1,000 (2018/19: £1,000).

14. PENSION BENEFITS

DEFINED BENEFIT PENSION SCHEME

LGPS Central Limited is an employer member of West Midlands Pension Fund, a fund of the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme for employees of local authorities and other related organisations. Benefits are defined by statute and are based on the length of membership and final salary (until March 2014) and on revalued career-average salary (from April 2014).

Employees make contributions according to a tiered structure which ranges from 5.5% to 12.5% of pensionable pay, and in addition LGPS Central Limited makes a contribution of 20.2% of pensionable pay.

Some of the Company's employees were members of the LGPS before joining the Company and transferred their membership on a continuing service basis. At the time of their joining the Company, LGPS Central Limited was allocated notional shares of the Fund assets equal to 100% of the value of the associated liabilities. As such, the Company's pension liabilities were fully-funded at the date of transfer.

LGPS Central Limited was subject to its full actuarial valuation during 2019/20. Following this valuation, employer contributions will fall to 18.8% for 2020/21 and beyond.

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

As at 31st March 2020, the net pensions liability was £1.8 million (31st March 2019: £1.2 million). The following table sets out the movements in the net liability during 2019/20.

	Assets £000	Liabilities £000	Net £000
Balance as at 31 March 2019	**1,715**	**(2,948)**	(1,233)
Amounts recognised in Profit and Loss			
Current service cost	-	(495)	**(495)**
Past service cost	-	(243)	**(243)**
Contributions by employer	464	-	**464**
Contributions by employees	108	(108)	**-**
Benefits paid net of transfers in	(60)	60	**-**
Administration expenses	(1)	-	**(1)**
Interest on assets	48	-	**48**
Interest cost	-	(73)	**(73)**
Total amounts recognised in Profit and Loss	**559**	**(859)**	**(300)**
Amounts recognised in Other Comprehensive Income			
Return on assets less interest	(183)	-	**(183)**
Change in financial assumptions	-	253	**253**
Change in demographic assumptions	-	(179)	**(179)**
Other actuarial gains	159	-	**159**
Experience (loss) on liability	-	(322)	**(322)**
Total amounts recognised in Other Comprehensive Income	**(24)**	**(248)**	**(272)**
Balance as at 31 March 2020	**2,250**	**(4,055)**	**(1,805)**

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

As at 31st March 2019, the net pensions liability was £1.2 million (31st March 2018: 326,000). The following table sets out the movements in the net liability during 2018/19.

	Assets £000	Liabilities £000	Net £000
Balance as at 31 March 2018	**382**	**(708)**	(326)
Amounts recognised in Profit and Loss			
Liabilities assumed on settlements	-	(1,720)	**(1,720)**
Settlement prices received	971	-	**971**
Current service cost	-	(330)	**(330)**
Contributions by employer	191	-	**191**
Contributions by employees	77	(77)	**-**
Interest on assets	27	-	**27**
Interest cost	-	(64)	**(64)**
Total amounts recognised in Profit and Loss	**1,266**	**(2,191)**	**(925)**
Amounts recognised in Other Comprehensive Income			
Return on assets less interest	67	-	**67**
Change in financial assumptions	-	(207)	**(207)**
Change in demographic assumptions	-	158	**158**
Total amounts recognised in Other Comprehensive Income	**67**	**(49)**	**18**
Balance as at 31 March 2019	**1,715**	**(2,948)**	**(1,233)**

The amount included in the Balance Sheet arising from the Company's obligations in respect of its defined benefit retirement schemes is as follows:

	31st March 2020 £000	31st March 2019 £000
Present Value of Defined Benefit Obligations	(4,055)	(2,948)
Fair Value of Plan Assets	2,250	1,715
	(1,805)	**(1,233)**
Funded Status	-	-
Restrictions on Asset Derecognised	-	-
Net Liability Arising from Defined Benefit Obligation	**(1,805)**	**(1,233)**

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

Asset Class	31st March 2020 £000	31st March 2020 %	31st March 2019 £000	31st March 2019 %
Equities	1,329	59%	993	58%
Gilts	221	10%	129	8%
Other Bonds	86	4%	66	4%
Property	177	8%	153	9%
Cash	115	5%	89	5%
Other	322	14%	285	17%
Total	**2,250**	**100%**	**1,715**	**100%**

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

Almost all equity and debt instruments have quoted prices in active markets. The plan's investments in quoted equities, quoted fixed securities, index-linked securities and unit trusts are classified as level 1 instruments. Level 2 instruments are those for which quoted market prices are not available, and valuation techniques based on observable market data are used. Level 3 instruments, which include private equity, are valued using valuation techniques that require significant judgement in determining appropriate assumptions. The following table sets out the proportion of assets which have a quoted market price, and those which do not (based on 31st December 2019/2018 valuations):

		Dec 2019 Quoted %	Dec 2019 Unquoted %	Dec 2018 Quoted %	Dec 2018 Unquoted %
Fixed Interest Government Securities	UK	-	1.1%	-	1.1%
	Overseas	-	0.6%	-	0.7%
Index-Linked Government Securities	UK	5.6%	-	5.8%	-
	Overseas	1.6%	-	-	-
Corporate Bonds	UK	-	3.8%	-	3.8%
	Overseas	-	-	-	-
Equities	UK	12.6%	0.0%	7.8%	0.0%
	Overseas	8.0%	26.4%	12.2%	29.2%
Property	All	7.9%	-	8.9%	-
Others	Absolute Return	-	3.1%	-	4.2%
	Private Equity	-	6.9%	8.5%	-
	Infrastructure	0.2%	4.6%	0.4%	5.3%
	Other Fixed Income	-	6.4%	-	6.6%
	UK Gilts Futures	0.9%	-	-	-
	Equity Index Futures	5.2%	-		
	Forward Currency Contracts	-	-	-	(0.1%)
	Broker Balances and Income Receivables	-	0.4%	-	-
	Other Long-Term Assets	-	0.6%	-	0.2%
	Cash/Temporary Investments	-	3.8%	-	4.4%
Net Current Assets	Debtors	-	0.5%	-	1.1%
	Creditors	-	(0.2%)	-	(0.1%)
Total		42.0%	58.0%	43.6%	56.4%

The scheme exposes LGPS Central Limited to a number of risks, including the following:

- **Investment risk** – the present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high-quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently, the plan has well-diversified investments in equity securities, fixed income and a range of alternative assets. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and other return-seeking investments in order to leverage the return generated by the fund.
- **Interest risk** – a decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's fixed income investments.
- **Longevity risk** – the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
- **Salary risk** – the present value of the defined benefit plan 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.
- **Last man standing' risk** – as many unrelated employers participate in West Midlands Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.
- **Inflation risk** – the benefits payable under the Scheme are linked to inflation, and therefore there is a risk that deficits may emerge to the extent that assets are not linked to inflation.

The Company has entered into an agreement regarding LGPS matters with its Partner Funds known as the 'Supplementary Agreement'. The Supplementary Agreement, amongst other matters, includes an undertaking from each Partner Fund to pay to the Company its share of an amount equal to the employer contributions and expenses due from the Company to West Midlands Pension Fund (WMPF), and sets out the actions to be taken in the event that the Company is unable to pay any amount due to WMPF.

There are a number of assumptions to which the value of the net pensions liability is particularly sensitive, as set out below. To illustrate the impact of changes in these assumptions, each assumption is changed in isolation with all other assumptions unchanged. The resulting impact is the impact of that assumption on the calculation of the net pensions liability.

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

	Assumption Used	Change in Assumption	Effect of Increase £000	Effect of Decrease £000
Discount Rate	2.35%	+ / - 0.1%	(121)	125
Long-Term Salary Increases	5.00%	+ / - 0.1%	21	(21)
Pensions Increases	1.75%	+ / - 0.1%	105	(102)
Life Expectancy (from age 65)	Retiring today Male: 23.9 yrs Female: 25.4 yrs Retiring in 20 years Male: 25.5 yrs Female: 27.0 yrs	+ / - 1 year	110	(107)

Other assumptions made by the directors and used by the Scheme Actuary are as follows:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension-weighted average tranche retirement age;
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

TRANSFER OF STAFF FROM DERBYSHIRE AND WOLVERHAMPTON COUNCILS

During 2018/19, 19 employees joined the company who were previously employees of Derbyshire County Council or Wolverhampton City Council and members of the LGPS, transferring with them existing past service benefits. The transfer of these staff was on a fully-funded basis as calculated on a funding basis. However, it gave rise to a liability when calculated on an accounting basis. The effect of the transfer was therefore to increase the IAS 19 net pension liability reported on the balance sheet as at 31st March 2019 by £749,000. This was largely as a result of the transfer of staff on company start-up, and it is not anticipated that a similar transfer of significant number of employees will occur in the future (there was no such transfer during 2019/20).

DEFINED CONTRIBUTION PENSION SCHEME

LGPS Central Limited also provides defined contribution (DC) pension benefits to some of its employees through a scheme administered by Aviva. LGPS Central Limited contributes 15% of pensionable pay, while the scheme is non-contributory for employees, although voluntary contributions may be made. The cost to the Company of employer contributions during the year have been recognised in full in the profit and loss account (2019/20: £140,000; 2018/19: £146,000).

15. SHARE CAPITAL

	'A' Shares Ordinary £	'B' Shares Ordinary £	Total £
Balance as at 31 March 2018	8	10,520,000	10,520,008
Balance as at 31 March 2019	**8**	**10,520,000**	**10,520,008**
Balance as at 31 March 2020	8	10,520,000	10,520,008

All shares have been authorised, issued and are fully paid.

'A' shares carry voting rights and dividend entitlements and are held in equal share by LGPS Central Limited's eight Partner Funds (excluding the West Midlands Integrated Transport Authority Fund, whose shareholder rights are exercised by West Midlands Pension Fund). There are eight 'A' shares, each with a par value of £1.

'B' shares are held in equal share by LGPS Central Limited's eight Partner Funds. There are 10,520,000 'B' shares, each with a par value of £1.

'C' shares are preference shares and are held by West Midlands Pension Fund only, paying a dividend of 4.5% above LIBOR per year. The preference shares are classified in the Statement of Financial Position as other financial liabilities; the table below shows movements in these during the year. There are 685,000 'C' shares, each with a par value of £1.

Dividends of £79,000 in respect of the 'C' shares have been accrued for the period from 12th January 2018 (the date of receipt of the funds) to 31st March 2020 (comprising £36,000 in each of 2018/19 and 2019/20, as shown in the table below, and £7,000 in 2017/18). No other dividends were payable for 2018/19 or 2019/20.

	'C' Shares Preference £
Balance as at 31 March 2018	692,000
Accrued dividends 2018/19	36,000
Balance as at 31 March 2019	**728,000**
Accrued dividends 2019/20	36,000
Balance as at 31 March 2020	764,000

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

16. RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES

	2020 £000	2019 £000
Profit before Taxation	535	378
Movement in Trade and Other Receivables	(1,239)	(1,948)
Movement in Trade and Other Payables	98	(2,245)
Movement in Interest Payable	(13)	285
Net Defined Benefit Pensions Costs	300	925
Depreciation	105	100
Fixed Asset Amounts Recognised under IFRS 16	(8)	-
Interest Payable for Leases Recognised under IFRS 16	12	17
Net Non-Cash Items	**(745)**	**(2,866)**
Net Cash used in Operating Activities	(210)	**(2,488)**

17. CONTINGENT ASSETS, CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

LGPS Central Limited had no contingent assets, contingent liabilities or capital commitments at the end of the year.

18. RELATED PARTY TRANSACTIONS

LGPS Central Limited is a joint venture, owned in equal share by eight local authorities who are administering authorities of LGPS pension funds:

- Cheshire West and Chester Council
- Derbyshire County Council
- Leicestershire County Council
- Nottinghamshire County Council
- Shropshire Council
- Staffordshire County Council
- Wolverhampton City Council
- Worcestershire County Council

Those eight authorities, with the addition of the West Midlands Combined Authority, are also LGPS Central Limited's investors (known as the 'Partner Funds'). They are therefore the source of all of the company's revenue.

The company's Matlock office is rented from Derbyshire County Council. Wolverhampton City Council provide a number of services to the company, including the Wolverhampton office and associated running costs, IT infrastructure, payroll services and procurement support.

During 2017/18, the Partner Funds incurred set-up costs on behalf of the Company, which were subsequently paid during 2018/19. This charge amounted to £4.014 million.

Seven of the eight local authorities listed above (excluding Wolverhampton City Council) have provided loan capital to LGPS Central Limited. The balance of principal outstanding at 31st March 2020 was £4.795 million, and accrued interest on these loans stood at £252,000 (see Note 12).

At 31st March 2020, preference dividends of £79,000 were accrued in respect of Wolverhampton City Council's holding of 'C' shares (see Note 15).
The following tables show the amounts receivable from and payable to each authority, as recognised in the Profit and Loss Account or the Balance Sheet as appropriate.

Administering Authority	2020 Income £000	2020 Expenditure £000	2019 Income £000	2019 Expenditure £000
Cheshire West and Chester Council	1,116	(36)	898	(36)
Derbyshire County Council	1,383	(50)	1,562	(55)
Leicestershire County Council	898	(36)	756	(36)
Nottinghamshire County Council	966	(36)	883	(36)
Shropshire Council	495	(36)	460	(36)
Staffordshire County Council	970	(36)	839	(36)
Wolverhampton City Council	3,992	(346)	3,895	(368)
West Midlands Combined Authority	38	-	31	-
Worcestershire County Council	618	(36)	566	(36)
Total	**10,476**	**(612)**	**9,890**	**(639)**

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

Administering Authority	2020 Debtor £000	2020 Creditor £000	2019 Debtor £000	2019 Creditor £000
Cheshire West and Chester Council	358	(36)	226	(43)
Derbyshire County Council	274	(36)	409	(43)
Leicestershire County Council	292	(36)	200	(43)
Nottinghamshire County Council	297	(36)	202	(43)
Shropshire Council	121	(36)	64	(43)
Staffordshire County Council	301	(36)	103	(43)
Wolverhampton City Council	1,512	(341)	726	(76)
West Midlands Combined Authority	14	-	6	-
Worcestershire County Council	170	(36)	69	(43)
Total	**3,339**	**(593)**	**2,005**	**(377)**

KEY MANAGEMENT PERSONNEL

Key management personnel are defined as members of the Board or the Executive Committee. The total payments made to and on behalf of key management personnel during the year were £1.4 million (2018/19: £1.3 million). No bonuses or termination payments were payable during the year.

The directors' remuneration, analysed under the headings required by Company Law, is set out below.

Remuneration	2020 £000	2019 £000
Emoluments	636	585
Employer's National Insurance Contributions	82	75
Amounts Receivable (other than shares and share options) under Long-Term Incentive Schemes	-	-
Company Contributions to Money Purchase Pension Schemes	-	-
Compensation for Loss of Office	-	-
Sums Paid to Third Parties in Respect of Directors' Services	-	-
Excess Retirement Benefits of Directors and Past Directors	-	-
Total	**718**	**660**

Number of Directors Who:	2020 Number	2019 Number
Are Members of a Defined Benefit Pension Scheme	0	0
Are Members of a Money Purchase Pension Scheme	0	0
Exercised Options over Shares in the Parent Company	0	0
Had Awards Receivable in the Form of Shares in the Parent Company under a Long-Term Incentive Scheme	0	0

Remuneration of the Highest-Paid Director *	2020 £000	2019 £000
Emoluments	270	231
Employer's National Insurance Contributions	36	31
Company Contributions to Money Purchase Pension Schemes	-	-
Total	**306**	**262**

* The highest-paid director was a different individual in each of the financial years. In 2019, the highest-paid director left during the financial year and therefore the cost shown in this table for 2019 does not represents a full year's cost.

The Company does not make share options available to any individuals, and shares are not available under any long-term incentive scheme. Accordingly, the highest-paid director did not exercise any share option in the year and had no shares receivable under long-term incentive schemes.

The highest-paid director is not a member of the Company's defined benefit pension scheme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2020 CONTINUED

19. POST BALANCE SHEET EVENTS

No post balance sheet events have occurred which impact upon the balances and transactions reported for the year.

As referred to in Note 2, the COVID-19 global health pandemic began to occur in the final quarter of the financial year and there have been ongoing developments in relation to that pandemic in the time between the Balance Sheet date and the approval of these accounts. However, none of these developments have impacted the underlying assumptions on which the accounts are based, nor the recognition or measurement of any balances or transactions therein. Therefore, no adjustments in respect of post-Balance Sheet events have been made.

20. FINANCIAL INSTRUMENTS

LGPS Central Limited did not have any gains or losses arising from financial instruments during the year. The only expenditure in relation to financial instruments was interest payable of £288,000 as analysed in Note 12 (excluding interest payable on leases and in relation to defined benefit pension liabilities) (2018/19: £284,000). Balances as at the year-end are set out in the following table.

	31st March 2020 £000	31st March 2019 £000
Financial Assets		
Financial Assets Measured at Amortised Cost		
Trade Debtors	3,207	2,080
Total Financial Assets	**3,207**	**2,080**
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost		
Trade Creditors	(2,001)	(1,903)
Borrowing	(5,047)	(5,096)
Preference Shares	(764)	(728)
Total Financial Liabilities	**(7,812)**	**(7,727)**
Net Total	(4,605)	**(5,647)**

CLASSIFICATION OF ASSETS MEASURED AT AMORTISED COST

Trade debtors are amounts due from the Company's Partner Funds for investment management and monitoring services or under the Cost-Sharing Agreement. They are due for settlement within 30 days and are therefore classed as current. They are recognised at the amount of consideration due and, due to their short-term nature, their fair value is considered to be equal to their carrying amount. The Company holds trade debtors solely for the purpose of collecting contractual cash flows and therefore has classified them as measured at amortised cost.

LIABILITIES MEASURED AT AMORTISED COST

All of the Company's financial liabilities are measured at amortised cost. Trade creditors are generally payable within 30 days and are therefore classified as current. Due to their short-term nature, their fair value is considered to be equal to their carrying amount.

The following table analyses financial liabilities by maturity:

	31st March 2020 £000	31st March 2019 £000
Within One Year	2,332	2,247
Between One and Five Years	-	-
More Than Five Years	5,480	5,480
Net Total	7,812	**7,727**

LGPS Central Limited

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