ANNUAL REPORT AND FINANCIAL STATEMENTS

LGPS Central Limited

FOR THE YEAR ENDED 31 MARCH 2021

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ABOUT LGPS CENTRAL LIMITED

LGPS Central Limited has been established to manage the pooled investment assets of eight Local Government Pension Scheme (LGPS) funds across the Midlands (our Partner Funds).

Our Partner Funds are **Cheshire Pension Fund, Derbyshire Pension Fund, Leicestershire County Council Pension Fund, Nottinghamshire Pension Fund, Shropshire County Pension Fund, Staffordshire Pension Fund, West Midlands Pension Fund,** and **Worcestershire Pension Fund**.

The Company is jointly owned on an equal-shares basis by the eight Partner Funds. The combined assets of these funds are approximately £49 billion, managed on behalf of around one million LGPS members and some 2,000 participating employers.

Why pooling?

Pooling assets helps reduce costs, improve investment returns and widen the range of available asset classes for investment, all for the benefit of our Partner Funds and their pension scheme members.

LGPS Central Limited (the Company) creates the investment vehicles our Partner Funds require. Through professional investment management and external fund manager selection, we deliver the investment returns Partner Funds need to secure pension payments to their scheme members and dependents for the long-term.

At the heart of our work is a commitment to responsible investment. We believe that the integration of responsible investment factors supports long-term risk-adjusted returns and we have made responsible investment a core part of our investment process in every asset class and in every investment mandate we hold. The scale of combined assets in the pool helps to make our responsible investment practices and interventions more effective.

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). We also manage other collective investment vehicles and provide discretionary and advisory services under our MiFID II authorisation.

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 ending 31 March 2021.

The past year has been a year like no other. Covid-19 impacted on every single one of us and, sadly, many lost loved ones during the most serious pandemic in generations. Jobs were also lost, businesses changed forever, and the effect on investment markets was enormous.

Although times were indeed difficult, I'm proud of the way that LGPS Central Limited and our Partner Funds adapted to a very new way of working.

Most of the Pool were based completely at home for the majority of 2020/21 but we still achieved much:

- We transitioned approximately £1bn of assets under our stewardship, bringing our total AUM to approximately £22 billion (31 March 2020: approximately £17 billion)
- We launched three new asset class investment vehicles for our Partner Funds: emerging market debt, factor-based equities and a discretionary gilts mandate on behalf of Nottinghamshire Pension Fund. Two further funds, MAC and Infrastructure, were launched in the first fortnight of April 2021
- We recruited some excellent new people to our team, including our new Head of Private Markets, Ian Brown, and our new Director for Responsible Investment & Engagement, Patrick O'Hara
- We refreshed our values and behaviours to ensure we remain client-focused, and collectively agreed a new vision statement: *"One Central team, working in partnership to invest with purpose and deliver superior returns"*
- We secured office space in December 2020 in the newly constructed i9 Building at the heart of Wolverhampton's development area. This will support the ongoing growth and development of the Company

As companies across the world were forced to close their doors due to the introduction of national lockdowns, market volatility was inevitable. Despite this, I'm pleased that we've seen robust investment performance in the majority of our funds.

We've also continued to emphasise the importance of Responsible Investment (RI), working with Partner Funds to produce bespoke climate risk reports, which will help them better understand and manage their individual climate risks.

We've continued to work closely with Partner Funds to improve how we work together throughout the year, and our improved client survey results are a sign that we are moving in the right direction.

QUICK NAVIGATION

LGPS Central Limited

WELCOME FROM THE CHAIR CONTINUED

Along with my fellow Non-Executive Directors on the Board, I enjoyed working with Partner Funds on three Pool working groups to discuss how we can continuously improve the ways we all work together. Other activities of the Board included development of the Company's Business Plan for 2021/22 and participating in our first external Board evaluation exercise as a key part of our ongoing commitment to best-practice corporate governance.

With the Covid-19 vaccine rollout now at full speed, we hope that things will start to return to normal. As that happens, and we settle into our new office, we look forward to launching more new asset class vehicles to meet the strategic asset allocation needs of our Partner Funds and receiving more of their assets into the Central Pool.

Last autumn, as part of the Chancellor's Spending Review, the Treasury reiterated its commitment to pooling, stating that the LGPS is now on the threshold of delivering substantial and growing net savings due to pension pooling, and that progress should be accelerated in order to optimise performance and savings.

We are excited to be a key part of this initiative and determined to deliver robust investment performance, stronger governance, improved reporting and greater transparency for Partner Funds.

I'd like to end by thanking everyone who is part of the "One Central" team: our shareholders, clients, external partners, the Board, and, of course, staff.

I look forward to working with you as we achieve our exciting plans together.

J. Segars.

JOANNE SEGARS, CHAIR,
LGPS CENTRAL LIMITED

> ***"ALTHOUGH TIMES WERE INDEED DIFFICULT, I'M PROUD OF THE WAY THAT LGPS CENTRAL LIMITED AND OUR PARTNER FUNDS ADAPTED TO A VERY NEW WAY OF WORKING."***

QUICK NAVIGATION

LGPS Central Limited

OUR PROGRESS SINCE LAUNCH

*As of 31 March 2021

ASSETS UNDER MANAGEMENT
c.£22bn

INVESTMENT VEHICLES
12

NUMBER OF STAFF
70

COST SAVINGS
£270m
(net by 2033/34)

RESPONSIBLE INVESTMENT INTEGRATED STATUS
100%

PARTNER FUNDS INVESTED IN POOLED PRODUCTS
100%

As of 31 March 2020 - Assets under management: c.£17bn. Investment vehicles 9. Number of staff 62. Cost savings: £270m net by 2033/34. RI Integrated Status: 100%. Partner Funds invested in pooled products: 100%.

QUICK NAVIGATION

LGPS Central Limited

STRATEGIC REPORT FROM THE CHIEF EXECUTIVE OFFICER

MIKE WESTON, CEO,
LGPS CENTRAL LIMITED

After a very busy first year as CEO of LGPS Central Limited, my second year has been overshadowed by the global Covid-19 pandemic – the response of investment markets, the reaction of our government and most importantly the need to keep the "One Central" team safe whilst still delivering the investment management services our clients expect of us.

It is a great tribute to the hard work of the whole "One Central" team that we have been able to keep the business operating as though nothing untoward was happening. We have continued to make progress on all our key metrics:

01 Delivering required levels of investment performance on the client assets under our stewardship

02 Launching new investment vehicles to support the asset allocation needs of our Partner Fund clients

03 Transitioning client assets into the Central Pool

04 Growing the One Central team with high quality new hires and retaining existing staff

05 Developing the LGPS Central Limited organisational culture with values and behaviours which combine the best of the public and private sectors

06 Operating within our agreed budget to provide value for money to our clients and shareholders

LGPS Central Limited

STRATEGIC REPORT FROM THE CHIEF EXECUTIVE OFFICER CONTINUED

As we have done in previous years, a summary of our performance against the series of measures agreed by the Board is presented in Figure 1.

Figure 1: KPI status at 31 March 2021

KPI STATUS AT 31 MARCH 2021	CLIENT FOCUSED		SHAREHOLDER FOCUSED	
	NUMBER	%	NUMBER	%
GREEN	12	67%	17	74%
AMBER	3	16.5%	2	13%
RED	3	16.5%	2	13%

We achieved "Green" status as an average on over 70% of our client and shareholder-focussed KPIs. This demonstrates the progress we are making as a business.

Those small number of measures which are "Red" relate to the proportion of actively managed funds which remain behind their mandate performance targets since inception (despite the majority of managers now performing ahead of asset class benchmarks), the number of new funds launched during the year and the number of internal breaches or errors. Our new MAC and Infrastructure funds both launched during the first fortnight of April. Had these launches happened two weeks earlier the related KPI would have been green rather than red. And we continue to have a zero tolerance for any breaches or errors which has led to the last red KPI.

I'd like to echo Joanne's thanks to all our stakeholders; to our Partner Funds who were keen to keep up the momentum of new fund development and asset transitions into the Central Pool, to our outsourced service providers who maintained their own service levels to us, and of course all the LGPS Central Limited staff, who switched seamlessly to working from home fifteen months ago when the seriousness of the virus led to the first UK national lockdown.

As we progress along the UK Government's roadmap for the easing of lockdown restrictions and the shops and restaurants in Wolverhampton's Mander Centre beneath the current LGPS Central Limited office all open up again, our focus for the year ahead is to transition just as smoothly back to a predominantly office-based pattern of working. We will incorporate valuable learnings from the last 12 months about how to work more flexibly, remotely and efficiently as we maintain the long-term growth of the Company, keep integrating new members of the One Central team and provide consistent, value for money investment returns for clients.

This will not be an easy transition for everyone, but we have the added incentive that in September 2021 we are due to move offices and occupy the first floor of the brand-new Wolverhampton i9 building. Construction remains on track, despite Covid-19, and we are looking forward to the beginning of a new era for the Company.

Our new offices will be very energy efficient and will help us in our journey towards a net zero future. The increased focus on Responsible Investment, particularly around reducing or reversing the damage being done to our global climate, has been the other standout feature of the last year.

Neither having a large pension to spend in a degraded environment, nor insufficient retirement income in paradise seem the right trade-offs to be making. So working closely with our Partner Funds we seek to invest in a way that continues to deliver the investment returns that are needed to secure the retirement incomes of the approximately 1 million total members of the eight underlying LGPS funds within the Central Pool, whilst at the same time securing the future of the world into which those pension scheme members will eventually retire. We will continue working with our national and international investment management peers on this approach in the years ahead.

The Company's financial performance for the year was a net profit before tax of £975,000 (2019/20: £535,000). Income from Partner Funds of £11.9 million was receivable during the year (2019/20: £10.5 million), whilst operating expenditure stood at £10.6 million (2019/20: £9.7 million). Net assets at the year-end stood at £6.3 million, down from £6.8 million at 31 March 2020. These numbers are broadly consistent with our Business Plan for 2020/21.

The Company's principal risks include liquidity, credit and cash flow. 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 28.

> "WE ACHIEVED "GREEN" STATUS AS AN AVERAGE ON OVER 70% OF OUR CLIENT AND SHAREHOLDER FOCUSSED KPIS. THIS DEMONSTRATES THE PROGRESS WE ARE MAKING AS A BUSINESS."

LOOKING FORWARDS

The pandemic during 2020/21 tested us all. But we came through it stronger and more resilient. We have proven the capabilities of the One Central team to deliver our client investment management expectations in the most difficult of circumstances and are now well positioned to deliver the demanding programme of new fund launches and asset transitions agreed as part of our 2021/22 Business Plan.

It will also help us move forward through the medium term evolution of the business as we shift away from our start-up focus on fund launches and assets under management growth and towards the value for money, business as usual management of assets already within the stewardship of the Central Pool.

Even as we celebrated the third anniversary of LGPS Central Limited's launch on 1 April 2021, it was clear that the full benefits of LGPS asset pooling are yet to be gained. Along with Partner Funds we have made substantial progress, but there is still more to do. The One Central team and I look forward to continuing our partnership journey together in the year ahead.

MIKE WESTON, CEO,
LGPS CENTRAL LIMITED

QUICK NAVIGATION

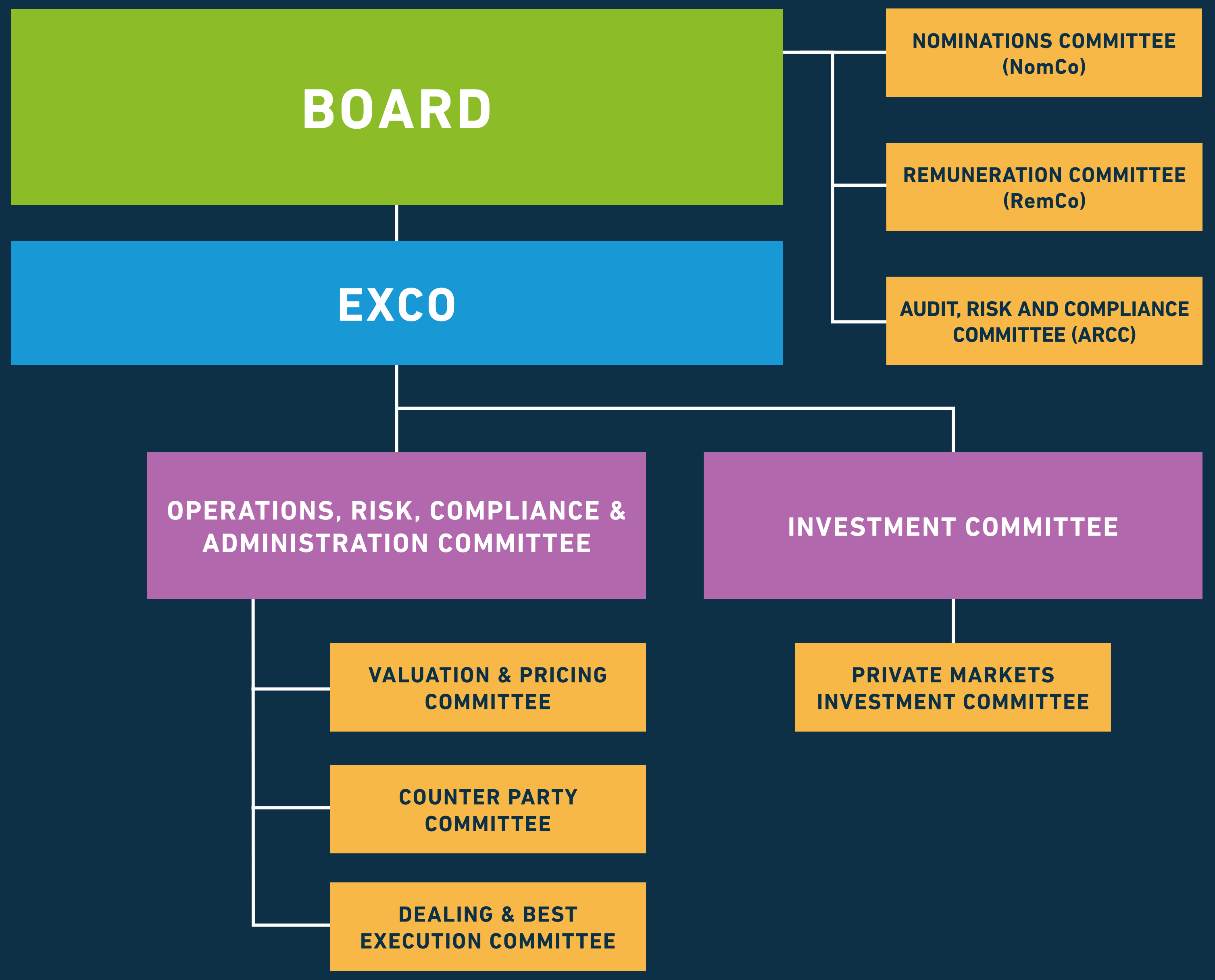
LGPS Central Limited

GOVERNANCE STRUCTURE

Strong Governance is key to the effective operation and success of the Company, to ensure our legal and regulatory compliance and the secure management of Partner Funds' assets.

A robust governance structure has been put in place since the Company's launch three years ago.

Figure 2: LGPS Central Limited governance structure



QUICK NAVIGATION

LGPS Central Limited

GOVERNANCE STRUCTURE CONTINUED

THE BOARD

During 2020/21 the Board continued to invest significant time and effort to ensure our governance framework operated 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 (DCEO) 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 and was appointed external professional member of the governing board of the pension fund for the European Organisation for Nuclear Research, CERN in 2021. 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 to 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 to 2001 and started her career as a pensions researcher and journalist at Incomes Data Services. She was appointed as a member of the Board of the Environment Agency in March 2017 and chaired its pension funds from 2017 to 2018. From 2017 to 2018 she was an expert adviser to the CERN pension fund working group, appointed by the CERN Council. Joanne was Chair of the Joint Expert Panel on the Universities Superannuation Scheme and is also a Governor of the Pensions Policy Institute. She was a Board member of Pensions Europe, the EU trade association for pensions, from 2010 to 2017 and its Chair from 2012 to 2015, and a Board member of the Pensions Infrastructure Platform and Chair from 2013 to 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. She is an experienced Non Executive Director and currently sits on the board of Countrywide Assured. She is a member of the Audit and Risk Committee and Investment Committee at Countrywide Assured where she also sits on the Board Panel which provides advice on customer strategy. At Scor Life Ireland, she chairs 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 became an independent member of the With Profits Committee at Prudential Assurance Company in 2021. She 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 where she chairs the Customer Services Committee, 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 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 has spent over 30 years managing or investing on behalf of both public and private sector pension schemes. Mike became CEO of LGPS Central Limited in March 2018. Before taking the lead at LGPS Central Limted, Mike was the CEO of Pensions Infrastructure Platform (PiP). Mike joined PiP in 2014 and successfully built the investment and management team, achieved FCA authorisation, launched the PiP Multi-Strategy Infrastructure Limited Partnership and acquired 16 UK infrastructure assets across renewable energy, transport, health and social housing. Prior to PiP, Mike spent five years as Chief Investment Officer for the £2bn pension schemes of DMGT plc, the UK-based, global media business. Mike was responsible for investment strategy, portfolio management, oversight of external investment managers and the management of the in-house investment team. Between 2001 and 2008 Mike was Deputy Managing Director of Hermes Focus Asset Management. As a Board member at HFAM, Mike led the UK investment team, managed relationships with the global pension scheme investor base and helped build a profitable third-party client business. Mike began his investment career at Hermes in 1990 as a UK Smaller Companies Equity Portfolio Manager before moving to Mercury Asset Management (Merrill Lynch Investment Managers, Blackrock) in 1997. Since 2010, Mike has served as an Independent Trustee of the Institute of the Cancer Research Pension Scheme and is the current Chair of the Trustee Board. Mike is a member of the 30% Club which is a global campaign to increase gender diversity at board and senior management levels.

JOHN BURNS

Executive Director, Deputy Chief Executive (DCEO)

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.

QUICK NAVIGATION

LGPS Central Limited

GOVERNANCE STRUCTURE CONTINUED

BOARD SUB-COMMITTEES

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 five times during 2020/21. The activities of the committee during this time included:

ANNUAL REVIEW OF CODE STAFF

To comply with Senior Managers and Certification Regime (SMCR) regulations, the committee reviewed the members of staff who are subject to them.

ANNUAL REVIEW OF EXPENSES POLICY

Certain expenses are incurred by members of the Company whilst conducting normal business activities. The committee reviews the scope and level of expenses that the Company deems reasonable and which will be reimbursed.

SALARY AND STAFF BENEFITS BENCHMARKING

The committee reviewed the remuneration and benefits available to LGPS Central Limited staff in comparison to other LGPS pool companies and to a broader peer group universe. This helped inform the committee's recommendation to the Board of pay rises for 2021/22.

CEO/DCEO OBJECTIVES

The committee is responsible for approving the performance objectives for the CEO and DCEO, and for reviewing delivery against those objectives. Such objectives and their delivery were reviewed at the start, mid-point and end of the financial year.

ANNUAL REVIEW OF TERMS OF REFERENCE

The committee reviewed its terms of reference and made some minor adjustments to bring them up to date.

JOHN NESTOR, CHAIR
REMUNERATION COMMITTEE

QUICK NAVIGATION

LGPS Central Limited

GOVERNANCE STRUCTURE CONTINUED

02 AUDIT, RISK AND COMPLIANCE COMMITTEE

The responsibilities of the Audit, Risk and Compliance Committee are to ensure the effectiveness of the Company's internal control systems. 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 five times during 2020/21. During this time, it oversaw the valuable assurance work carried out within the company. This included:

INTERNAL AUDIT

Review and approval of the draft audit plan and of each of the audit reports provided by our outsourced internal audit partner, KPMG. The committee also reviewed KPMG's appointment as they had completed their initial three-year term with the Company and agreed to reappoint them for a further two years under the extension terms of their existing contract.

EXTERNAL AUDIT

Review and approval of the draft audit plan, and of the outcome of the audit of both LGPS Central Limited and of its subsidiary entities, limited partnerships and the ACS. The committee reviewed the relevant financial statements and recommended them to the Board for approval.

INTERNAL CONTROLS REPORT - AAF 01/06

This was a key focus for the committee during the year. The committee reviewed the findings of the review of internal controls for the purposes of AAF reporting. Two reports were produced – the first was for the period 1/1/20 to 31/3/20 and the second was for the period 1/4/20 to 31/12/20. The committee was pleased to note that the external auditor provided an unqualified report for both periods, notwithstanding the impact of working from home during Covid-19. Achieving this level of assurance on a Type 2 AAF report was an excellent result for such a new organisation, and the committee would like to thank all of the team members for their support in implementing a robust control environment within the Company. A number of minor control exceptions were noted (most of which were self-identified) and plans are in place to address all of these.

RISK AND COMPLIANCE TEAM

The committee reviewed regular updates to the Risk Register, and a specific Covid-19 risk register, which was used to support management of the risks associated with the pandemic. It also reviewed the Company's annual Internal Capital Adequacy Assessment Process, and its Pillar 3 disclosures.

The committee also approved the annual Compliance Plan and received regular reports from the Compliance team on their activities, including work on incident reporting and rectification.

In line with corporate governance best practice, the committee held private meetings with the Internal and External Auditors, and with the Company's Chief Compliance and Risk Officer.

On behalf of the committee, I would like to thank team members for their commitment in maintaining a robust control environment within the Company, particularly in the context of working from home during the pandemic.

EITHNE MCMANUS, CHAIR
AUDIT, RISK AND COMPLIANCE COMMITTEE

QUICK NAVIGATION

LGPS Central Limited

GOVERNANCE STRUCTURE CONTINUED

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 three times during 2020/21.

RECRUITMENT

Over the course of the year, there has not been any recruitment of Executive or Non-Executive Directors.

SUCCESSION PLANNING

Each year the committee considers succession planning to ensure there is continuity of service and business operation in the event that a key member of staff is unavailable for a short period or leaves the business before a replacement has been appointed. This took on particular significance during the 2020/21 business year in the light of the pandemic as the Company wanted to be prepared in case it was unfortunate enough to have a member of staff incapacitated due to Covid-19 and as a result encompassed a broader group of staff than would normally be the case. The review ensured that there was a successor in place within the business in the event of the post-holder not being available.

FIT AND PROPER REVIEW

As reported in the 2019/20 Annual Report and Accounts, the FCA introduced changes to how it regulates people working in financial services. This is called the Senior Managers and Certification Regime (SMCR) which applies to LGPS Central Limited and came into effect in December 2019. As part of this regime, the Company must certify that staff that are defined under the SMCR and non-Senior Manager NEDs are certified as Fit and Proper. This includes an assessment against four criteria: honesty, integrity, and reputation; competence and capability; financial soundness; and personal characteristics. The process was undertaken for the first time in 2020 and was overseen by the Nominations Committee. Senior Managers (CEO, DCEO and the Chair of the Board) were certified as Fit and Proper. Non-senior managers (including the remaining NEDs) completed a self-declaration, as required by the FCA, following an assessment by the individual's line manager.

BOARD EFFECTIVENESS REVIEW

Each year since inception, the Board has undertaken a review of its performance. This covers the performance of the individual Board member and of the Board as a whole. In line with best practice, and the Company's own Corporate Governance policy, every third year that review is conducted by an external third party, and in 2020/21, an external review was commissioned for the first time.

The Review was undertaken in November 2020 by Clare Chalmers, who is an independent specialist in board evaluation and especially the evaluation of financial services boards. The purpose was to assess the effectiveness of the Board as a whole and the effectiveness of individual board members. The review concluded that the Board was strong, professional and has a good mix of the right skills. It also found that the Board worked well together and was able to challenge and debate constructively.

As any review would, it found areas for improvement so that the Company can perform even more strongly. These changes in large reflect the newness of the Company and the leadership team and the move from start-up to BAU. They identified how the Board and its governance practices might evolve further. They were not a reflection of any fundamental or systemic weaknesses in the Company's governance or the Board's members. The recommendations included the appointment from amongst the NEDs of a Senior Independent Director and a Workplace NED. The Board worked to consider and implement these recommendations and are continuing to work through 2021 on these activities.

ANNUAL REVIEW OF TERMS OF REFERENCE

The Board reviewed its terms of reference and made some minor adjustments to bring them up to date.

JOANNE SEGARS, CHAIR
AUDIT, NOMINATIONS COMMITTEE

LGPS Central Limited

GOVERNANCE STRUCTURE CONTINUED

The Board has established an Executive Committee (ExCo) which is chaired by the CEO. In addition to the DCEO, ExCo members are the Chief Investment Officer (CIO), Chief Compliance and Risk Officer (CCRO), General Counsel and Head of HR. ExCo has primary authority and responsibility for the day-to-day management of the Company's investment 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 established an Investment Committee (IC) which is subordinate to ExCo and is chaired by the CIO. In addition to the CIO, IC members are the Head of Private Markets, four Investment Directors, the Director of Responsible Investment and Engagement and the CCRO. The IC has primary authority for the day-to-day 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 the 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 day-to-day 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.

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.

The Board met eleven times during the year. Attendance at the Board and sub-committee meetings is shown below in Figure 3, with the first number denoting meetings attended and the second the number of meetings they were eligible to attend.

Figure 3: Board attendance for the period 1 April 2020 to 31 March 2021

NAME	BOARD (INC. SPECIALS)	REM CO	ARCC	NOM CO
Joanne Segars	11/11	5/5	N/A	3/3
Eithne McManus	11/11	N/A	5/5	3/3
John Nestor	11/11	5/5	5/5	N/A
Susan Martin	11/11	4/5	5/5	3/3
Mike Weston	11/11	5/5	5/5	3/3
John Burns	11/11	5/5	5/5	3/3

QUICK NAVIGATION

LGPS Central Limited

MESSAGE FROM THE CIO

GORDON ROSS,
CHIEF INVESTMENT OFFICER

The 2020/21 financial year was a unique period as far as the country and Company were concerned, but it saw a continued development of asset pooling, new fund launches and experienced additions to the team.

The year was made particularly complicated by the onset of the Covid-19 pandemic that led to the country and our offices being closed for long periods, and staff required to work from home.

Despite staff being located all across the UK, literally from Edinburgh to the Channel Islands, regular daily meetings via video conference calls between and across all areas of the Company ensured that we were able to maintain our high levels of internal dialogue, product development activity and client service.

The smooth transition of three Partner Fund legacy portfolios into the new Emerging Market Debt (EMD) Fund and the selection of two external managers for a Multi-Asset Credit sub-fund are just two illustrations of the close collaboration that we have been able to effect during this period.

Financial markets were dominated by the uncertainty that the pandemic caused. Initial investor fear led to sharp negative market reactions across all asset classes. This proved to be short-lived as central banks injected enormous liquidity into markets. A sea change occurred late in 2020. Vaccines were developed and successfully tested leading to optimism that economies would be able to reopen and some form of normality would return. The change of administration in the US added to market optimism.

We are a long-term investor and believe that our clients' long-term performance and responsible investment goals are still very much achievable, whatever short-term volatility we may experience along the way.

ASSET GROWTH

At the beginning of 2020/21, LGPS Central Limited was responsible for approximately £17 billion (beginning of 2019/20: approximately £17 billion) assets under stewardship on behalf of Partner Funds. This figure was taken after the Covid-19 pandemic had a significant impact on the markets and our funds.

As the year went on, we launched three new investment vehicles (Figure 4), and received additional investment into already existing products as Partner Fund clients reassessed their strategic asset allocations (Figure 5).

Figure 4: Investment vehicles launched during 2020/21

INVESTMENT VEHICLE	PARTICIPATING PARTNER FUNDS	AUM AT LAUNCH (£M)	LAUNCH DATE
Emerging Market Debt	Cheshire Pension Fund Leicestershire Pension Fund West Midlands Pension Fund	630	Dec 20
Discretionary Gilts	Nottinghamshire Pension Fund	211	May 20
Global Multi-Factor Fund	Staffordshire Pension Fund	125	Jan 21
TOTAL		966	

LGPS Central Limited

MESSAGE FROM THE CIO *CONTINUED*

Figure 5: Additional investments into existing funds during 2020/21

PARTNER FUND	INVESTMENT (£M)	FUND
West Midlands Pension Fund	£199	Corporate Bonds Fund
Leicestershire Pension Fund	£100	Corporate Bonds Fund
Leicestershire Pension Fund	£747	Climate Factor Fund
Derbyshire Pension Fund	£25	Corporate Bonds Fund
Nottinghamshire Pension Fund	£10	Emerging Market Debt Fund
Nottinghamshire Pension Fund	£10	Emerging Markets Active Fund
TOTAL	£1,091	

With these additional assets, and taking into account the strong recovery in markets, by 31 March 2021, we had approximately £22 billion of assets (31 March 2020: approximately £17 billion) under our stewardship (just under half the Pool's total collective assets) in 12 different products (31 March 2020: nine products).

INVESTMENT PERFORMANCE

2020/21 saw unprecedented equity market volatility but throughout the year all four passive funds met their tracking error targets, performing exactly as they would be expected to.

By the end of March 2021, LGPS Central Limited had launched four multi-manager actively managed sub-funds, covering global equities, emerging market equities, global corporate bonds and emerging market bonds. In total there are ten external manager appointments within these sub-funds.

All four of the sub-funds were ahead of benchmark since inception at the end of the financial year and eight of the ten individual manager portfolios were ahead of benchmark.

In Private Markets, both the Private Equity Co-Investment Limited Partnership and the Private Equity Primary Limited Partnership have performed very strongly.

Cost savings have also 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.

INVESTMENT REPORTING

We closely monitor our investment performance and have been working with Partner Funds to develop and enhance the reporting process. We understand the importance of reporting timely and accurate information to ensure that Partner Fund Pension Committees have good visibility of the performance of their funds under our management.

Over the course of the year, over 100 individual reports were produced and delivered on time.

The investment team are looking forward to working together physically again during 2021/22 and to launching the new investment vehicles scheduled for this financial year.

SPOTLIGHT ON PRIVATE MARKETS

This year we welcomed our new Head of Private Markets, Ian Brown, to the LGPS Central Limited team to lead our Private Equity, Private Debt and Property & Infrastructure teams.

"THE PROSPECT OF JOINING ONE OF THE EIGHT UK LGPS PENSION POOLS WAS AN EXCITING ONE. THIS IS AN IMPORTANT MOMENT FOR THE LGPS, AND ONE WHICH I FIRMLY BELIEVE WILL YIELD LONG-TERM BENEFITS FOR PENSION FUNDS AND SCHEME MEMBERS. PRIVATE MARKETS INVESTMENT IS AN EXCELLENT WAY TO DIVERSIFY PORTFOLIOS AND PROVIDE POSITIVE, LONG-TERM RETURNS. I'M CONFIDENT THAT, ALONG WITH MY EXPERIENCED TEAM AT THE COMPANY, I WILL DELIVER THE PRODUCTS THAT WILL MEET PARTNER FUNDS' NEEDS."

IAN BROWN,
HEAD OF PRIVATE MARKETS

QUICK NAVIGATION

LGPS Central Limited

RESPONSIBLE INVESTMENT

Responsible Investment continues to be at the heart of everything we do.

We were delighted to welcome our new Director of Responsible Investment and Engagement, Patrick O'Hara, to the team this year. He joined us from USS Investment Management, where he was responsible for ESG integration and stewardship across public markets.

He has 20 years' experience in the investment management industry, with almost a decade working in responsible investment. He has already made a significant contribution to our Responsible Investment and Engagement (RI&E) efforts and to One Central as a whole.

Our collective conviction is that Partner Funds' best interests are served through a combination of comprehensive ESG integration and robust stewardship. This has remained the focus of attention for the Responsible Investment & Engagement team during the financial year.

Building on the investment beliefs of our Partner Funds, we take the view that financial markets will be materially impacted by climate change and by the response of climate policy-makers. We manage client portfolios to account for this.

REPORTING

The Task Force on Climate-Related Financial Disclosures (TCFD) was established with the goal of developing a set of voluntary, climate-related financial risk disclosures which help organisations better understand and control the risks and opportunities climate change means for them.

We recently released our first stand-alone TCFD Report detailing the steps we are taking to ensure climate-related risks are fully integrated into our investment process. We also supported seven of our Partner Funds in producing their own TCFD-compliant reports.

During 2020, LGPS Central Limited compiled bespoke Climate Risk Reports (CRR) for each Partner Fund to provide a view of the climate risk held through their entire asset portfolio and actions each could take in order to manage and reduce that risk.

RESPONSIBLE INVESTMENT INTEGRATED STATUS (RIIS)

LGPS Central Limited has developed an internal RIIS accreditation which covers all asset classes and applies to all internal and external managers. The RIIS assessment covers RI beliefs, RI-related policies and procedures, RI&E integration in the selection of assets, regular RI review, stewardship policies and processes and transparency in reporting.

During the year, we maintained our target that 100% of our products have RIIS and that RI&E is fully integrated into our investment process.

THE POWER OF ENGAGEMENT

LGPS Central Limited advocates engagement rather than divestment as the best way to deliver more sustainable corporate practices. Two case studies illustrate the tangible positive results achieved during the last 12 months.

DEFORESTATION

We recognise the crucial role that tropical forests play in tackling climate change and protecting biodiversity, which impact on economic development and the stability of capital markets. We continue to engage on the long-term investment risks inherent in deforestation at both policy and company levels.

During Q1 of 2021, Joanne Segars took part in a meeting with the Vice President of Brazil, representing LGPS Central as a member of the investor coalition Investor Policy Dialogue on Deforestation (IPDD). This was one of several meetings initiated by IPDD with the highest political levels in Brazil across government, central bank and the congress.

CLIMATE ACTION 100+

LGPS Central Limited is an active member of a collaborative engagement called Climate Action 100+ (CA100+). CA100+ currently engages 161 companies globally that are responsible for 80% of total industrial carbon emissions. LGPS Central Limited actively led or supported eight of these during the last year across mining, oil & gas, industrial technology and integrated energy sectors. Two (Glencore and Royal Dutch Shell) will now allow shareholders an advisory vote on their respective Climate Transition Plans but much work still needs to be done and we will continue to engage with them in 2021/22.

HIGH-LEVEL ENGAGEMENT AND VOTING STATS

- More than 1,000 engagements in progress via our Stewardship provider EOS at Federated Hermes, through both collaborative and direct engagement
- Voted at c. 2,900 meetings on ESG related matters
- Voted against management on at least one resolution at 55% of meetings
- In about 50% of engagements, one or more engagement objectives were achieved

External recognition of our RI work has come from PRI (Principles of Responsible Investment) where LGPS Central Limited achieved an A+ rating in every module of our latest PRI Assessment Report. We were also shortlisted in the Sustainable Investment category of the 2020 LAPF Investment Awards.

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 2020/21 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. During the period an Enterprise Risk Manager and an Investment Risk Reporting Manager have been added to the team and have made a significant positive impact on the risk management processes across the Company.

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 framework is embedded within each department of the Company and allows 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.

During the period the Company has successfully managed the impacts of Brexit and is monitoring any changes that this may have on the regulatory landscape. The Company has monitored and implemented measures in response to other regulatory changes in the period including the FCA views on culture, diversity and inclusion. Further regulatory changes are expected in 2021 around operational resilience and the introduction of new prudential standards. Work is already under way to assess the impact on our business and any process or policy amendments which might be necessary.

The Company issued an AAF 01/06 internal controls report covering the period 1 January 2020 to 31 March 2020. As at 31st March, the Company was preparing the same report for the period 1 April 2020 to 31 December 2020, which has now been published. This has involved extensive tests of the design and operational effectiveness of the key controls within our 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. Our strong controls mean that Partner Funds can invest in LGPS Central Limted with confidence.

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.

Our Internal Capital Adequacy Assessment Process (ICAAP) 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 2021. It is designed to ensure that all the business risks of the Company are adequately and appropriately considered and stress-tested.

QUICK NAVIGATION

LGPS Central Limited

COMPLIANCE & RISK MANAGEMENT CONTINUED

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). There were no changes in the Company's regulatory capital during the year.

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.

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.

Risk Management Framework

As a company that manages the pooled assets of eight Midlands-based local government pension schemes, LGPS Central Limited has a set of core principles known as our values and behaviours, which sets the tone of our organisation.

Each employee is encouraged to be open in discussing risk issues, making all relevant facts and information available so the Company can consider all possible options and make informed decisions. Risks are inherent in our business activities and can relate to strategic goals, business performance, compliance with laws and regulations, and those critical to environmental, social and governance (ESG) priorities.

Risk management requires a broad understanding of internal and external factors that can impact achievement of strategic and business objectives. Risks are managed through a framework of principles, organisational structures, measurement, and monitoring processes that are closely aligned with the activities of the business. While no risk management system can address every risk, the goal is to ensure prioritised risks are managed within acceptable levels.

We operate a three-lines of defence risk management model whereby Business Management; Risk & Compliance Management oversight and Assurance roles are functions independent of one another.

1ST LINE OF DEFENCE – BUSINESS MANAGEMENT

Management of each business area is responsible for continually identifying, assessing, and managing the risks within their area of responsibility on a day-to-day basis. They are also responsible for the successful design, implementation, and operational effectiveness of controls to mitigate and manage the risks within their area.

2ND LINE OF DEFENCE – RISK & COMPLIANCE MANAGEMENT

The second line provides policy direction, oversees and monitors the risk framework to determine whether all key risks are being identified, assessed, and controlled by management in a manner commensurate with the Company's risk appetite and in compliance with policies and regulations.

3RD LINE OF DEFENCE - ASSURANCE

The third line of defence, provided by Internal Audit, objectively assesses the adequacy and effectiveness of the processes within the first two lines and provides periodic assurance on the control environment across LGPS Central Limited. An internal audit plan is reviewed and approved by the Audit, Risk and Compliance Committee (ARCC) on an annual basis.

Risk strategy and risk appetite are defined based on the company's strategic plans in order to align risk, capital, and performance targets. Effective systems, processes and policies are a critical component of our risk management capability.

All major risk classes are managed via the risk management processes, including: Resource risk, Governance risk, Procurement and Third-Party risk, Strategic risk, Financial & Operational risk and Investment risk. Our horizon scanning continually monitors the evolving risk landscape and we adapt responses and review our Risk Framework accordingly.

COMPLIANCE & RISK MANAGEMENT CONTINUED

LGPS Central Limited's Key Risks and Mitigants are shown in Figure 6:

Figure 6: LGPS Central Limited key risks to the Business Plan and mitigating factors 2021/22

RISK CATEGORY	DEFINITION	EXAMPLE CONTROLS
Business	Risk of Issues that impact the Company's ability to achieve its goals	• Proactive inclusion of the clients in the product design through Investment Working Group (IWG)
Outsourcing	Risk of failure to meet client requirements due to the failure of an outsourced service provider to deliver services in line with its agreement of a Company failure that is providing procured goods or services	• Vendor risk management framework and outsourcing policies in place • Oversight from ORCA and ARC Committees
Cyber	Risk of loss or exposure arising from a digital event caused by external or third parties e.g. cyber-attack, data breach etc.	• IT and Information security standards are aligned with industry best practice
Environmental, Social & Governance (ESG)	Risks related, but not limited to (Environment) climate change, environmental practices / impact, supply chain management. (Social): community, duty of care, conflict, and engagement. (Governance): board diversity, board independence, shareholder protection, executive pay, and business ethics	• Internal control and governance framework with appropriate committees and processes embedded. This is regularly reviewed • Climate reports are in place demonstrating proactive information publication on the approach to climate change
Financial	Risk of financial loss	• Ongoing budget review process is embedded within the Business with comprehensive reporting and tight cost control
Fraud	Risk of the Company being exposed to fraudulent activity both external and internal	• Segregation of duties controls and authorised signatory rules embedded with reconciliations being independently reviewed. Systems controls also act as preventative controls over fraud on bank accounts
Governance	Risk of failure of the overall rules, practices and standards that guide the organisation	• Internal control and governance framework with appropriate committees and processes embedded
Information Security	Risk of unauthorised use, disclosure, disruption, modification, or destruction of information	• Robust information security/IT arrangements • Relevant GDPR policies created and training provided • BCP & DR arrangements tested annually
Investment Risk	Risk of failing to meet client expectations on investment performance	• Regular portfolio review meetings • Regular reporting to Partner Funds and engagement with them on performance
Liquidity	Risk of inability to realise cash in a short timeframe or at excessive cost	• Active monitoring of liquidity position along with regulatory capital position
Operational	Risk of incident impacting the firm's ability to function, e.g. a failure of internal controls, relevant policies, procedures, practices, processes, systems, or people	• Strong control environment evidenced by the production of AAF report
People	Risks of not being able to recruit the right people, staff retention, training etc.	• Recruitment processes compliment selection requirements, defined job descriptions required, interview process requires panel selection for senior roles. Salary and benefits are defined • Training and development needs are assessed on each individual with those needs matched to corporate requirements
Regulatory	Risk of failing to comply with relevant rules, laws, and regulation	• Compliance awareness, breach reporting policy & compliance monitoring • Regulatory Horizon Scanning

QUICK NAVIGATION

LGPS Central Limited

OUR PEOPLE

HARJ KAUR,
HEAD OF HR

Our people agenda over the last 12 months has focussed on strengthening the foundations built over 2019/20 and managing the workplace changes arising from the Covid-19 pandemic.

With the pandemic forcing us all to work remotely, staff safety and wellbeing was a key priority. Mental Health First Aiders were introduced to the business to complement the provision of a staff Employee Assistance Programme and Employee Staff Voice Group.

Other engagement activity while staff were working remotely included the staff conference, coffee catch-ups, Executive Committee roundtables, knowledge-sharing sessions, virtual walking challenges, quizzes, workshops, menopause information sessions and virtual Christmas and third year anniversary celebrations.

A staff survey conducted in June 2020 to gauge the level of support provided to staff whilst working remotely showed over 90% of the One Central team felt fully engaged and supported.

ACHIEVEMENTS DURING THE YEAR

By the end of March 2021, we were operating at full establishment of 70 people following a successful recruitment programme. The business inducted 14 new staff and our continuing commitment to maintaining a diverse workforce meant we ended the year with 41% BAME and 41% female staff representation.

13% of staff were promoted internally within the business as we continued recognising and developing internal skills and capabilities.

We sharpened our focus on diversity and inclusion with membership of Employers Network for Equality & Inclusion (enei), joining the Diversity Project which promotes diversity in the investment sector and by participating in the 30% Club mentoring scheme.

Fundamental HR polices, such as paternity and maternity leave, were also reviewed during the year to make them more family-friendly.

All staff are now routinely assessed and certified under the regulatory Fit and Proper regime to ensure they remain competent and capable as stewards of Partner Fund pooled assets.

QUICK NAVIGATION

LGPS Central Limited

OUR PEOPLE CONTINUED

Our Refreshed Values and Behaviour

During the year LGPS Central Limited introduced a vision statement: "One Central team, working in partnership to invest with purpose and deliver superior returns".

This statement sums up what we are all about, aiding decision making and driving critical business choices. It helps motivate staff, maintain focus on why we're here and defines our company culture.

Since our launch over three years ago, the expectations of us from staff, Partner Funds and other stakeholders have developed and changed. Refreshing our values and behaviours has been a key part of responding to this.

Strong values are the foundation on which we can become a better company. Displaying the right behaviours helps us live our values day-in, day-out.

They help staff understand what the company stands for, how we should be fulfilling the expectations of our stakeholders, and they unite us to ensure we're all pulling in the same direction. They are reflective and in line with the work culture expectations of the Financial Conduct Authority (FCA) for regulated businesses.

We put our clients first

- Working in partnership to deliver our clients' and shareholders' long-term needs
- Always acting with integrity, transparency and professionalism
- Doing the right thing

We are ambitious

- Constructively challenging the status quo to continuously improve how we operate
- Combining a public service ethos with a commercial business focus
- Celebrate excellence

We are inclusive

- Collegiate and collaborative, delivering more as one team
- Valuing and treating everyone equally
- Listening to everyone's ideas and using their experiences to support growth

We are a great place to work

- Staff are encouraged to be open, learn from mistakes and grow in confidence
- Individual trust and empowerment combined with personal accountability and responsibility
- Friendly, honest and supportive in everything we do

QUICK NAVIGATION

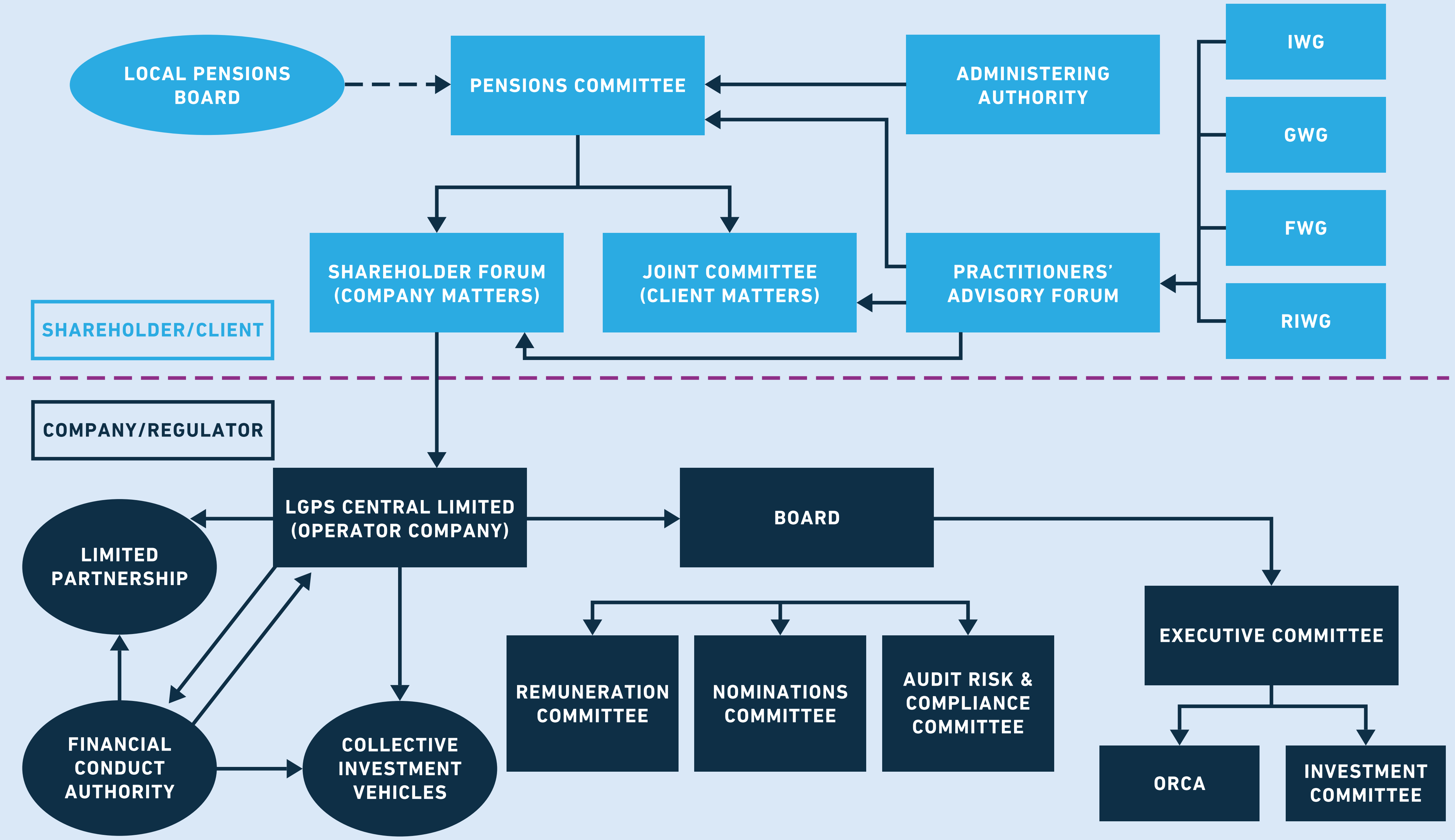
SECTION 172 STATEMENT

This statement provides an opportunity to explain how LGPS Central Limited engages with its stakeholders and clients in order to inform and assist the Board as it shapes its decisions. It also explains how the Board considers making principal decisions.

Through regular dialogue and by working collaboratively with the Company's Executive Management, its stakeholders and clients, the Board believes that it is well placed to identify, consider and respond to any challenges which may occur.

The governance structure of the Central Pool and the relationship between Company and Partner Funds is illustrated in Figure 7.

Figure 7: The governance structure of the Central Pool



SECTION 172 STATEMENT CONTINUED

Frequent and regular dialogue and engagement takes place between Company Directors and LGPS Central Limited's clients and shareholders through specific Company and Partner Fund forums covering specific aspects of the Company's development and progress.

COMPANY GENERAL MEETING

The Company General Meeting is led by the LGPS Central Limited Board, and is attended by representatives from the eight Partner Funds (one elected member or delegated officer from each administering authority) and takes place every six months. Key issues including reports from the Board sub-committees are presented by members of the Board and opportunities are available for shareholders to question the Board and vote on key resolutions.

JOINT COMMITTEE

The Joint Committee includes one elected member (Councillor) from each of the eight Partner Funds. The committee meets twice a year and invites representatives from LGPS Central Limited to provide updates specifically aimed at its client base. Updates are provided by the Company Chair, the CEO, Deputy CEO, CIO, Investment Directors, Head of Client Services & Stakeholder Relations and the Director of Responsible Investment & Engagement. The updates focus on the Company's overall development & progress, investment performance, Responsible Investment & Engagement and the reporting of Key Performance Indicators against targets.

The Joint Committee and Company General Meetings are always attended by LGPS Central Limited Executive and Non-Executive Directors. The other Partner Fund forums detailed below are predominantly attended by Executive Directors and senior company staff. Proceedings of these meetings are routinely reported upwards to the Board.

PAF (PRACTITIONERS ADVISORY FORUM)

A Partner Fund-led forum which includes representatives from each of the eight Partner Funds (clients and shareholders). The Forum invites LGPS Central Limited Executives to present and discuss updates, on a monthly basis, on the Company's progress. Updates are provided by the CEO, Deputy CEO, CIO, Head of Client Services & Stakeholder Relations and the Director of Responsible Investment & Engagement. Non-Executive Company Board members also attend the Forum whenever possible.

IWG (INVESTMENT WORKING GROUP)

A Partner Fund-led forum which includes representatives from each of the eight Partner Funds. The IWG invites LGPS Central Limited Executives to provide updates, on a monthly basis, relating to LGPS Central Limited investment fund development and investment fund performance. Updates are presented by the CIO, Investment Directors responsible for each LGPS Central Limited fund (Public and Private Markets) and the Director of Responsible Investment & Engagement. The IWG is the principal mechanism through which collective Partner Fund views are sought on the development and evolution of the Company's investment funds, to ensure they meet client needs.

RIWG (RESPONSIBLE INVESTMENT WORKING GROUP)

This Working Group includes representatives from some of the eight Partner Funds and LGPS Central Limited specialists, such as the Director of Responsible Investment & Engagement, members of the Responsible Investment & Engagement Team and the Communications Manager. The Group meets regularly throughout the year. The Company provides updates and works with the Group on topics such as climate change, the use of plastics, voting issues, current consultation papers and climate risk reporting.

FWG (FINANCE WORKING GROUP)

This Working Group includes representatives from some of the eight Partner Funds and financial specialists from LGPS Central Limited such as the DCEO and Head of Finance. The Working Group meets when required to provide input and to scrutinise the LGPS Central Limited annual budget and business plan.

GWG (GOVERNANCE WORKING GROUP)

This Working Group includes representatives from some of the eight Partner Funds and, from time to time, senior members of LGPS Central Limited are invited to attend. The Group focuses on governance and compliance issues. Attendees from the Company include the DCEO, the Chief Risk & Compliance Officer and General Counsel.

FORUM / COMMITTEE / MEETING	NUMBER OF MEETINGS IN 2020/21
PAF	12
IWG	12
RIWG	5
FWG	5
GWG	2
JOINT COMMITTEE	2
COMPANY GENERAL MEETING	2

SECTION 172 STATEMENT CONTINUED

How the LGPS Central Limited Board considers stakeholders in decision making

STRATEGY

The Directors review the Company's progress against its strategic priorities, assessing different areas of the business so that the Company can deliver a successful outcome for its stakeholders and to operate as "One Central Team, working in partnership to invest with purpose and deliver superior returns".

PERFORMANCE

The Board regularly reviews and monitors Key Performance Indicators for the business which are designed to have a direct and positive impact upon our stakeholders whether they be shareholders, clients or employees. The Company also distributes an annual Client Satisfaction Survey to measure the delivery of our services to clients, allowing the Company to identify, both quantitatively and qualitatively, areas where the Company has been successful as well as areas where improvements can be made.

PEOPLE

LGPS Central Limited Employees are key to the success of the business. This year saw a strong recruitment drive to increase headcount to reflect and support the launch of new investment funds and the subsequent increase of assets under stewardship. A properly-resourced business means that we can best serve all our stakeholders.

GOVERNANCE

The Board believes that strong governance is essential to the success of the Company, providing trust, confidence and reassurance to all stakeholders. During the year, an independent external evaluation of the Board's performance was undertaken. The result was positive. The outcome and actions for the future were reported and discussed with shareholders.

How the LGPS Central Limited Board considers stakeholders in decision making

CLIENTS

Listening to our clients is important to us, and we regularly engage with all eight Partner Funds on a one-to-one basis, as well as collectively through various forums and working groups. We host clients at regular themed events, such as our Annual Stakeholders' Day and Responsible Investment Summit. We both attend and present at Partner Fund Committee meetings and provide training to Pension Committee Members when required.

EMPLOYEES

One of our key values is to make LGPS Central Limited a great place to work. We do this in a number of ways, such as our staff 'Val U Me' recognition programme. We have established a staff forum, the Employee Staff Voice Group, to hear suggestions and feedback from staff, which we also do via regular staff surveys. Staff are given regular Performance Development Reviews to ensure they are progressing with their career, and we keep them informed of Company business with weekly updates from our Executive team and a monthly staff newsletter. We are a champion of Diversity and Inclusion, being a proud member of the Employers Network for Equality and Inclusion (enei), Diversity Project and 30% Club.

SHAREHOLDERS

We engage directly with our shareholders through our AGM and Company General Meeting, where we provide key updates and answer questions. We produce our Annual Reports and Accounts and quarterly financial updates. Quarterly one-to-one meetings are held with Partner Fund Section 151 Officers and Pensions Fund Officers, and a weekly CEO blog is distributed with the latest news from the Company.

GOVERNMENT

Regular engagements take place between the Company Board Directors and the Ministry of Housing, Communities and Local Government (MHCLG) to discuss the delivery of Government priorities for Pooling, such as cost savings, transparency, reporting and tackling climate change. Four meetings were held in 2020/21. We also report specific data and performance metrics to MHCLG annually. We provide responses to key consultation papers, such as the European Commission Consultation on Non-Financial Reporting Directive (June 2020), to ensure our voice is heard within the industry, and provide regular cost transparency reporting to Clients, as per the LGPS Scheme Advisory Board (SAB) templates.

REGULATORS

We are a Financial Conduct Authority (FCA)-regulated business, giving our clients assurance that we are managing their money in the right way. We complete all applicable regulatory returns to the FCA and are in constant dialogue with them prior to seeking formal approval for new fund launches. During 2020/21, we completed an FCA questionnaire on how to deal with and operate during the Covid-19 pandemic, adding our voice to finding the best ways of working.

INDUSTRY PEER GROUP

Chairs of the eight LGPS pension pooling companies meet regularly to discuss shared challenges and opportunities. The CEO, DCEO, HR, Legal, and Communications teams from the eight Pools also meet regularly in sub-groups to discuss developments in their specific areas of expertise. LGPS Central Limited attends the Investment Association Pools' Forum alongside other pooling companies, which is held four times a year.

LOCAL COMMUNITIES

We support our communities in a number of ways. Our CIO and Head of Private Markets have joined social mobility charity upReach's "Investment Springboard" programme, which helps investment professionals mentor university students from lower socio-economic backgrounds looking to take their first steps in an investments career. The Company has held, and taken part in, a number of fundraising events in Wolverhampton, raising money for the NHS, Macmillan Cancer Support, LGBT charity Stonewall and local hospice Compton Care.

QUICK NAVIGATION

LGPS Central Limited

SECTION 172 STATEMENT CONTINUED

How the LGPS Central Limited Board considers stakeholders in decision making

BUSINESS PLAN AND BUDGET

We work very closely with Partner Funds and Section 151 Officers to develop and approve the Company's annual Business Plan and Budget. The process is collaborative throughout, involving initial discussions on Partner Fund strategic priorities and how the Company can best meet those priorities. Through regular discussions, we determine the services and funds Partner Funds require and agree a sensible budget which will offer high-quality products and services while achieving value for money. Approval of the Budget Plan and Budget requires unanimous approval from all shareholders, and it is therefore essential that the views of all eight of our Partner Funds are taken into consideration. Other stakeholders are also considered when the Board draws up the budget. We are mindful to ensure our obligations to the regulators are met in full, and that we can also meet the obligations to suppliers.

MOVE TO NEW OFFICE PREMISES

When the lease of our current office in Mander House was due to expire we felt it was a good opportunity to re-evaluate the needs of the Company. To achieve our ambitious growth plans, we made the decision to move to the i9 building in Wolverhampton. This decision was taken in complete partnership with Partner Funds, with regular meetings to discuss the office search process, the criteria we used to shortlist properties, potential locations we could move to, and a full analysis of the reasons for our final recommendation. It was important that this analysis took into account the needs of our staff, as key stakeholders in the business, as well as the environmental impact of potential locations. Partner Funds unanimously agreed that we had chosen the right property and location to safeguard the long-term sustainability of the Company.

QUICK NAVIGATION

WELCOME FROM THE CHAIR
OUR PROGRESS
STRATEGIC REPORT FROM THE CEO
GOVERNANCE STRUCTURE
MESSAGE FROM THE CIO
RESPONSIBLE INVESTMENT
COMPLIANCE & RISK MANAGEMENT
OUR PEOPLE
SECTION 172 STATEMENT
DIRECTORS' REPORT
DIRECTORS' RESPONSIBILITIES
AUDITOR'S REPORT
FINANCIAL STATEMENTS

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 31 March 2021.

FINANCIAL PERFORMANCE

The Company's financial performance for the year was a net profit before tax of £975,000 (2019/20: £535,000). Income from Partner Funds of £11.9 million was receivable during the year (2019/20: £10.5 million), whilst operating expenditure stood at £10.6 million (2019/20: £9.7 million). Net assets at the year-end stood at £6.3 million, down from £6.8 million at 31 March 2020. These numbers are broadly consistent with our Business Plan for 2020/21.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report from the Chief Executive Offer 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 31 March 2021 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 2020/21.

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 Deputy Chief Executive 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

29 June 2021

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 are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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.

QUICK NAVIGATION

LGPS Central Limited

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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) ; 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; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

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

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

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

QUICK NAVIGATION

LGPS Central Limited

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

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the relevant provisions of the UK Companies Act 2006 and tax legislation.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the regulation set by the Financial Conduct Authority and regulatory capital requirements.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Revenue recognition: We obtained an understanding of the process and relevant controls around revenue recognition, we tested management fee revenue through developing an independent expectation of the revenue recorded, we independently verified the assets under management by inspection of investment valuations statements and custodian reports, and we substantively tested management fee revenue by agreeing details to source documentation on a sample basis and focused on any changes to pricing schedules to ensure agreed management fee percentages had been updated for and applied accurately.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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
29 June 2021

FINANCIAL STATEMENTS *for the Year Ended 31st March 2021*

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH 2021

	Notes	2021 £000	2020 £000
Revenue	5		
Operating Income		11,861	10,479
Total Revenue		11,861	10,479
Expenses	6		
Staff Costs		(5,652)	(5,283)
Other Operating Expenses		(4,950)	(4,452)
Total Expenses		(10,602)	(9,735)
Operating Profit		1,259	744
Interest Receivable		15	117
Interest Payable	12, 13	(299)	(326)
Profit Before Taxation		975	535
Taxation	7	-	-
Profit for the year		975	535
Other Comprehensive Income			
Net Actuarial (Loss)/Gain on Defined Benefit Schemes	14	(1,495)	(272)
Total Comprehensive Income for the Year		(520)	263

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2021

	Notes	31st March 2021 £000	31st March 2020 £000
Assets			
Non-Current Assets			
Right-of-Use Assets	8	25	110
Total Non-Current Assets		25	110
Current Assets			
Trade and other receivables	9	2,936	3,319
Cash and cash equivalents	10	15,265	13,077
Total Current Assets		18,201	16,396
Total Assets		18,226	16,506
Liabilities			
Current Liabilities			
Trade and other payables	11	(2,483)	(2,001)
Borrowing	12, 13	(236)	(335)
Other financial liabilities	15	(111)	(79)
Total Current Liabilities		(2,830)	(2,415)
Non-Current Liabilities			
Borrowing	12, 13	(4,810)	(4,823)
Other financial liabilities	15	(685)	(685)
Post-employment benefits	14	(3,643)	(1,805)
Total Non-Current Liabilities		(9,138)	(7,313)
Total Liabilities		(11,968)	(9,728)
Net Assets		6,258	6,778
Capital and Reserves			
Called-up share capital	15	10,520	10,520
Retained losses		(4,262)	(3,742)
Total Capital and Reserves		6,258	6,778

The financial statements on pages 32 to 46 were approved by the Board of Directors and authorised for issue on 29 June 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 2021 CONTINUED

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2021

	Share Capital £000	Profit and Loss Reserve £000	Total £000
Balance at 1 April 2020	10,520	(3,742)	**6,778**
Profit for the year	-	975	**975**
Other Comprehensive Income:			
Net Actuarial Loss on Defined Benefit Schemes	-	(1,495)	**(1,495)**
Balance at 31 March 2021	10,520	(4,262)	6,258

	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 Gain on Defined Benefit Schemes	-	(272)	**(272)**
Balance at 31 March 2020	10,520	(3,742)	6,778

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2021

	Notes	2021 £000	2020 £000
Net Cash Flows from/(used in) Operating Activities	16	2,277	(210)
Net Cash Flows from Investing Activities		-	-
Net Cash Flow used in Financing Activities			
Contractual Amounts Payable for Leases Recognised under IFRS 16		**(89)**	(117)
Total Net Cash Flows used in Financing Activities		**(89)**	(117)
Net Increase/(Decrease) in Cash and Cash Equivalents		2,188	(327)
Cash and Cash Equivalents at the Beginning of the Year		**13,077**	13,404
Cash and Cash Equivalents at the End of the Year		15,265	13,077

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 31st March 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). 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, including review of regulatory requirements and consideration of stress scenarios, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is forecast to have sufficient cash balances over the medium term. The Company's charging model, being built on a cost-plus basis with charging in arrears provides for a stable income stream. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

During the final quarter of the 2019/20 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 experienced large general declines in values during the first and second quarters of 2020, although valuations recovered somewhat during the 2020/21 financial year. These fluctuations 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 and again in January 2021 (with localised confinements in between these two dates), the Company's employees were all able to continue working from home. 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 2021 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 has classified its assets, in accordance with IFRS 9, 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

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021 CONTINUED

obligations; less:

- The effect of minimum funding requirements 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 has accounted for leases in accordance with IFRS 16. 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 31 March 2021 is analysed as follows.

	2021 £000	2020 £000
Investment Management and Monitoring		
Authorised Contractual Scheme	2,134	1,326
Limited Partnership	206	169
Discretionary	17	406
Advisory and Advisory-with-Execution	635	487
Execution-Only	7	17
Product Development	1,577	1,408
Governance	1,848	1,725
Operator Running Costs	5,428	4,913
Other Recharges	9	28
Total	**11,861**	10,479

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021 CONTINUED

6. EXPENSES

The Company's expenses for the year ended 31 March 2021 are analysed as follows:

	2021 £000	2020 £000
Staff costs		
Salaries	4,275	3,874
Social Security Contributions	517	465
Pension Contributions	814	733
Audit fees (financial statements)	24	23
Non-audit fees – CASS	10	9
Non-audit fees – AAF reporting	68	65
Irrecoverable VAT	36	32
Depreciation	85	105
Other Administrative Expenses	4,773	4,429
Total	**10,602**	9,735

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 62 at the beginning of the year to 70 at 31 March 2021 (2019/20: 48 to 62). The average number of employees over the course of the 2020/21 year was 64 (2019/20: 57). The following table provides a breakdown of the number of employees.

	31st March 2020	31st March 2021	Average 2020/21
Board	6	6	6
Investments	26	30	26
Support Services	30	34	32
Balance at 31 March 2021	62	**70**	64

No other fees were payable to the external auditor other than for the audit of the financial statements AAF review 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 2021 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, 2019/20 and 2020/21, no corporation tax was payable for any of these years.

	2021 £000	2020 £000
Current tax:	-	-
Total current tax	-	-
Deferred tax:	-	-
Total deferred tax	-	-

	2021 £000	2020 £000
Profit before tax	975	535
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	185	102
Effect of pre-trading expenses used to reduce taxable profit for the year	(185)	(102)
Tax expense for the year	-	-

The standard rate of corporation tax applied to reported profits is 19% (2019/20: 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% until April 2023, at which point it will rise to 25%.

8. PROPERTY, PLANT AND EQUIPMENT

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 2020/21 or 2019/20.

	Premises £000	IT Equipment £000	Total £000
Cost			
Balance at 1 April 2020	207	108	315
Additions	-	-	-
Balance at 31 March 2021	**207**	**108**	**315**
Accumulated Depreciation			
Balance at 1 April 2020	(122)	(83)	(205)
Depreciation	(60)	(25)	(85)
Balance at 31 March 2021	**(182)**	**(108)**	**(290)**
Net Book Value			
Balance at 1 April 2020	85	25	110
Additions	-	-	-
Depreciation	(60)	(25)	(85)
Balance at 31 March 2021	**25**	**-**	**25**

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021 CONTINUED

9. TRADE AND OTHER RECEIVABLES

	31st March 2021 £000	31st March 2020 £000
Trade Debtors	2,715	3,207
Prepayments	221	112
Total	**2,936**	**3,319**

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 2021 £000	31st March 2020 £000
Cash at Bank	15,265	13,077
Total	**15,265**	**13,077**

11. TRADE AND OTHER PAYABLES

	31st March 2021 £000	31st March 2020 £000
Trade Creditors	2,031	1,799
Social Security Contributions	71	64
VAT	381	138
Total	**2,483**	**2,001**

The amounts above are all due within one year.

12. BORROWING

	31st March 2021 £000	31st March 2020 £000
Loans	4,795	4,795
Accrued Interest Payable on Borrowing	222	252
Sub Total Loans	**5,017**	**5,047**
Finance Leases	29	112
Total	**5,046**	**5,159**

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 31 March 2019 and payments annually thereafter. Interest of £222,000 has been accrued in respect of the 2020/21 year (2019/20: £252,000). Interest Payable included in the Statement of Profit or Loss and Other Comprehensive Income is analysed as follows:

	2021 £000	2020 £000
Interest Payable on Borrowing	222	253
Interest Payable on Finance Leases	6	12
Net Interest Payable on Net Defined Benefit Liabilities	39	25
Preference Dividends Payable	32	36
Total	**299**	**326**

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021 CONTINUED

13. LEASES AND LEASE COMMITMENTS

The following table summarises LGPS Central Limited's payments under leases during 2020/21, and the year-end balance.

	Premises £000	IT Equipment £000	Total £000
Balance at 1 April 2020	96	16	112
Additions	-	-	-
Interest Payable	5	1	6
Amounts Payable under Leases	(72)	(17)	(89)
Balance at 31 March 2021	29	-	29

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 2020/21 was £1,000 (2019/20: £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 18.8% of pensionable pay (2019/20: 20.2%).

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 fell 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 Statement of Financial Position 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 31 March 2021, the net pensions liability was £3.6 million (31 March 2020: £1.8 million). The following table sets out the movements in the net liability during 2020/21.

	Assets £000	Liabilities £000	Net £000
Balance as at 31 March 2020	2,250	(4,055)	(1,805)
Amounts recognised in Profit and Loss			
Current service cost	-	(658)	(658)
Past service cost	-	-	-
Contributions by employer	356	-	356
Contributions by employees	148	(148)	-
Benefits paid net of transfers in	(24)	24	-
Administration expenses	(2)	-	(2)
Interest on assets	58	-	58
Interest cost	-	(97)	(97)
Total amounts recognised in Profit and Loss	536	(879)	(343)
Amounts recognised in Other Comprehensive Income			
Return on assets less interest	421	-	421
Change in financial assumptions	-	(1,995)	(1,995)
Change in demographic assumptions	-	44	44
Other actuarial gains/(losses)	-	-	-
Experience (loss)/gain on liability	-	35	35
Total amounts recognised in Other Comprehensive Income	421	(1,916)	(1,495)
Balance as at 31 March 2021	3,207	(6,850)	(3,643)

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021 CONTINUED

As at 31 March 2020, the net pensions liability was £1.8 million (31 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/(losses)	159	-	**159**
Experience (loss)/gain 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)**

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

	31st March 2021 £000	31st March 2020 £000
Present Value of Defined Benefit Obligations	(6,850)	(4,055)
Fair Value of Plan Assets	3,207	2,250
	(3,643)	**(1,805)**
Funded Status	-	-
Restrictions on Asset Derecognised	-	-
Net Liability Arising from Defined Benefit Obligation	(3,643)	**(1,805)**

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 2021 £000	31st March 2021 %	31st March 2020 £000	31st March 2020 %
Equities	1,889	59%	1,329	59%
Gilts	319	10%	221	10%
Other Bonds	123	4%	86	4%
Property	232	7%	177	8%
Cash	192	6%	115	5%
Other	452	14%	322	14%
Total	**3,207**	**100%**	**2,250**	**100%**

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021 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 31 December 2020/2019 valuations):

		Dec 2020 Quoted %	Dec 2020 Unquoted %	Dec 2019 Quoted %	Dec 2019 Unquoted %
Fixed Interest Government Securities	UK	-	1.1%	-	1.1%
	Overseas	-	0.6%	-	0.6%
Index-Linked Government Securities	UK	5.6%	-	5.6%	-
	Overseas	1.8%	-	1.6%	-
Corporate Bonds	UK	-	3.8%	-	3.8%
	Overseas	-	-	-	-
Equities	UK	11.4%	0.0%	12.6%	0.0%
	Overseas	13.6%	26.3%	8.0%	26.4%
Property	All	7.2%	-	7.9%	-
Others	Absolute Return	-	1.9%	-	3.1%
	Private Equity	-	6.7%	-	6.9%
	Infrastructure	0.1%	4.1%	0.2%	4.6%
	Other Fixed Income & Emerging Market Debt	-	7.9%	-	6.4%
	Forward Currency Contracts	-	0.0%	-	-
	UK Gilts Futures	0.9%	-	0.9%	-
	Equity Index Futures	1.0%	-	5.2%	-
	Broker Balances and Income Receivables	-	-	-	0.4%
	Other Long-Term Assets	-	0.1%	-	0.6%
	Cash/Temporary Investments	-	5.3%	-	3.8%
Net Current Assets	Debtors	-	0.7%	-	0.5%
	Creditors	-	0.1%	-	0.2%
Total		41.6%	58.4%	42.0%	58.0%

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 2021 CONTINUED

	Assumption Used	Change in Assumption	Effect of Increase £000	Effect of Decrease £000
Discount Rate	2.05%	+ / - 0.1%	(205)	212
Long-Term Salary Increases	5.00%	+ / - 0.1%	29	(28)
Pensions Increases	2.80%	+ / - 0.1%	182	(176)
Life Expectancy (from age 65)	Retiring today Male: 23.7 yrs Female: 25.2 yrs Retiring in 20 years Male: 25.2 yrs Female: 26.9 yrs	+ / - 1 year	229	(222)

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.

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 (2020/21: £145,000; 2019/20: £140,000).

15. SHARE CAPITAL

	'A' Shares Ordinary £	'B' Shares Ordinary £	Total £
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**
Balance as at 31 March 2021	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. 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 £111,000 in respect of the 'C' shares have been accrued for the period from 12 January 2018 (the date of receipt of the funds) to 31 March 2021 (comprising £32,000 in 2020/21, £36,000 in 2019/20, as shown in the table below, £36,000 in 2018/19 and £7,000 in 2017/18). No other dividends were payable for 2019/20 or 2020/21.

	'C' Shares Preference £
Balance as at 31 March 2019	728,000
Accrued dividends 2019/20	36,000
Balance as at 31 March 2020	**764,000**
Accrued dividends 2020/21	32,000
Balance as at 31 March 2021	796,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021 CONTINUED

16. RECONCILIATION OF NET CASH USED IN OPERATING ACTIVITIES

	2021 £000	2020 £000
Profit before Taxation	975	535
Movement in Trade and Other Receivables	383	(1,239)
Movement in Trade and Other Payables	482	98
Movement in Interest Payable	(86)	(13)
Net Defined Benefit Pensions Costs	343	300
Depreciation	85	105
Fixed Asset Amounts Recognised under IFRS 16	-	(8)
Interest Payable for Leases Recognised under IFRS 16	6	12
Net Non-Cash Items	**1,213**	**(745)**
Net Cash used in Operating Activities	**2,188**	**(210)**

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 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 31 March 2021 was £4.795 million, and accrued interest on these loans stood at £222,000 (see Note 12).

At 31 March 2021, preference dividends of £111,000 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 Statement of Profit or Loss or the Statement of Financial Position as appropriate.

Administering Authority	2021 Income £000	2021 Expenditure £000	2020 Income £000	2020 Expenditure £000
Cheshire West and Chester Council	1,343	(32)	1,116	(36)
Derbyshire County Council	1,034	(47)	1,383	(50)
Leicestershire County Council	1,181	(32)	898	(36)
Nottinghamshire County Council	1,057	(32)	966	(36)
Shropshire Council	563	(32)	495	(36)
Staffordshire County Council	1,138	(32)	970	(36)
Wolverhampton City Council	4,818	(497)	4,030	(346)
Worcestershire County Council	718	(32)	618	(36)
Total	**11,852**	**(736)**	**10,476**	**(612)**

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021 CONTINUED

Administering Authority	2021 Debtor £000	2021 Creditor £000	2020 Debtor £000	2020 Creditor £000
Cheshire West and Chester Council	218	(32)	358	(36)
Derbyshire County Council	202	(36)	274	(36)
Leicestershire County Council	320	(32)	292	(36)
Nottinghamshire County Council	195	(32)	297	(36)
Shropshire Council	84	(32)	121	(36)
Staffordshire County Council	281	(32)	301	(36)
Wolverhampton City Council	1,148	(254)	1.526	(341)
Worcestershire County Council	131	(32)	170	(36)
Total	**2,579**	**(482)**	**3,339**	**(593)**

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 £1.5 million (2019/20: £1.4 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	2021 £000	2020 £000
Emoluments	686	636
Employer's National Insurance Contributions	87	82
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	**773**	**718**

Number of Directors Who:	2021 Number	2020 Number
Are Members of a Defined Benefit Pension Scheme	-	-
Are Members of a Money Purchase Pension Scheme	-	-
Exercised Options over Shares in the Parent Company	-	-
Had Awards Receivable in the Form of Shares in the Parent Company under a Long-Term Incentive Scheme	-	-

Remuneration of the Highest-Paid Director	2021 £000	2020 £000
Emoluments	281	270
Employer's National Insurance Contributions	38	36
Company Contributions to Money Purchase Pension Schemes	-	-
Total	**319**	**306**

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.

LGPS Central Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021 CONTINUED

19. POST BALANCE SHEET EVENTS

At the time of signing the financial statements the Company was in negotiations over a lease for new premises with a view to moving into those premises in Summer 2021, however this does not affect the reported balances or transactions at 31 March 2021.

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 £254,000 as analysed in Note 12 (excluding interest payable on leases and in relation to defined benefit pension liabilities) (2019/20: £288,000). Balances as at the year-end are set out in the following table.

	31st March 2021 £000	31st March 2020 £000
Financial Assets		
Financial Assets Measured at Amortised Cost		
Trade Debtors	2,936	3,207
Total Financial Assets	**2,936**	**3,207**
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost		
Trade Creditors	(2,483)	(2,001)
Borrowing	(5,046)	(5,047)
Preference Shares	(796)	(764)
Total Financial Liabilities	**(8,325)**	**(7,812)**
Net Total	(5,389)	**(4,605)**

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 2021 £000	31st March 2020 £000
Within One Year	2,830	2,332
Between One and Five Years	15	-
More Than Five Years	5,480	5,480
Net Total	8,325	**7,812**

LGPS Central Limited

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