PARTNERSHIP IS
OUR POWER...

PARTNERSHIP IS
OUR PURPOSE...

PARTNERSHIP IS
OUR POINT...

ANNUAL REPORT AND **FINANCIAL STATEMENTS** FOR THE YEAR ENDED **31 MARCH 2019**

LGPS Central Limited

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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 centre of England (our Partner Funds). Our Partner Funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. The West Midlands Integrated Transport Authority (ITA) Pension Fund is also an investor. The Company is jointly owned on an equal shares basis by the eight Partner Funds. West Midlands ITA Pension Fund is not a shareholder, but its rights are represented by West Midlands Pension Fund. The Partner Funds will also be the client base. The combined assets of these funds are approximately £45 billion, managed on behalf of around one million LGPS members and some 2,000 participating employers.

The Company is authorised and regulated by the Financial Conduct Authority (the FCA) to operate as an Alternative Investment Fund Manager (AIFM). In this capacity the Company acts as the operator of a collective investment vehicle called an Authorised Contractual Scheme (ACS) and may run additional collective investment vehicles, in addition to discretionary and advisory services under our MiFID II authorisation to meet our Partner Funds' needs.

LGPS Central Limited is authorised and regulated by the Financial Conduct Authority. Registered in England Registered No: 10425159. Registered Office: Floor 5 Mander House, Wolverhampton, WV1 3NB

KEY ADVISORS AND SERVICE PROVIDERS

External Auditor
Deloitte LLP

Internal Auditor
KPMG LLP

Banker
Lloyds Bank

Tax Advisor
PwC LLP

Legal Advisor
Eversheds Sutherland (International) LLP

Depositary and Asset Servicer to the ACS
Northern Trust Global Services SE UK Branch

REPORT FROM THE CHAIR

Joanne Segars OBE
Chair and Non-Executive Director, Chair of the Nominations Committee and Member of the Audit, Risk and Compliance and Remuneration Committees.

I am pleased to introduce the Annual Report and Accounts for LGPS Central Limited for the financial year ending 31 March 2019.

This has been our first full year of operation, and it has been quite a year. In the twelve months since our launch in April 2018 we have become responsible for over £17bn of Partner Funds' assets, with £7bn managed through four LGPS Central Limited ACS sub-funds and a further £9.2bn managed through a range of discretionary and advisory mandates. As we have built our fund management capability our focus has been on long-term performance and value for money. We understand that our Partner Funds' liabilities extend over many decades and so long-term performance with superior investment returns after costs, and not simply a low-cost solution, is what matters. This approach is already delivering significant cost savings for Partner Funds investing through LGPS Central Limited. Together we have achieved a lot in a short space of time. But there is much more to do.

We have worked closely with Partner Funds on the development of our initial ACS sub-funds to ensure they meet the identified investment needs. We will continue to work with and listen to Partner Funds and refine our processes in light of experience and Partner Funds' needs.

Over the past year I have particularly valued the opportunity to speak to Partner Funds' Pensions Committees. I am grateful for the welcome I have been given and for the open and honest dialogue. I hope to continue these meetings over the coming year. This will help us ensure that we are meeting Partner Funds' needs as we continue to develop the business.

During the year we have grown to an organisation of almost 50 people. Our staff bring together experience from across the public and private sectors. They provide us with a great blend of private sector know-how and public sector ethos. In March this year, we welcomed Mike Weston to LGPS Central Limited as our new Chief Executive Officer. Mike joins with a wealth of experience in the Pensions and investment industry. He brings a new focus and new energy to the organisation as we move beyond our initial set-up phase. As we welcome Mike, I would like to place on record our thanks to Andrew Warwick-Thompson who was instrumental in the launch of the Company.

Finally, I would like to take this opportunity to thank my fellow Board directors for their hard work and dedication over the past year as well as Mike Weston and all the staff at LGPS Central Limited for their tireless work on behalf of Partner Funds. I would also like to express all our thanks to our Partner Funds, to their fund officers and elected members, who have contributed to our achievements over the past year. LGPS Central is, at its core, a partnership between Partner Funds and LGPS Central Limited as the pool operator and our collective future success relies on a continuation of that strong partnership.

I look forward to working with Partner Funds over the coming years.

J. Segars.

STRATEGIC REPORT FROM THE CHIEF EXECUTIVE OFFICER

Mike Weston
Executive Director, Chief Executive Officer (CEO)

I am very pleased to be writing my first CEO report since joining LGPS Central Limited in March 2019. I have joined a dedicated team of colleagues who are wholly focussed on delivering the investment returns our Partner Fund investor clients need to secure the payment of pensions to their members and dependents over the long-term.

I've also joined a group of Partner Fund shareholders and investor clients who are committed to the successful development of the LGPS Central Pool and to capturing the long-term economic and governance gains from pooling the management of their pension scheme assets.

This is a business that has achieved a huge amount during its first year of operation, but a business that still has much more to do to deliver the full potential envisaged by Partner Funds during its design and creation.

Since its formal launch on 1 April 2018 there has been major growth in the scale of Partner Fund assets managed or advised by LGPS Central Limited, the scale of the Company itself and the complexity of the business. There has also been significant internal change as we move from our start-up phase into ongoing operations, and from a focus on establishing the processes and procedures required of an FCA regulated investment manager towards a focus on client service and investment performance delivery for our Partner Fund investor clients.

The Company's financial performance for the year was a net profit before tax of £378,000. This was the Company's first year of operation and income from Partner Funds of £9.9m was receivable during the year, whilst operating expenditure stood at £9.3m. Net assets at the year-end stood at £6.5 million, up from £6.1 million. These numbers are broadly

WORKING IN PARTNERSHIP

>150 engagements. Improving relationships with Partner Funds

£10.6m budget set for 19/20

48 STAFF blend of public and private sector

GROWING OUR ASSETS UNDER MANAGEMENT

£11.5bn* in 7 LGPSC sub-funds

17 advisory and discretionary mandates worth **£9.2bn**

FOCUS ON LONG-TERM PERFORMANCE & VALUE FOR MONEY

£45bn additional cost savings for global active fund – cost savings off-set additional operating costs

RESPONSIBLE INVESTMENT

all internal & external managers operate in line with our RI integration standard

*Includes estimated Partner Fund investments in Emerging Markets, Corporate Bonds and Climate Factor funds that are scheduled to be launched in 2019

Our Shared Objectives

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

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

consistent with the Company's Business Plan approved prior to the year, in February 2018.

The Company's principal risks include liquidity, credit and counter-party risk. A discussion of the nature of these risks and the steps the Company has taken to manage and mitigate them is included in the Directors' Report on page 14.

We are still very much in the early stages of the LGPS pooling journey. To guide our journey at LGPS Central Limited, eight shared objectives were agreed during the establishment of the pool and they continue to direct our efforts today.

Compared to many investment managers, the LGPS Central Limited business is unusual. Our owners and shareholders are also our only investor clients. This provides total alignment of interest for two of the Company's three major stakeholder groups. The alignment of the third stakeholder group, the employees, is generally strong during the start-up phase of a business. The challenge is to maintain the momentum as the business moves from start-up into business as usual.

LGPS Central Limited will rely absolutely on the quality of its people to deliver on our long-term objectives. I am focussed on retaining and developing my existing colleagues and recruiting the new talent we need to grow the range of investment vehicles we provide to our Partner Fund clients.

Transparency and communication are essential for all our stakeholders, but especially for those we serve in the local communities across the Midlands and those external to the business in both local and national Government.

When LGPS Central Limited equity portfolio managers are analysing a potential investment, they focus on its People, Processes and Performance. It is no different when I consider LGPS Central Limited as an investment manager. We will only be able to deliver the returns on the assets we are entrusted to manage by our Partner Funds - which they need to secure the payment of pensions to their members and dependents over the long-term - if we recruit, retain and develop high quality people and we operate efficient internal processes to deliver the economies of scale and cost savings that are the fundamental rationale behind LGPS pooling.

With the right people, processes and performance, LGPS Central Limited will be demonstrably putting our Partner Funds first and will become the positive choice as investment manager for the LGPS schemes across the Midlands.

LGPS Central Limited has a set of Key Performance Indicators for 2019/20 against which we are measuring our progress. We have specific KPIs for our shareholders, separate KPIs for our Partner Fund investor clients and internal KPIs for the business itself.

Key Performance Indicators 2019/20

LGPS Central Limited Performance for Our Shareholders

High Quality Staff. Effective retention, development and succession planning combined with external recruitment

£22bn AuM, with the majority being invested in ACS funds

Cost savings in excess of regulatory business plan

Deliver within budget that is agreed by Partner Funds, reflects the stage of development of LGPS Central and is externally reported under CIPFA guidelines

AAF report produced which does not highlight any material exceptions that would indicate that operational processes and controls are not sufficiently robust

LGPS Central Limited Performance for Our Partner Fund Investor Clients

Deliver superior returns net of costs by selecting the best managers and **reducing average annual management charges for each asset class**

Timely performance reporting in line with each mandate, the SAB transparency code and industry peer group standards

Client service

Meet agreed product delivery schedule to ensure availability of well-resourced sub-funds across the range of asset classes needed by Partner Fund Clients

RI integrated status for all products, supported by a bespoke ongoing responsible investing strategy

High Quality Staff. Effective retention, development and succession planning combined with external recruitment

AAF report produced which does not highlight any material exceptions that would indicate that operational processes and controls are not sufficiently robust

The current economic uncertainties linked to Brexit are having a limited direct impact on the operations of the Company. Our mission is to develop, launch and manage investment vehicles for our Partner Fund clients which will deliver the target levels of risk adjusted investment returns they need over future decades; the long-term. In the short-term, our focus is ensuring we understand the potential investment market volatility which may occur and that it is within the risk tolerances which have been agreed with our Partner Fund clients.

LGPS Central Limited is committed to being a responsible investor in everything we do for our Partner Fund clients. This is discussed later by my colleague Michael Marshall. A similar mindset applies to our internal activities. There is no corporate provision of single use plastics, we actively recycle paper, cardboard and coffee grounds and as far as possible we utilise natural heating and ventilation for the LGPS Central Limited offices.

It was a major challenge to develop the LGPS Central Pool and successfully launch LGPS Central Limited on schedule on 1 April 2018. There will undoubtedly be more challenges to overcome as we move forward from here. Some will naturally arise as we seek to balance the needs of eight different Partner Fund pension schemes, each with their own particular liability profile and therefore optimum strategic asset allocation. Some will be due to external forces, which by their very nature are difficult to plan for.

But whatever the challenges, the common goal of providing a secure retirement income to a combined scheme membership of approximately one million people, at a cost which is supportable by about 2,000 local employers, will help LGPS Central Limited and our Partner Fund owners/clients move forward together, in partnership.

12 July 2019

LGPS Central Limited is proud to be a member of the following bodies, and we support the excellent work that they do:

GOVERNANCE STRUCTURE

John Burns Joanne Segars Eithne McManus John Nestor Mike Weston

The Board

We take governance seriously. It is key to the effective operation and success of the Company, and to our legal and regulatory compliance. The Board has invested time and effort to establish a robust governance framework and this has operated effectively during 2018/19.

The Company Board comprises a non-executive Chair and two further non-executive directors. The Chief Executive Officer (CEO) and the Deputy Chief Executive/Chief Operating and Financial Officer (COFO) are executive Board members.

Joanne Segars OBE

Chair and non-executive director, chair of the Nominations Committee and member of the Audit, Risk and Compliance and Remuneration Committees.

Joanne was appointed as the first Chair of LGPS Central Limited, the asset manager for nine Midlands-based local authority pensions funds, May 2017. In December 2017 Joanne became a Trustee Director of NOW: Pensions, one of the UK's largest auto-enrolment pension providers and is currently its interim Chair. She is a member of 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. Joanne is Chair of the Joint Expert Panel on the Universities Superannuation Scheme. She is a Director of the Pensions Policy Institute.

Joanne was the Chief Executive of the Pensions and Lifetime Savings Association (formerly the NAPF) from 2006 June 2017 having been its first Policy Director from 2005-2006. She joined the organisation from the Association of British Insurers where she was Head of Pensions and Savings. Joanne held the pensions brief at the Trades Union Congress from 1988-2001 and started her career as a pensions researcher and journalist at Incomes Data Services. She was a member of the Board of the Environment Agency in March and chaired its pension funds from 2017-2018.

She was a Board member of PensionsEurope, the EU trade association for pensions, from 2010-2017 and its Chair from 2012-2015 and a Board member of the Pensions Infrastructure Platform and Chair from 2013-2016.

Joanne has a degree in economics from John Moores University and an MA in Industrial Relations from the University of Warwick. She was awarded the OBE for services to pensions in the 2003 Queen's Birthday Honours.

Eithne McManus

Non-executive director, chair of the Audit, Risk and Compliance Committee and member of the Remuneration and Nomination Committees.

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 and UIA

(Insurance) Ltd which is a mutual insurer. Eithne is currently chair of the Audit Committee and a member of both the Risk Committee and the Nominations and Remuneration Committee at UIA Insurance. 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. In her executive career she was a Director of Countrywide Assured and CEO of City of Westminster Assurance, having previously been its CFO. She is a qualified actuary.

John Nestor

Non-executive director, chair of the Remuneration Committee and member of the Audit Risk and Compliance and Nominations Committees.

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 Citi Group 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.

Mike Weston

Executive Director, Chief Executive Officer (CEO)

Mike has spent almost 30 years managing or investing on behalf of both public and private sector pension schemes. For the last four years, he has been the CEO of Pensions Infrastructure Platform (PiP). PiP is the UK infrastructure investment manager created by pension schemes, for pension schemes. 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. During Mike's management of PiP, the business mobilised almost £2bn of investment into UK infrastructure.

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 (HFAM). As a board member at HFAM, Mike led the UK investment team, managed relationships with the global pensions scheme investor base and helped build a profitable third-party client business.

Since 2010, Mike has served as an independent trustee of the Institute of Cancer Research Pension Scheme.

Mike has a Natural Sciences degree from Cambridge University and an MBA from Cranfield University Business School.

John Burns

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

John joined the Board of LGPS Central Limited in September 2017. He is responsible for the oversight of the infrastructure 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.

John is a Chartered Accountant and holds a Bachelor of Commerce degree from The University of Birmingham.

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:

1 **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), Eithne McManus and Joanne Segars, all of whom are Non-Executive Directors. The Committee met twice during 2018/19.

The activities of the Committee during 2018/19 included the development and approval of the Company's first performance and recognition framework, the recommendation to Shareholders of remuneration packages for Executive Directors, the approval of remuneration packages for all other staff and a review of all Code staff.

2 **Audit, Risk and Compliance Committee**
The responsibilities of the Audit, Risk and Compliance Committee are to ensure the effectiveness of systems of effective control. It provides leadership and oversight of the Company's risk management system and compliance policies and procedures. The members of the Committee are Eithne McManus (Chair), Joanne Segars and John Nestor, all of whom are Independent Non-Executive Directors. The Committee met four times during 2018/19.

The activities of the Committee during 2018/19 included the approval of a number of key elements of the control environment, discussion and approval of the Company's risk register and risk appetite statement, and review of the draft ICAAP report. It also oversaw the work of the internal and external auditors.

3 **Nominations Committee**
The responsibilities of the Nominations Committee are to recommend to Shareholders the appointment/re-appointment of Executive and Non-Executive Directors, the evaluation of the performance of the Board and succession planning. The members of the Committee are Joanne Segars (Chair), Eithne McManus and John Nestor, all of whom are Non-Executive Directors. The Committee met six times during 2018/19.

The activities of the Committee during 2018/19 included putting in place an organisational succession planning strategy, reviewing the performance of the Board and the recruitment of Mike Weston as the Chief Executive Officer from March 2019.

Attendance at Board and Committee meetings throughout the year has been high, demonstrating the NEDS' commitment to the Company and its governance. The following table provides details of meeting attendance for 2018/19.

Name	Board	Rem Co	ARCC	Nom Co
Joanne Segars	13/13	2/2	4/4	6/6
Eithne McManus	13/13	2/2	4/4	6/6
John Nestor	12/13	2/2	4/4	6/6
Andrew Warwick-Thompson*	8/8			
Mike Weston**	1/1			
John Burns	13/13			

* Left 10 December 2018
** Started 7 March 2019

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

The Board has also created an Investment Committee (IC) which is subordinate to ExCo and is chaired by the CIO. In addition to the CIO, IC members are the Deputy Chief Investment Officer (DCIO), six Investment Directors, the Director of Responsible Investment and Engagement and the CCRO. The IC has primary authority for the 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 and products approved by the Board from time to time.

In addition, the Company operates an Operations, Risk, Compliance and Administration Committee (ORCA) 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 and support strategy. The ORCA is responsible for ensuring the effective and efficient operation of the Company's infrastructure, operational oversight of key outsourcing arrangements, procurement and risk, as well as valuations and pricing and counterparty credit through two sub-committees.

RESPONSIBLE INVESTMENT & ENGAGEMENT

Michael Marshall
Investment Director,
Responsible Investment & Engagement

Our approach

Responsible Investment & Engagement (RI&E) has been identified by our Partner Funds as an area of priority for the Company. We have a shared belief that RI&E is an ordinary part of fiduciary duty, not something separate. With that belief in mind we approved, prior to going live in April 2018, an RI&E Framework with two main objectives:

1. primarily, to support the Company's investment objectives;
2. secondarily, to be an exemplar for RI&E within the financial services industry and raise standards across the marketplace.

As standards of investment stewardship continued to evolve in 2018-19, we continued to deliver against these objectives by integrating RI&E into all major asset classes. This integration includes our selection of assets, our stewardship of assets, and our commitment to transparency & disclosure. Every investment mandate overseen by LGPS Central Limited incorporates RI&E.

Thematic engagement

In 2018-19 we conducted thematic stewardship against three themes: climate change, diversity, and cyber security. Our stewardship provider engaged 593 companies on 1,816 issues and objectives and milestone progress was made in 47% of cases. This does not include engagement undertaken directly by our internal RI&E team, whose engagement successes have been wide and varied, for example improving the diversity balance at investee companies, engaging energy companies to pursue a business strategy aligned with the goals of the Paris Agreement on climate change, and holding risk committees to account for cyber resilience, a threat of increasing magnitude. We have disclosed our ongoing commitment to investment stewardship through our Quarterly Stewardship Reports.

Shareholder voting

On behalf of our clients, we take voting rights very seriously. In 2018-19 we voted to oppose management on at least one resolution at around 47% of meetings. In most instances, votes against companies were cast to improve board composition, or to oppose executive remuneration packages that we felt were poorly structured, or excessive. In casting shareholder votes, we are implementing a set of Voting Principles that we have agreed with our Partner Funds. We disclose the outcome of each and every vote on our website, for full transparency.

Climate change and TCFD

Financial markets could be materially impacted by climate change and by the response of climate policymakers. We continue to work with Transition Pathway Initiative, Institutional Investor Group on Climate Change, Climate Action 100+, the Green Finance Initiative, and others, to maximise our influence on the climate agenda. During the year we were part of notable engagement successes at Royal Dutch Shell, BP, Glencore, Centrica, and Rio Tinto. We recognise, however, that there is much more to do. We are a public supporter of the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), and have called for its widespread adoption. We have issued an Interim TCFD Report on our website, and provide an abridged version below:

Governance

The Board is responsible for approving and monitoring LGPS Central Limited's approach to climate change, as part of Board approval of the Responsible Investment & Engagement Policy (RI&EP). The RI&EP contains a specific Responsible Investment Belief on climate change, which is based on the investment beliefs of our Partner Funds. RI&E, which includes climate change, is part of every LGPS Central Limited investment product, and all product business cases are approved by the Board.

Day-to-day management of climate change strategy is delegated to the Investment Team, with oversight from the Investment Committee (IC) and the Chief Investment Officer (CIO). The Director of Responsible Investment & Engagement is accountable to the IC for the implementation of the RI&EP, which includes climate change.

Strategy

LGPS Central Limited's investment managers consider climate-related issues across the short-, medium- and long-term as relevant for the investment time horizon in question. Risks - and risk management strategies - vary significantly by asset class. LGPS Central Limited identifies climate-related issues through research (e.g. in building investment cases for a particular stock or in performing due diligence before an investment decision) and collaboration (notably with the TPI, IIGCC, PRI, CA100+, and LAPFF). LGPS Central Limited has made use of the TPI Toolkit to observe climate risk management in large listed equity stocks.

We understand the value of climate scenario analysis, but also note the limitations with current methodologies and data sets. As a first step, we used the Paris Agreement Capital Transition Assessment (PACTA) tool to analyse our listed equity portfolios to transition risks over several scenarios. The outputs from the PACTA tool are described in our online Interim TCFD Report.

Risk management

Depending on the asset class in question, risk identification is either a bottom-up or a top-down process. For index-tracking funds (other than climate-factor funds), a top-down process is employed to identify which sectors and constituents should be prioritised for engagement. For actively managed funds, including funds of funds, a bottom-up process is employed to understand the inherent risk and any mitigants in place at a stock or fund level.

LGPS Central Limited manages climate risk in different ways according to the nature, duration, magnitude and time horizon of the risk itself. The predominant management technique is investment stewardship. We have a pro-active shareholder voting programme, and link some voting decisions to climate change analysis provided by the TPI.

Metrics and targets

The use of quantified metrics and targets is under review. In undertaking this review, we value the usefulness of numerical targets but are conscious of the nascence and complexity of climate risk models, and share some concern that focussing on one particular metric or target could be overly reductionistic, or give a false impression of accuracy. Any targets we do set will be established in collaboration with our Partner Funds. We provide here the carbon footprints of our ACS listed equity funds. These funds track an index, so the carbon footprint of the benchmark is in each case the same as that of the fund.

- Global Ex-UK Passive Equities: 232.13 tCO_2e/\$m revenue
- UK Passive Equities: 179.34 tCO_2e/\$m revenue
- Dividend Growth Equities: 257.24 tCO_2e/\$m revenue

Data from Bloomberg, as of 31/03/2019. We have used the weighted average method, as recommended by the TCFD.

COMPLIANCE AND RISK MANAGEMENT

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

During 2018/19, the Company has continued to build up our Risk and Compliance team to reflect the complex business of LGPS Central Limited.

Over the course of 2018/19 the Compliance and Risk Function developed and delivered Risk Frameworks which are appropriate for the size and complexity of the business and were approved by the Board. These frameworks are the Company's organisational arrangements which underpin the governance model and demonstrate that the Company is identifying, monitoring and managing its regulatory and risk environment.

In the first year of the Company, Compliance focussed on the delivery and embedding of an appropriate Compliance Framework. This included the development of the Compliance Manual and training being provided to all relevant staff, particularly emphasising the need for the correct behaviours and conduct, highlighting the need for an open and honest culture. Training was provided to all staff, including a focus on ensuring that threshold competency for all Approved Persons is appropriately assessed and continuing professional development requirements are fulfilled.

A Compliance Monitoring Plan, designed to test compliance with regulations was approved by the Audit Risk and Compliance Committee and was completed during the period with reports being delivered to the appropriate committees A breach and error reporting process and a register have been established for recording all such instances of breaches/errors. Registers are also maintained for Personal Account Deals, Gifts, Conflicts and Outside Interests.

The Risk Framework has been designed to meet the expectations created by the risk appetite articulated by the Board. The Company's risk appetite is a statement of the baseline risk it is willing to accept in meeting its strategic goals before further action is taken. The ICAAP (internal capital adequacy assessment process), which is a measure of the amount of capital required for the risks the Company faces, was prepared and approved by the Audit Risk and Compliance Committee. This is designed to ensure that all the business risks of the Company are adequately and appropriately considered and stress tested.

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

The Company's objectives for the management of regulatory capital are to ensure that the capital is held in a form which is secure and liquid and therefore readily accessible by the Company in the event of a significant risk event manifesting. 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. The ICAAP is subject to regular review and approval by the Audit, Risk and Compliance Committee.

A Risk Monitoring Suite was embedded to monitor and test the risks within the client portfolios including adherence with the agreed guidelines and parameters of each mandate. Risk registers and a Risk Control Framework have been established to record, assess and highlight inherent risks and ensure that controls are appropriate in design and effectiveness.

Created by mindandi

DIRECTORS' REPORT

The Directors present their annual report on the affairs of LGPS Central Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 31 March 2019.

Future developments

Details of future developments can be found in the Chief Executive's Strategic Report on pages 5 to 7.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in the Strategic Report on pages 5 to 7 and in note 19 to the financial statements. Following the balance sheet date, the Company secured approval for its Corporate Bonds sub-fund (in addition to Emerging Markets Active Equity, which is approved but still to be funded). The Company also began to make the first investments of the Private Equity 2018 Partnership.

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.

The UK leaving the European Union
The Company has considered the potential impact on its operations of the forthcoming departure of the UK from the European Union ('Brexit'), currently anticipated to take place in 2019. In summary, the Company has identified no significant issues arising from Brexit that it believes will affect its ability to continue as a going concern, or upon its operational performance or profitability. Being based in the UK, with solely UK customers, the company is not exposed to the risk of increased friction in cross-border transactions with its customers, and has no plans to transfer operations outside of the UK.

The Company has also worked with its key suppliers to ensure that there should be no adverse impact of Brexit, including understanding the location from which services are delivered, ensuring that the appropriate authorisations are in place for the post-Brexit situation, and where appropriate reviewing suppliers' Brexit plans. The only significant potential impact relating to the funds under the company's management relates to the taxation of investments in certain EU countries (on income arising post-Brexit), which may reduce the amount of net income receivable by the ACS, but the Company is working with its tax advisor on efficient tax planning.

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. The Company invoices Partner Funds monthly in arrears, and standard payment terms are 30 days. The Company has not experienced any difficulties in collecting income due from Partner Funds during the year.

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 2019 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.

The Company has in place a treasury policy which sets out the parameters which it will apply in determining how to invest cash balances, including the credit criteria which it will use in selecting counter-parties, and a limit on the total amount to be placed with any one organisation. The credit criteria are generally based on ratings published by the major credit ratings agencies, with additional criteria around countries.

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.

Directors

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

	Position	Date of Appointment	Date of Resignation
Joanne Segars	Chair, Non-Executive Director	1 May 2017	
Andrew Warwick-Thompson	Director and Chief Executive Officer	17 July 2017	10 December 2018
Mike Weston	Director and Chief Executive Officer	7 March 2019	
Eithne McManus	Non-Executive Director	11 August 2017	
John Nestor	Non-Executive Director	11 August 2017	
John Burns	Director and Chief Operating and Financial Officer	21 September 2017	

John Nestor was formally re-appointed to the Board on 12 February 2019.

Indemnity cover was in place in respect of the directors during the 2018/19 financial year and up to and including the date of authorisation of these accounts.

The Company's cash balances stood at £13.4 million at the end of the year. Cash flow during the year consisted entirely of operating revenue and expenditure. There was a net cash out flow from operating activities of £2.6m, which included the one-off reimbursement of £4.4m of 2017/18 set-up costs to Partner Funds. Cash balances are held primarily in Money Market Funds, all of which allow daily withdrawals without notice. As referred to under credit risk, the Company has a treasury policy which includes detailed criteria regarding liquidity, ie, the amounts which must be available immediately, or which may be invested for longer periods (of up to one year, although the company has not yet made any such term investments).

The Company's cash flow is generally regular on a monthly cycle, comprising employee, supplier and HMRC payments on the expenditure side and income from partner funds (invoiced monthly) on the revenue side. Standard payment terms for both creditors and debtors are 30 days. The Company anticipates that for the 2019/20 financial year cash balances will be in the range of approximately £12m to £14m throughout the year.

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 2018/19 (2017/18: nil).

Political contributions

No political donations were made during the year (2017/18: nil).

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
Chief Executive Officer
12 July 2019

Mander House
Mander Centre
Wolverhampton
WV1 3NB

DIRECTORS' RESPONSIBILITIES STATEMENT


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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Report on the Audit of the Financial Statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit and loss and other comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on Which We Are Required to Report by Exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of This 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
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 March 2019

	Notes	2019 £000	2018 £000
Continuing operations			
Revenue	5	**9,890**	-
Expenses	6		
- Staff costs		(5,525)	(1,130)
- Other operating expenses		(3,740)	(3,223)
Total expenses		**(9,265)**	**(4,353)**
Operating profit/(loss)		**625**	**(4,353)**
Interest receivable		92	-
Interest payable	12, 13	(339)	(61)
Profit/(loss) before taxation		**378**	**(4,414)**
Taxation	7	-	-
Profit/(loss) for the year		**378**	**(4,414)**
Other comprehensive income			
Net actuarial gain/(loss) on defined benefit schemes	14	18	13
Total comprehensive income for the year		**396**	**(4,401)**

Statement of Financial Position as at 31 March 2019

	Notes	31 March 2019 £000	31 March 2018 £000
Assets			
Non-current assets			
Right-of-use assets	8	207	-
Total non-current assets		**207**	**-**
Current assets			
Trade and other receivables	9	2,080	132
Cash and cash equivalents	10	13,404	16,000
Total current assets		**15,484**	**16,132**
Total assets		**15,691**	**16,132**
Liabilities			
Current liabilities			
Trade and other payables	11	(1,903)	(4,148)
Borrowing	12, 13	(404)	(52)
Other financial liabilities	15	(43)	(7)
Total current liabilities		**(2,350)**	**(4,207)**
Non-current liabilities			
Borrowing	12, 13	(4,908)	(4,795)
Other financial liabilities	15	(685)	(685)
Post-employment benefits	14	(1,233)	(326)
Total non-current liabilities		**(6,826)**	**(5,806)**
Total liabilities		**(9,176)**	**(10,013)**
Net assets		**6,515**	**6,119**
Capital and reserves			
Called-up share capital	15	10,520	10,520
Retained losses		(4,005)	(4,401)
Total capital and reserves		**6,515**	**6,119**

The financial statements on pages 19 to 38 were approved by the Board of Directors and authorised for issue on 12 July 2019 and were signed on their behalf by:

John Burns
Director

Company Registration Number 10425159

Statement of Total Changes in Equity for the Year Ended 31 March 2019

	Share capital £000	Profit and loss reserve £000	Total £000
Balance at 1 April 2018	10,520	(4,401)	**6,119**
Total comprehensive income for the year	-	396	**396**
Balance at 31 March 2019	**10,520**	**(4,005)**	**6,515**

	Share capital £000	Profit and loss reserve £000	Total £000
Balance at 1 April 2017	-	-	-
Loss for the year	-	(4,401)	**(4,401)**
Issue of share capital	10,520	-	**10,520**
Balance at 31 March 2018	**10,520**	**(4,401)**	**6,119**

Statement of Cash Flows for the Year Ended 31 March 2019

	Notes	2019 £000	2018 £000
Net cash flows from operating activities	**16**	**(2,596)**	**-**
Net cash flows from investing activities		**-**	**-**
Net cash flows from financing activities			
Proceeds from issue of equity in the Company	15	-	10,520
Proceeds from borrowings and issue of preference shares	12, 15	-	5,480
Total net cash flows from financing activities		**-**	**16,000**
Net (decrease)/increase in cash and cash equivalents		**(2,596)**	**16,000**
Cash and cash equivalents at the beginning of the year		16,000	-
Cash and cash equivalents at the end of the year		**13,404**	**16,000**

Notes to the Financial Statements for the Year Ended 31 March 2019

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 on pages 5 to 7.

2. Basis of Preparation

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

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

Basis of Consolidation

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

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

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

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

The Company has applied the dormant companies exemption under the Companies Act 2006 in respect of LGPS Central (Feeder) Limited.

Going Concern

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

Standards in Issue Not Yet Effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS standards that have been issued but are not yet effective.

- IFRS 17 – Insurance Contracts
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Annual improvements to IFRS standards 2015-2017 cycle – amendments to IFRS 13 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits (plan amendment, curtailment or settlement)

- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) (sale or contribution of assets between an investor and its associate or joint venture)
- IFRS 23 – Uncertainty over Income Tax Treatments

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

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

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 did not begin trading until April 2018, and in accordance with this policy, no revenue was recognisable during the previous year (2017/18).

The Company's principal source of revenue is from 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.

The Company adopted IFRS 15 in the current year, however due to the nature of its revenue stream, it has had no impact on the amount or timing of revenue recognised.

In preparing for the adoption of IFRS 9 and IFRS 15, the Company reviewed the principles and applications of the standards, and considered them in the context of the Company's operating model and its transactions and balances. While the standards applied to the Company's activities, their adoption did not result in any significant impact on the Company's performance or position for the year (or for the prior year). For IFRS 9, there were changes to the classification of assets and liabilities, but no changes in the valuation of any of them. The Company's financial instruments comprise cash, trade debtors and creditors and borrowing provided by Partner Funds for regulatory capital purposes; it does not deal in sophisticated financial instruments such as derivatives. For IFRS 15, since the Company's revenue is closely linked to time periods, and invoices are issued following the conclusion of the time period to which they relate, there are no considerations around partial completion of performance obligations or the Company's right to receive the income.

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

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

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

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

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

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

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

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

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

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

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

Defined Benefit Pension Schemes
Defined benefit pension scheme surpluses and deficits are measured at:

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

The effect of minimum funding requirements 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 Other 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 adopted IFRS 16 for the first time in 2018/19 (a year earlier than required by the standard) and has accounted for leases in accordance with the standard. The effect of adopting IFRS 16 has been to recognise four right-of-use assets with a combined value of £207,000 as at 31 March 2019, and corresponding lease liabilities with a combined value of £216,000. As a result of changes to the nature of expenditure from adopting the standard, i.e. lease payments being replaced by depreciation and interest payable, net profits for the year were reduced by £8,000. 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.

All items classified as Right of Use assets within the Statement of financial position are carried at the present value of the minimum lease payments less accumulated depreciation and any provision for impairment.

Depreciation is calculated using the straight-line method over the life of the lease. Whenever the Company incurs an obligation for costs to restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made in the period.

The nature of the leases included within the Right of Use assets are for premises and IT equipment, as detailed in Note 8.

5. Revenue

The Company's principal source of income is fees payable by its Partner Funds. Income due for the year ended 31 March 2019 is analysed as follows. The Company did not begin trading until 1 April 2018, and therefore did not generate any revenue in the period ending 31 March 2018.

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.

	2019 £000	2018 £000
Investment management and monitoring		
- Authorised contractual scheme	929	-
- Limited partnership	97	-
- Discretionary	732	-
- Advisory and advisory-with-execution	812	-
- Execution-only	17	-
- Product development	1,094	-
Governance	1,581	-
Operator running costs	4,370	-
Pensions entry debt	191	
Other recharges	67	-
Total	**9,890**	**-**

6. Expenses

The Company's expenses for the year ended 31 March 2019 are analysed as follows:

	2019 £000	2018 £000
Staff costs		
- Salaries	3,702	696
- Social security contributions	393	90
- Pension contributions	1,430	344
Audit fees (financial statements)	23	15
Audit fees (client assets assurance report)	9	8
Recharges from Partner Funds for set-up costs	-	3,199
Irrecoverable VAT	30	1
Depreciation	100	-
Other administrative expenses	3,578	-
Total	**9,265**	**4,353**

The Company did not incur any research and development costs during the year.

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 17 at the beginning of the year to 48 at 31 March 2019 (2017/18: nil to 17). The monthly average number of employees over the course of the 2018/19 year was 43. The following table provides a breakdown of the number of employees.

	31 March 2018	31 March 2019	Average 2018/19
Board	5	5	**5**
Investments	6	22	**20**
Support services	6	21	**18**
Balance at 31 March 2019	**17**	**48**	**43**

No fees were payable to the external auditor other than for the audit of the financial statements and client assets assurance report requirements.

Details of directors' remuneration is included in Note 18.

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 profit for 2018/19, no corporation tax was payable for the year.

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 2018/19.

	Premises £000	IT equipment £000	Total £000
Cost			
Balance at 1 April 2018	-	-	-
Additions	207	100	307
Balance at 31 March 2019	**207**	**100**	**307**
Accumulated depreciation			
Balance at 1 April 2018	-	-	-
Depreciation	(61)	(39)	(100)
Balance at 31 March 2019	**(61)**	**(39)**	**(100)**
Net book value			
Balance at 1 April 2018	-	-	-
Additions	207	100	307
Depreciation	(61)	(39)	(100)
Balance at 31 March 2019	**146**	**61**	**207**

9. Trade and Other Receivables

	31 March 2019 £000	31 March 2018 £000
Trade debtors	2,028	132
Prepayments	52	-
Total	**2,080**	**132**

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

	31 March 2019 £000	31 March 2018 £000
Cash at bank	13,404	16,000
Total	**13,404**	**16,000**

11. Trade and Other Payables

	31 March 2019 £000	31 March 2018 £000
Trade creditors	1,605	4,016
Social security contributions	52	-
VAT	246	132
Total	**1,903**	**4,148**

The trade creditors figure for March 2018 is made up of amounts due to Partner Funds for set-up costs incurred by them in the pre-trading period, which are rechargeable to the Company. The amounts above are all due within one year.

12. Borrowing

	31 March 2019 £000	31 March 2018 £000
Loans	4,795	4,795
Accrued interest payable on borrowing	301	52
Sub total loans	**5,096**	**4,847**
Finance leases	216	-
Total	**5,312**	**4,847**

Total borrowing is analysed as £404,000 current (ie, payable within 12 months) (2017/18: £52,000) and £4,908,000 non-current (2017/18: £4,795,000)

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 £248,000 (2017/18: £52,000) has been accrued in respect of the 2018/19 year. Interest payable is analysed as follows:

	2019 £000	2018 £000
Interest payable on borrowing	249	52
Interest payable on finance leases	17	-
Net interest payable on net defined benefit liabilities	37	2
Preference dividends payable	36	7
Total	**339**	**61**

13. Leases and Lease Commitments

The following table summarises LGPS Central Limited's payments under leases during 2018/19, and the year-end balance.

	Premises £000	IT Equipment £000	Total £000
Balance at 1 April 2018	-	-	-
Additions	207	100	**307**
Interest payable	11	6	**17**
Amounts payable under leases	(59)	(49)	**(108)**
Balance at 31 March 2019	**159**	**57**	**216**

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 2018/19 was £1,000.

At the end of the year, LGPS Central Limited had the following commitments under lease agreements:

	2019 £000	2018 £000
Within one year	115	-
Between one and five years	123	-
More than five years	-	-
Total	**238**	**-**

14. Pension Benefits

Defined Benefit Pension Scheme

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

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

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

LGPS Central Limited has not yet undertaken a full actuarial valuation at this time. Depending on the outcome of the valuation, future contributions to the scheme may vary from the amounts shown and lump sum deficit funding may become due.

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

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

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

As at 31 March 2018, the net pensions liability was £326,000 (31 March 2017: nil). The following table sets out the movements in the net liability during 2017/18.

	Assets £000	Liabilities £000	Net £000
Balance as at 31 March 2017	-	-	-
Amounts recognised in profit and loss			
Liabilities assumed on settlements	-	(724)	(724)
Settlement prices received	387	-	387
Current service cost		(4)	(4)
Contributions by employer	4	-	4
Contributions by employees	2	(2)	-
Interest on assets	2	-	2
Interest cost	-	(4)	(4)
Total amounts recognised in profit and loss	**395**	**(734)**	**(339)**
Amounts recognised in other comprehensive income			
Return on assets less interest	(13)	-	(13)
Change in financial assumptions	-	26	26
Total amounts recognised in other comprehensive income	**(13)**	**26**	**13**
Balance as at 31 March 2018	**382**	**(708)**	**(326)**

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

	31 March 2019 £000	31 March 2018 £000
Present value of defined benefit obligations	(2,948)	(708)
Fair value of plan assets	1,715	382
	(1,233)	**(326)**
Funded status	-	-
Restrictions on asset derecognised	-	-
Net liability arising from defined benefit obligation	**(1,233)**	**(326)**

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

Asset class	31 March 2019 £000	31 March 2019 %	31 March 2018 £000	31 March 2018 %
Equities	993	57%	244	64%
Gilts	129	8%	28	7%
Other bonds	66	4%	15	4%
Property	153	9%	29	8%
Cash	89	5%	9	2%
Other	285	17%	57	15%
Total	**1,715**	**100%**	**382**	**100%**

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 2018/2017 valuations):

		Dec 2018 Quoted %	Dec 2018 Unquoted %	Dec 2017 Quoted %	Dec 2017 Unquoted %
Fixed interest	UK	-	1.1%	-	1.1%
Government securities	Overseas	-	0.7%	-	0.6%
Index-linked	UK	5.8%	-	5.6%	-
Government securities	Overseas	-	-	-	-
Corporate bonds	UK	-	3.8%	-	3.8%
	Overseas	-	-	-	-
Equities	UK	7.8%	0.0%	7.9%	0.3%
	Overseas	12.2%	29.2%	42.2%	5.4%
Property	All	8.9%	-	7.7%	-
Others	Absolute return	-	4.2%	-	3.3%
	Private equity	8.5%	-	8.1%	-
	Infrastructure	0.4%	5.3%	0.1%	3.8%
	Other fixed income	-	6.6%	-	4.8%
	Futures	-	-	2.8%	-
	Forward currency contracts	-	(0.1%)		
	Other long-term assets	-	0.2%		
	Cash/temporary investments	-	4.4%	-	2.4%
Net current assets	Debtors	-	1.1%	0.1%	-
	Creditors	-	(0.1%)	0.0%	-
Total		**43.6%**	**56.4%**	**74.5%**	**25.5%**

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.

	Assumption Used £000	Change in assumption £000	Effect of increase £000	Effect of decrease £000
Discount rate	2.45%	+ / - 0.1%	(85)	88
Long-term salary increases	3.85%	+ / - 0.1%	18	(18)
Pensions increases	2.35%	+ / - 0.1%	70	(68)
Life expectancy (from age 65)	Retiring today Male: 20.9 yrs Female: 23.2 yrs			
	Retiring in 20 years Male: 22.6 yrs Female: 25.0 yrs	+ / - 1 year	94	(91)

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.

The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occuring at the end of the reporting period while holding all other assumptions constant.

Transfer of Staff from Derbyshire and Wolverhampton Councils
During 2018/19, 19 employees joined the company who were previously employees of Derbyshire County Council or Wolverhampton City Council and members of the LGPS, transferring with them existing past service benefits. The transfer of these staff was on a fully-funded basis as calculated on a funding basis. However, it gave rise to a liability when calculated on an accounting basis. The effect of the transfer was therefore to increase the IAS 19 net pension liability reported on the balance sheet as at 31 March 2019 by £749,000. This was largely as a result of the transfer of staff on company start-up, and it is not anticipated that a similar transfer of significant number of employees will occur in the future.

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 (2018/19: £146,000; 2017/18: £4,000).

15. Share Capital

	'A' Shares Ordinary £	'B' Shares Ordinary £	Total £
Balance as at 13 October 2017	1	-	1
Issue of shares	7	10,520,000	10,520,007
Balance as at 31 March 2018	**8**	**10,520,000**	**10,520,008**
Balance as at 31 March 2019	**8**	**10,520,000**	**10,520,008**

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

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

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

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

Dividends of £43,000 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 2019. No other dividends were payable for 2017/18 or 2018/19.

	'C' Shares Preference £
Balance as at 31 March 2017	-
Issue of shares	685,000
Accrued dividends	7,000
Balance as at 31 March 2018	**692,000**
Accrued dividends	36,000
Balance as at 31 March 2019	**728,000**

16. Reconciliation of Net Cash from Operating Activities

	2019 £000	2018 £000
Profit/(loss) before taxation	378	(4,414)
Movement in trade and other receivables	(1,948)	(132)
Movement in trade and other payables	(2,245)	4,148
Movement in interest payable	285	59
Net defined benefit pensions costs	925	339
Depreciation	100	-
Interest payable for leases recognised under IFRS 16	17	-
Contractual amounts payable for leases recognised under IFRS 16	(108)	-
Net non-cash items	**(2,974)**	**4,414**
Net cash from operating activities	**(2,596)**	**-**

17. Contingent Assets, Contingent Liabilities and Capital Commitments

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

18. Related Party Transactions

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

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

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

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

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

Seven of the eight local authorities listed above (excluding Wolverhampton City Council) have provided loan capital to LGPS Central Limited. The balance of principal outstanding at 31 March 2019 was £4.795 million, and accrued interest on these loans stood at £301,000 (see Note 12).

At 31 March 2019, preference dividends of £43,000 were accrued in respect of Wolverhampton City Council's holding of 'C' shares (see Note 15).

The following tables show the amounts receivable from and payable to each authority, as recognised in the Profit and Loss Account or the Balance Sheet as appropriate.

Administering authority	2019 Income £000	2019 Expenditure £000	2018 Income £000	2018 Expenditure £000
Cheshire West and Chester Council	898	(36)	-	(509)
Derbyshire County Council	1,562	(55)	-	(509)
Leicestershire County Council	756	(36)	-	(509)
Nottinghamshire County Council	883	(36)	-	(509)
Shropshire Council	460	(36)	-	(509)
Staffordshire County Council	839	(36)	-	(509)
Wolverhampton City Council	3,895	(368)	-	(509)
West Midlands Combined Authority	31	-	-	-
Worcestershire County Council	566	(36)	-	(509)
Total	**9,890**	**(639)**	**-**	**(4,072)**

Administering authority	2019 Debtor £000	2019 Creditor £000	2018 Debtor £000	2018 Creditor £000
Cheshire West and Chester Council	226	(43)	-	(509)
Derbyshire County Council	409	(43)	-	(509)
Leicestershire County Council	200	(43)	-	(509)
Nottinghamshire County Council	202	(43)	-	(509)
Shropshire Council	64	(43)	-	(509)
Staffordshire County Council	103	(43)	-	(509)
Wolverhampton City Council	726	(76)	-	(509)
West Midlands Combined Authority	6	-	-	-
Worcestershire County Council	69	(43)	-	(509)
Total	**2,005**	**(377)**	**-**	**(4,072)**

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 £1.3 million (2017/2018: £643,000 - this figure represents a part-year cost as directors joined the Company part-way through the year). 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	2019 £000	2018 £000
Emoluments	585	386
Employer's national insurance contributions	75	49
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	**660**	**435**

Number of Directors who:	2019 £000	2018 £000
Are members of a defined benefit pension scheme	0	0
Are members of a money purchase pension scheme	0	0
Exercised options over shares in the parent company	0	0
Had awards receivable in the form of shares in the parent company under a long-term incentive scheme	0	0
Total	**0**	**0**

Remuneration of the highest-paid Director	2019 £000	2018 £000
Emoluments	231	177
Employer's national insurance contributions	31	23
Company contributions to money purchase pension schemes	-	-
Total	**262**	**200**

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 did not exercise any share options (no share options were available to any individual) in the year and had no shares receivable under long-term incentive schemes.

19. Post Balance Sheet Events

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

Following the balance sheet date, the Company secured approval for its Corporate Bonds and Climate Factor sub-funds (in addition to Emerging Markets Active Equity, which is approved but still to be funded). The Company also began to make the first investments of the Private Equity 2018 Partnership, making calls with a total value of £38.9m from the investing Partner Funds.

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 £285,000 (2017/18: £59,000) as analysed in Note 12 (excluding interest payable on leases and in relation to defined benefit pension liabilities). The fair value of balances as at the year-end are set out in the following table.

	31 March 2019 £000	31 March 2018 £000
Financial assets		
Financial assets measured at amortised cost		
- Trade debtors	2,080	132
- Cash	13,404	16,000
Total financial assets	**15,484**	**16,132**
Financial liabilities		
Financial liabilities measured at amortised cost		
- Trade creditors	(1,903)	(4,148)
- Borrowing	(5,096)	(4,847)
- Preference shares	(728)	(692)
Total financial liabilities	**(7,727)**	**(9,687)**
Net total	**(7,757)**	**(6,445)**

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:

	31 March 2019 £000	31 March 2018 £000
Within one year	2,247	4,207
Between one and five years	-	-
More than five years	5,480	5,480
Net total	**7,727**	**9,687**