

# **Appendix 3**

Company Registration No. SC497543 (Scotland)

**LPFE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

# LPFE LIMITED

## COMPANY INFORMATION

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Chairman	Mr H Dunn
Executive Directors	Ms K Miller Mr D S Vallery Mr R M Munn
Non-Executive Directors	Mr A Marchant Mr L Robb
Secretary	Mr S Fairbairn
Company number	SC497543
Registered office	4th Floor Saltire Court 20 Castle Terrace Edinburgh Lothian EH1 2EN
Auditor	Azets Audit Services Exchange Place 3 Semple Street Edinburgh United Kingdom EH3 8BL

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# LPFE LIMITED

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# LPFE LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2022

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

#### Principal activities

The principal activity of the company is the provision of seconded staff to the City of Edinburgh Council acting in its capacity as the administering authority of the Lothian Pension Fund ("LPF") and LPFI Limited in support of the administration of the Lothian Pension Fund and the Scottish Homes Pension Fund ("the Funds") and separately (on a limited basis) to Falkirk Council in its capacity as the administering authority of the Falkirk Council Pension Fund. All pension funds are part of the Local Government Pension Scheme in Scotland (LGPS).

#### Results and dividends

The loss for the year after tax was £1,130,547 (2021 - £34,997 loss) and after allowing for items included under "Other comprehensive income" a gain of £1,992,483 (2021 - £2,519,607 loss). The directors do not recommend payment of dividend.

The company's aim is to make a modest trading surplus before adjustments required under IFRS. After allowing for a gain of £34,564 (2021: £6,931 loss) in respect of accrued holiday and variable pay and additional cost of £1,281,000 (2021: £173,000) for adjustments to pension costs under IAS19, the underlying trading profit is £115,889 (2021: £144,934). The gain recognised under "Other comprehensive income" amounting to £3,123,030 (2021: £2,484,610 loss) all relates to further adjustments required by IAS19 and the related deferred tax adjustment.

Under the mutual trading agreement with LPF, the company is required to consider if any of the profit arising from the mutual trade can be returned to the Council. Although there was an underlying trading profit of £115,889 (2021: £144,934), Company Law requires that only "distributable profits" are available for distribution and that the various adjustments required under IFRS must be taken into account when determining if profits are distributable. As a result, there are no distributable profits available for return to LPF in respect of the period.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr H Dunn	
Mr D Heron	(Resigned 2 August 2021)
Mr A Marchant	
Ms K Miller	
Mr S Moir	(Resigned 20 February 2022)
Mr A Rankin	(Resigned 6 December 2021)
Mr L Robb	
Mr D S Vallery	(Appointed 6 August 2021)
Mr R M Munn	(Appointed 6 December 2021)

#### Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to 8 day's purchases, based on the average daily amount invoiced by suppliers during the year.

# LPFE LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2022**

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### Statement of disclosure to auditor

Each director in office at the date of approval of this annual 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 section 418 of the Companies Act 2006.

On behalf of the board

.....  
Mr H Dunn

**Director**

Date: .....

# **LPFE LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### ***FOR THE YEAR ENDED 31 MARCH 2022***

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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 United Kingdom. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, 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.

# LPFE LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LPFE LIMITED

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### Opinion

We have audited the financial statements of LPFE Limited (the 'company') for the year ended 31 March 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

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

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

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

# LPFE LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF LPFE LIMITED

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### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of directors**

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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



# LPFE LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF LPFE LIMITED

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Nick Bennett ACA (Senior Statutory Auditor)**

**For and on behalf of Azets Audit Services**

Date: .....

**Chartered Accountants**

**Statutory Auditor**

Exchange Place 3  
Semple Street  
Edinburgh  
United Kingdom  
EH3 8BL

# LPFE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

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	Notes	2022 £	2021 £
Revenue	3	5,853,139	5,873,311
<b>Gross profit</b>		<u>5,853,139</u>	<u>5,873,311</u>
Administrative expenses		(6,829,006)	(5,854,426)
<b>Operating (loss)/profit</b>	4	<u>(975,867)</u>	<u>18,885</u>
Finance costs	8	(125,956)	(53,882)
<b>Loss before taxation</b>		<u>(1,101,823)</u>	<u>(34,997)</u>
Income tax expense	9	(28,724)	-
<b>Loss for the year</b>	15	<u><u>(1,130,547)</u></u>	<u><u>(34,997)</u></u>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gain/(loss) on defined benefit pension schemes		3,296,000	(3,108,000)
Tax relating to items not reclassified		(172,970)	623,390
<b>Total items that will not be reclassified to profit or loss</b>		<u>3,123,030</u>	<u>(2,484,610)</u>
<b>Total other comprehensive income for the year</b>		<u><u>3,123,030</u></u>	<u><u>(2,484,610)</u></u>
<b>Total comprehensive income for the year</b>		<u><u>1,992,483</u></u>	<u><u>(2,519,607)</u></u>

# LPFE LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Notes	2022 £	2021 £
<b>Non-current assets</b>			
Deferred tax asset	12	874,500	1,047,470
<b>Current assets</b>			
Trade and other receivables	10	774,443	732,110
Current tax recoverable		-	13,847
Cash and cash equivalents		24,531	312,443
		<u>798,974</u>	<u>1,058,400</u>
<b>Current liabilities</b>			
Trade and other payables	11	369,628	780,491
<b>Net current assets</b>		<u>429,346</u>	<u>277,909</u>
<b>Non-current liabilities</b>			
Trade and other payables	11	13,778	12,794
Retirement benefit obligations	13	3,498,000	5,513,000
		<u>3,511,778</u>	<u>5,525,794</u>
<b>Net liabilities</b>		<u>(2,207,932)</u>	<u>(4,200,415)</u>
<b>Equity</b>			
Called up share capital	14	1	1
Retained earnings	15	(2,207,933)	(4,200,416)
<b>Total equity</b>		<u>(2,207,932)</u>	<u>(4,200,415)</u>

The financial statements were approved by the board of directors and authorised for issue on .....  
and are signed on its behalf by:

.....

Mr H Dunn  
Director

Company Registration No. SC497543

# LPFE LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

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	Share capital £	Retained earnings £	Total £
<b>Balance at 1 April 2020</b>	1	(1,680,809)	(1,680,808)
<b>Year ended 31 March 2021:</b>			
Loss for the year	-	(34,997)	(34,997)
Other comprehensive income:			
Actuarial gains on defined benefit plans	-	(3,108,000)	(3,108,000)
Tax relating to other comprehensive income	-	623,390	623,390
Total comprehensive income for the year	-	(2,519,607)	(2,519,607)
<b>Balance at 31 March 2021</b>	1	(4,200,416)	(4,200,415)
<b>Year ended 31 March 2022:</b>			
Loss for the year	-	(1,130,547)	(1,130,547)
Other comprehensive income:			
Actuarial gains on defined benefit plans	-	3,296,000	3,296,000
Tax relating to other comprehensive income	-	(172,970)	(172,970)
Total comprehensive income for the year	-	1,992,483	1,992,483
<b>Balance at 31 March 2022</b>	1	(2,207,933)	(2,207,932)

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# LPFE LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

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	Notes	2022 £	£	2021 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	20	(272,079)		119,231	
Interest paid		(956)		(1,882)	
Tax paid		(14,877)		(1,705)	
<b>Net cash (outflow)/inflow from operating activities</b>		(287,912)		115,644	
<b>Net (decrease)/increase in cash and cash equivalents</b>		(287,912)		115,644	
Cash and cash equivalents at beginning of year		312,443		196,799	
Cash and cash equivalents at end of year		24,531		312,443	

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# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2022

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#### 1 Accounting policies

##### Company information

LPFE Limited is a private company limited by shares incorporated in Scotland. The registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, Lothian, EH1 2EN. The company's principal activities and nature of its operations are disclosed in the directors' report.

##### 1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

##### 1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors acknowledge the retirement benefit obligation deficit but highlight that this is not a debt but an actuarial estimate of the liability that over the long term LPFE Ltd will have to fund.

LPFE is a wholly owned subsidiary of the City of Edinburgh Council and is responsible for providing the staffing resource to administer the Lothian Pension Funds under an intra-group resourcing agreement. The agreement also provides for the running costs of the company to be covered as part of a service charge and allows for the provision of staffing services to LPFI Limited. As such the company income is guaranteed and will always have the ability to meet its outgoing expenses.

Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

##### 1.3 Revenue

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue is derived wholly from the provision of seconded staff in the United Kingdom. Revenue is recognised upon the delivery of the service to the customer.

All revenue is stated net of the amount of value added tax (VAT).

##### 1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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#### 1 Accounting policies

(Continued)

##### 1.5 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

##### **Financial assets held at amortised cost**

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

##### **Impairment of financial assets**

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### 1.6 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

##### **Other financial liabilities**

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. 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.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

##### 1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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#### 1 Accounting policies

(Continued)

##### 1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

###### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

###### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

##### 1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### 1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.



# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

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#### 1 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

#### 1.11 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

#### 2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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. Actual results may differ from these estimates.

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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

##### **Key sources of estimation uncertainty**

##### **Defined benefit pension obligation**

The valuation of the defined benefit pension obligation is inherently subjective due to among other factors, future inflation, mortality rates and salary increases. As a result the valuation of the obligation is subject to a significant degree of uncertainty and is made on assumptions which may not prove to be accurate, particularly in periods of market volatility and fluctuating inflation.

The value of the defined benefit pension obligation is appraised each year by an independent external actuary. This estimate uses assumptions based on payroll records for the year and known market trends.

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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<b>3 Revenue</b>	<b>2022</b>	<b>2021</b>
	£	£
<b>Revenue analysed by class of business</b>		
Secondment costs for pension investment and administration services	5,853,139	5,873,311
	<u>          </u>	<u>          </u>

<b>4 Operating (loss)/profit</b>	<b>2022</b>	<b>2021</b>
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	9,200	7,000
	<u>          </u>	<u>          </u>

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

<b>2022</b>	<b>2021</b>
<b>Number</b>	<b>Number</b>
83	77
<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	<b>2022</b>	<b>2021</b>
	£	£
Wages and salaries	4,239,580	3,986,002
Social security costs	498,693	453,175
Pension costs	715,958	1,085,861
	<u>          </u>	<u>          </u>
	5,454,231	5,525,038
	<u>          </u>	<u>          </u>

### 6 Directors' remuneration

	<b>2022</b>	<b>2021</b>
	£	£
Remuneration for qualifying services	181,018	166,907
	<u>          </u>	<u>          </u>

Four (2021: Three) directors received emoluments from the company during the period.

All other directors are employed by the City of Edinburgh Council.

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 7 Variable Pay

The company runs three variable pay schemes, two of which have vesting periods. The Portfolio Manager and Senior Management schemes entitle staff to receive an assessed percentage of their salary as an additional variable pay award if they meet certain objectives during the year. The assessment year runs from 1 February to 31 January. The award then vests over three years. The first part is payable at the end of the first year if the objectives are met and the remaining two parts are payable in the following two years if the requirement that the employee is still employed by the company at such time is met. Payment one has been made in January 2022. A liability has been raised at 31 March 2022 for the two months of service which the employees have delivered with regards to the second and third payments in the scheme.

#### Deferred variable pay

			2022	2021
			£	£
Brought forward			64,048	73,433
Current service cost			(32)	(9,385)
			64,016	64,048
			64,016	64,048
			2022	2021
			£	£
Current liability			50,239	51,254
Non-current liability			13,777	12,794
			64,016	64,048
			64,016	64,048

#### 8 Finance costs

	2022	2021
	£	£
Net interest on net defined benefit liability	125,000	52,000
Other interest payable	956	1,882
Total interest expense	125,956	53,882

#### 9 Income tax expense

	2022	2021
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	28,724	-

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 9 Income tax expense

(Continued)

The charge for the year can be reconciled to the loss per the income statement as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Loss before taxation	(1,101,823)	(34,997)
Expected tax credit based on a corporation tax rate of 19.00% (2021: 19.00%)	(209,346)	(6,649)
Effect of expenses not deductible in determining taxable profit	238,437	6,284
Change in unrecognised deferred tax assets	(365)	-
Group relief	(28,726)	365
Deferred tax adjustments in respect of prior years	(209,880)	-
Temporary differences not recognised	382,850	-
Other intercompany adjustments	28,724	-
Deferred tax (charged)/credited directly to OCI	(172,970)	-
<b>Taxation charge for the year</b>	<b>28,724</b>	<b>-</b>

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	172,970	(623,390)

### 10 Trade and other receivables

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Trade receivables	15,802	2,929
VAT recoverable	1,390	-
Amounts owed by fellow group undertakings	755,467	724,308
Prepayments	1,784	4,873
	<b>774,443</b>	<b>732,110</b>

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 11 Trade and other payables

	Current		Non-current	
	2022	2021	2022	2021
	£	£	£	£
Trade payables	4,268	2,382	-	-
Amounts owed to fellow group undertakings	71,691	747	-	-
Accruals	166,555	218,522	13,778	12,794
Social security and other taxation	123,685	558,090	-	-
Other payables	3,429	750	-	-
	<u>369,628</u>	<u>780,491</u>	<u>13,778</u>	<u>12,794</u>

### 12 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Retirement benefit obligations £
Deferred tax asset at 1 April 2020	(424,080)
<b>Deferred tax movements in prior year</b>	
Charge/(credit) to other comprehensive income	(623,390)
Deferred tax asset at 1 April 2021	<u>(1,047,470)</u>
<b>Deferred tax movements in current year</b>	
Charge/(credit) to profit or loss	172,970
Deferred tax asset at 31 March 2022	<u>(874,500)</u>

### 13 Retirement benefit schemes

#### Defined benefit scheme

The company operates a defined benefit pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in the Lothian Pension Fund, an independently administered fund. The latest actuarial valuation of the fund was completed on 31 March 2020. At this date the funds assets were sufficient to meet 117.7% of the liabilities.

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 13 Retirement benefit schemes

(Continued)

	2022	2021
<i>Key assumptions</i>	%	%
Discount rate	2.8	2.1
Pension growth rate	3.2	2.8
Salary growth rate	3.7	3.3
	<u>          </u>	<u>          </u>
<i>Mortality assumptions</i>	2022	2021
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	20.3	20.5
- Females	23.1	23.3
	<u>          </u>	<u>          </u>
Retiring in 20 years		
- Males	21.6	21.9
- Females	25	25.2
	<u>          </u>	<u>          </u>
	2022	2021
<i>Amounts recognised in the income statement</i>	£	£
Current service cost	1,872,000	1,207,000
Net interest on defined benefit liability/(asset)	125,000	52,000
	<u>          </u>	<u>          </u>
Total costs	1,997,000	1,259,000
	<u>          </u>	<u>          </u>

Of the total expenses for the year, £1,872,000 is included in administrative expense and £125,000 in finance costs.

	2022	2021
<i>Amounts recognised in other comprehensive income</i>	£	£
Actuarial changes arising from changes in demographic assumptions	(119,000)	(953,000)
Actuarial changes arising from changes in financial assumptions	(1,894,000)	4,213,000
Actuarial changes related to plan assets	(1,316,000)	(1,597,000)
Other gains and losses	33,000	-
	<u>          </u>	<u>          </u>
Total costs/(income)	(3,296,000)	1,663,000
	<u>          </u>	<u>          </u>

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 13 Retirement benefit schemes

(Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2022 £	2021 £
Present value of defined benefit obligations	19,883,000	19,361,000
Fair value of plan assets	(16,385,000)	(13,848,000)
Deficit in scheme	<u>3,498,000</u>	<u>5,513,000</u>

	2022 £	2021 £
<i>Movements in the present value of defined benefit obligations</i>		
At 1 April 2021	19,361,000	13,103,000
Current service cost	1,872,000	1,207,000
Benefits paid	(67,000)	(56,000)
Contributions from scheme members	279,000	257,000
Actuarial gains and losses	(2,013,000)	3,260,000
Interest cost	418,000	317,000
Other	33,000	1,273,000
At 31 March 2022	<u>19,883,000</u>	<u>19,361,000</u>

	2022 £	2021 £
<i>The defined benefit obligations arise from plans funded as follows:</i>		
Wholly unfunded obligations	-	-
Wholly or partly funded obligations	19,883,000	19,361,000
	<u>19,883,000</u>	<u>19,361,000</u>

	2022 £	2021 £
<i>Movements in the fair value of plan assets:</i>		
At 1 April 2021	13,848,000	10,871,000
Interest income	293,000	265,000
Return on plan assets (excluding amounts included in net interest)	1,316,000	1,597,000
Benefits paid	(67,000)	(56,000)
Contributions by the employer	716,000	1,086,000
Contributions by scheme members	279,000	257,000
Other	-	(172,000)
At 31 March 2022	<u>16,385,000</u>	<u>13,848,000</u>

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 13 Retirement benefit schemes

(Continued)

*Sensitivity of the defined benefit obligations to changes in assumptions*

Scheme obligations would have been affected by changes in assumptions as follows:

		<b>2022</b>	<b>2021</b>
		<b>£'000</b>	<b>£'000</b>
0.1% decrease in real discount rate	- increase	516	2,511
	- decrease	-516	-2,511
0.1% increase in the salary increase rate	- increase	89	485
	- decrease	-89	-485
0.1% increase in the pension increase rate	- increase	422	1,960
	- decrease	-422	-1,960
		<u>516</u>	<u>2,511</u>
		<u>-516</u>	<u>-2,511</u>
		<u>89</u>	<u>485</u>
		<u>-89</u>	<u>-485</u>
		<u>422</u>	<u>1,960</u>
		<u>-422</u>	<u>-1,960</u>

The fair value of plan assets at the reporting period end was as follows:

	<b>Quoted</b>	<b>Unquoted</b>	<b>Quoted</b>	<b>Unquoted</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Equity instruments	9,134,000	-	8,158,700	-
Debt instruments	1,738,200	-	835,300	7,500
Property	152,600	718,200	-	729,000
Investment funds and unit trusts	589,600	2,133,400	506,500	11,100
Derivatives	800	-	(1,500)	-
Private equity	1,700	75,300	-	2,171,400
Cash and cash equivalents	1,841,200	-	1,430,000	-
	<u>13,458,100</u>	<u>2,926,900</u>	<u>10,929,000</u>	<u>2,919,000</u>

### 14 Share capital

	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>	<b>£</b>	<b>£</b>
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
of £1 each	1	1	1	1

### 15 Retained earnings

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
At the beginning of the year	(4,200,416)	(1,680,809)
Loss for the year	(1,130,547)	(34,997)
Actuarial differences recognised in other comprehensive income	3,296,000	(3,108,000)
Tax on actuarial differences	(172,970)	623,390
	<u>(2,207,933)</u>	<u>(4,200,416)</u>



# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2022

#### 16 Contingent liabilities

The company's variable pay arrangements are described in note 6 above. In the event that all the staff involved in the arrangements at 31 January 2022 remain in the company's employment there is a contingent liability of £417,634 in excess of the current and non-current liabilities, as recognised in these financial statements in accordance with IAS19. This amount would be payable over two years.

#### 17 Capital risk management

The company is not subject to any externally imposed capital requirements.

#### 18 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel, including directors, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2022 £	2021 £
Short-term employee benefits	930,612	874,151
Post-employment benefits	111,372	188,685
	<u>1,041,984</u>	<u>1,062,836</u>

##### Other transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2022 £	2021 £	2022 £	2021 £
Lothian Pension Fund	4,857,001	5,040,742	-	-
LPFI Limited	826,353	820,129	-	-
	<u>5,683,354</u>	<u>5,860,871</u>	<u>-</u>	<u>-</u>

	Interest payable	
	2022 £	2021 £
Parent company	956	1,882
	<u>956</u>	<u>1,882</u>

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

### 18 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	2022	2021
	£	£
<b>Amounts due to related parties</b>		
Parent company	42,967	-
Entities with joint control or significant influence over the company	28,724	-
	<u>71,691</u>	<u>-</u>

At the balance sheet date the company owed £28,724 (2021: £Nil) to Edinburgh Trams Limited, a fellow group subsidiary, in relation to group tax relief payments.

The following amounts were outstanding at the reporting end date:

	2022	2021
	£	£
<b>Amounts due from related parties</b>		
Lothian Fund Pension	377,493	385,288
LPFI Limited	350,477	339,021
	<u>727,970</u>	<u>724,309</u>

### 19 Controlling party

The City of Edinburgh Council (acting in its capacity as the administering authority of the Lothian Pension Fund) owns all the issued share capital of the company. The company itself has been established to support the administration of the Lothian Pension Fund. Administering authorities are required to prepare separate financial statements for the Local Government Pension Scheme funds that they administer and so it is considered appropriate to consolidate the company's individual financial statements into Lothian Pension Fund's consolidated financial statements.

Group accounts are available to the public from the following address and will also be made available through the pension scheme website at [www.lpf.org.uk](http://www.lpf.org.uk):

Company Secretary  
Lothian Pension Fund  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

# LPFE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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20	Cash (absorbed by)/generated from operations	2022 £	2021 £
	Loss for the year after tax	(1,130,547)	(34,997)
	<b>Adjustments for:</b>		
	Taxation charged	28,724	-
	Finance costs	125,956	53,882
	Pension scheme non-cash movement	1,156,000	121,000
	<b>Movements in working capital:</b>		
	Increase in trade and other receivables	(40,943)	(116,846)
	(Decrease)/increase in trade and other payables	(411,269)	96,192
	<b>Cash (absorbed by)/generated from operations</b>	<u>(272,079)</u>	<u>119,231</u>