Appendix 4

Company Registration No. SC497542 (Scotland)

LPFI LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

LPFI LIMITED

COMPANY INFORMATION

Chairman	Mr H Dunn
Executive Directors	Mr S Fairbairn Mr J Burns Mr W B Miller Mr D S Vallery (appointed 19 July 2021)
Non-Executive Directors	Mr A Marchant Mr L Robb
Company number	SC497542
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

LPFI LIMITED

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LPFI LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

Principal activities

The current principal activity of the company is the provision of Financial Conduct Authority ("FCA") regulated investment services to the City of Edinburgh Council acting in its capacity as the administering authority of the Lothian Pension Fund) ("LPF") and other Local Government Pension Scheme funds in Scotland and Northern Ireland.

Results and dividends

The profit for the year after tax was £32,459 (2021: £24,377). The directors do not recommend payment of a dividend.

The company's aim is to make a modest trading surplus.

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 LPF. Company Law requires that only "distributable profits" are available for distribution. None of the profit for the year is attributable to the mutual trade.

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	
Mr S Fairbairn	
Mr J Burns	
Mr W B Miller	
Mr L Robb	
D S Vallery	(Appointed 19 July 2021)

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: ....

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LPFI LIMITED

Opinion
We have audited the financial statements of LPFI Limited (the 'company') for the year ended 31 March 2022 which comprise the income statement, 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 profit 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.

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.

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

LPFI LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Revenue	**2**	1,515,239	1,237,149
Gross profit		1,515,239	1,237,149
Administrative expenses		(1,480,917)	(1,207,054)
Operating profit	**3**	34,322	30,095
Income tax expense	**5**	(1,863)	(5,718)
Profit and total comprehensive income for the year	**9**	32,459	24,377

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Notes	2022 £	2021 £
Current assets			
Trade and other receivables	**6**	505,145	557,092
Current tax recoverable		4,658	-
Cash and cash equivalents		832,340	589,088
		1,342,143	1,146,180
Current liabilities			
Trade and other payables	**7**	488,622	418,062
Current tax liabilities		-	7,056
		488,622	425,118
Net current assets		853,521	721,062
Net assets		853,521	721,062
Equity			
Called up share capital	**8**	690,378	590,378
Retained earnings	**9**	163,143	130,684
Total equity		853,521	721,062

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. SC497542

LPFI LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 April 2020		590,378	106,307	696,685
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	24,377	24,377
Balance at 31 March 2021		590,378	130,684	721,062
Year ended 31 March 2022:				
Profit and total comprehensive income for the year		-	32,459	32,459
Issue of share capital	**8**	100,000	-	100,000
Balance at 31 March 2022		690,378	163,143	853,521

LPFI LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	**12**		156,829		(84,107)
Tax (paid)/refunded			(13,577)		68
Net cash inflow/(outflow) from operating activities			143,252		(84,039)
Financing activities					
Proceeds from issue of shares		100,000		-	
Net cash generated from/(used in) financing activities			100,000		-
Net increase/(decrease) in cash and cash equivalents			243,252		(84,039)
Cash and cash equivalents at beginning of year			589,088		673,127
Cash and cash equivalents at end of year			832,340		589,088

1 Accounting policies

Company information

LPFI 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. 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 FCA-regulated service in the United Kingdom. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined with reference to contractual rates as labour hours and direct expenses are incurred.

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.

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.

1 Accounting policies **(Continued)**

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.

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.

1 Accounting policies (Continued)

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 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 Revenue

	2022	2021
	£	£
Revenue analysed by class of business		
Investment advisory and management services	1,515,239	1,237,149

3 Operating profit

	2022	2021
	£	£
Operating 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	9,000	6,200

4 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	25,000	16,065

The aggregate payroll costs for the year consisted of fees paid to non-executive directors.

No pension benefits were accrued by the directors during the year. All other staff and directors are employed by LPFE Limited, a company under common control, and an appropriate portion of their employment costs recharged. LPFE Limited is a company under the control of Lothian Pension Fund (administered by the City of Edinburgh Council), and the City of Edinburgh Council. In addition to the payroll costs noted above, the company was also charged £111,015 (2021: £114,013) for services provided by directors employed by LPFE Limited during the year.

5 Income tax expense

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	1,863	5,718

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

	2022	2021
	£	£
Profit before taxation	34,322	30,095
Expected tax charge based on a corporation tax rate of 19.00% (2021: 19.00%)	6,521	5,718
Adjustment in respect of prior years	(4,658)	-
Taxation charge for the year	1,863	5,718

6 Trade and other receivables

	2022	2021
	£	£
Trade receivables	453,531	432,841
VAT recoverable	-	3,191
Amounts owed by fellow group undertakings	49,650	119,006
Other receivables	254	-
Prepayments	1,710	2,054
	505,145	557,092

7 Trade and other payables

	2022 £	2021 £
Trade payables	6,837	8,889
Amounts owed to fellow group undertakings	415,891	380,853
Accruals	59,502	28,320
Social security and other taxation	6,392	-
	488,622	418,062

8 Share capital

Ordinary share capital	2022 Number	2021 Number	2022 £	2021 £
Issued and fully paid				
Ordinary shares of £1 each	690,378	590,378	690,378	590,378

9 Retained earnings

	2022 £	2021 £
At the beginning of the year	130,684	106,307
Profit for the year	32,459	24,377
At the end of the year	163,143	130,684

10 Related party transactions

Remuneration of key management personnel

Compensation paid in relation to key management personnel during the period was as follows:

	2022 £	2021 £
Directors' remuneration (note 4)	25,000	16,065

All other key management personnel are employed by LPFE Limited, a company also under the control of Lothian Pension Fund (administered by the City of Edinburgh Council), and the City of Edinburgh Council. In addition to the compensation noted above, the company was also charged £111,015 (2021: £114,013) for services provided by key management personnel employed by LPFE Limited during the year.

10 Related party transactions (Continued)

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	284,161	135,316	217,407	156,691
LPFE Limited	-	-	826,353	820,129
	284,161	135,316	1,043,760	976,820

Amounts due to related parties	2022 £	2021 £
Lothian Pension Fund	31,396	41,832
Entities with joint control or significant influence over the company	6,521	-
LPFE Limited	377,974	339,021
	415,891	380,853

At the balance sheet date the company owed £6,521 (2021: £Nil) to Edinburgh Trams Limited, a fellow group subsidiary, in relation to group tax relief payments.

Amounts due from related parties	2022 £	2021 £
Lothian Pension Fund	49,650	119,006

11 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:

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

12 Cash generated from/(absorbed by) operations

	2022	2021
	£	£
Profit for the year after tax	32,459	24,377
Adjustments for:		
Taxation charged	1,863	5,718
Movements in working capital:		
Decrease/(increase) in trade and other receivables	51,947	(234,845)
Increase in trade and other payables	70,560	120,643
Cash generated from/(absorbed by) operations	156,829	(84,107)