London Borough of Hammersmith & Fulham

Pension Fund Committee

Agenda

Tuesday 23 November 2021 at 7.00 pm
Main Hall (1st Floor) - 3 Shortlands, Hammersmith, W6 8DA

You can watch the meeting live on YouTube:
https://youtu.be/L9J-_SSxjGc

MEMBERSHIP

Administration	**Opposition**
Councillor Iain Cassidy (Chair) Councillor Jonathan Caleb-Landy Councillor Rowan Ree Councillor Helen Rowbottom Councillor Guy Vincent	Councillor Matt Thorley
Co-optee	
Michael Adam Peter Parkin	

PLEASE NOTE: This meeting will be held in person and is open to the public and press, but spaces are limited due to social distancing requirements.

If you would like to attend in person, please contact amrita.white@lbhf.gov.uk

The meeting will also be live streamed on YouTube: https://youtu.be/L9J-_SSxjGc

For further information please read the public attendance notice on the following page

CONTACT OFFICER: Amrita White
Committee Coordinator
Governance and Scrutiny
☎: 07776672845
E-mail: amrita.white@lbhf.gov.uk

www.lbhf.gov.uk/committees

Date Issued: 15 November 2021

Covid Guidance for Attendees

Members of the public and press are welcome to attend the meeting but unless you have to attend, we recommend watching on YouTube: https://youtu.be/L9J-_SSxjGc

If you need to attend in person, you can do so but spaces are limited due to social distancing measures. Please contact amrita.white@lbhf.gov.uk and say which item you would like to attend for. Priority will be given to those who are participating in the meeting. Observers will be allocated seats on a first come first serve basis.

Before attending the meeting
Do not attend a meeting if you are experiencing Coronavirus symptoms.

Anyone experiencing symptoms of Coronavirus is eligible to book a swab test to find out if they have the virus. You can register for a test after checking your symptoms through the NHS website: https://www.gov.uk/get-coronavirus-test or by calling 119

Even if you are not experiencing Coronavirus symptoms, you should take a lateral flow test in the 24 hours before attending the meeting.

You can order lateral flow tests online or visit one of our testing centres: https://www.lbhf.gov.uk/coronavirus-covid-19/health-and-wellbeing-advice/covid-19-testing

Lateral flow tests will also be available at the meeting venue but if you intend to take a test at the venue, please arrive 40 minutes early.

If your lateral flow test returns a positive result, you should follow Government guidance to self-isolate and make arrangements for a PCR test.

Attending the meeting
To make our buildings Covid-safe, it is important that you observe the rules and guidance on social distancing and hand washing. Face coverings must be worn when entering the building and in communal areas but can be removed when seated.

You must follow all the signage and measures that have been put in place. They are there to keep you and others safe.

Security staff will be waiting in reception to direct members of the public to the meeting room.

London Borough of Hammersmith & Fulham

Pension Fund Committee
Agenda

Item		Pages
1.	**APOLOGIES FOR ABSENCE**	
2.	**DECLARATIONS OF INTEREST**	

If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.

At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.

Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.

Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.

3.	**MINUTES OF THE PREVIOUS MEETING**	6 - 7

To approve the minutes of the meeting held on the 25th October 2021.

This item includes an appendix which contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication.

The appendix has been circulated to Committee members only. Any discussion on the contents of an exempt appendix will require the Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion

4. MAN GROUP UPDATE 8 - 9

Man Group will present an update on the portfolio progress and the upcoming pipeline for future investments.

5. UPDATE ON THE TRANSITION OF THE LGPS PENSION ADMINISTRATION SERVICE 10 - 12

This report follows up on previous update reports to the Pension Fund Committee on the actions agreed by the Committee on 3 February 2021 to appoint Local Pension Partnerships Administration (LPPA) to provide the Pension Administration service from 26 January 2022.

6. PENSION ADMINISTRATION PERFORMANCE UPDATE 13 - 17

This paper sets out a summary of the performance of Surrey County Council (SCC) in providing a pension administration service to the Fund. The Key Performance Indicators (KPI's) for the period January 2021 – September 2021 inclusive are shown in the Appendix 1.

7. PENSION FUND DATA QUALITY 18 - 22

This paper sets out a summary of the data quality issues for the London Borough of Hammersmith & Fulham Fund and the mitigations the pension manager is taking on behalf of the Fund to improve these.

8. PENSION FUND QUARTERLY UPDATE PACK 23 - 80

This paper provides the Pension Fund Committee with summary of the Pension Fund's overall performance for the quarter ended 30 September 2021.

This item includes an appendix which contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Committee members only.

Any discussion on the contents of an exempt appendix will require the Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion

9. DRAFT ANNUAL REPORT 2020/21 81 - 222

This report presents the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2021.

10. GOVERNANCE REVIEW RECOMMENDATIONS 223 - 226

This paper provides the Pension Fund Committee with a progress log of the recommendations that came from that review, and results achieved to date on them.

11. INDEPENDENT INVESTMENT ADVISOR APPOINTMENT 227 - 230

The Pension Fund Committee is recommended approve the appointment of a new independent consultant following the outcome of the recruitment process conducted on 22 November 2021.

12. DARWIN LEISURE DEVELOPMENT FUND UPDATE 231 - 456

At the committee meeting of 20 September 2021, Darwin Alternative Investment Management were interviewed reference a 2.5% investment allocation to the Darwin Leisure Development Fund. Several areas for clarification arose out of this interview on which the Committee asked for further information. This report and its appendices details Darwin's response.

This item includes an appendix which contains information exempt within the meaning of Schedule 12A to the Local Government Act 1972 and is not for publication. The appendix has been circulated to the Committee members only.

Any discussion on the contents of an exempt appendix will require the Committee to pass the proposed resolution at the end of the agenda to exclude members of the public and press from the proceedings for that discussion

13. EXEMPT DISCUSSION (IF REQUIRED)

LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION

Proposed resolution: Under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information

London Borough of Hammersmith & Fulham

Pension Fund Committee

Minutes

Monday 25 October 2021

PRESENT

Councillors in attendance: Councillors Iain Cassidy (Chair), Rowan Ree, Guy Vincent and Matt Thorley

Councillors joined online: Councillor Helen Rowbottom

Officer in attendance: Phil Triggs (Director of Treasury and Pensions)

Co-opted members joined online: Michael Adam and Peter Parkin

Officers joined online: Patrick Rowe (Pension Fund Manager), Emily Hill (Director of Finance), Adesuwa Omoregie (Assistant Director, Legal Services)

1. APOLOGIES FOR ABSENCE

Apologies of absence were received from Councillor Jonathan Caleb-Landy.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED
That the minutes of the meeting held on the 21st July 2021 were approved.

4. EXCLUSION OF PUBLIC AND PRESS

RESOLVED
The sub-committee agreed, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

5. LONDON LGPS CIV LTD REGULATORY CAPITAL CLASSIFICATION - EXEMPT

Discussion of this item can be found in the exempt minutes of the meeting.

Meeting started: 19:15pm
Meeting ended: 20:15pm

Chair ....

Contact officer: Amrita White
Committee Co-ordinator
Governance and Scrutiny
☎: 07776672845
E-mail: amrita.white@lbhf.gov.uk

Agenda Item 4

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23 November 2021

Subject: Man Group Update

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

The Pension Fund has committed £30m in capital to the affordable housing fund with investment manager Man Group. £8m of this capital has been drawn down so far.

Man Group will present an update on the portfolio progress and the upcoming pipeline for future investments.

Recommendations

The Committee is requested to:

1. Note the report.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
• Building shared prosperity	Being an outperforming investor means that as part of the Pension Fund's fiduciary duty, its investments should be able to assist in making a positive financial contribution, sharing prosperity and lessening the financial impact on council tax payers.

Financial Impact

The financial implications of these investments will be continually monitored to ensure that members' pensions are safeguarded.

Legal Implications

None

Contact Officer(s):

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Asset Class Review

1. Background

1.1. The decision to invest in the Man Group affordable housing fund was taken at the committee meeting of the 21 March 2021.

2. Risk Management Implications

2.1. None

3. Other Implications

3.1. None

4. Consultation

4.1. None

List of Appendices:

Appendix 1: Man Group Presentation

Agenda Item 5

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23/11/2021

Subject: Update on the transition of the LGPS Pension Administration Service

Report of: David Hughes, Director of Audit, Fraud, Risk and Insurance
Eleanor Dennis, Pensions Manager

Responsible Director: Rhian Davies, Director of Resources

Summary

This report follows up on previous update reports to the Pension Fund Subcommittee on the actions agreed by the Committee on 3 February 2021 to appoint Local Pension Partnerships Administration (LPPA) to provide the Pension Administration service from 26 January 2022.

The Pension Fund Committee and Pension Fund members need to be assured that the administration and governance of the Pension Fund is compliant with regulatory requirements, is effectively managing risk and providing a high-quality service.

Recommendation

1. That the contents of this report are noted.

Wards Affected: None

H&F Values	**Summary of how this report aligns to the H&F Values**
Building shared prosperity	Continuing to provide assurance regarding the governance of the Pension Fund thereby encouraging employees to remain members of the LGPS.
Being ruthlessly financially efficient	To review and assess governance and efficiency of the Pension Fund, recommending and making changes where necessary.
Taking pride in H&F	Ensuring a high standard of governance of the Pension Fund that continues to underpin the retention and recruitment of employees.

Financial Considerations

All costs of Pension Fund administration are borne by the Pension Fund.

Legal Implications

Under Regulation 53 of the Local Government Pension Scheme Regulations 2013 the Council, as the administering authority of the Pension Fund, “is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under these Regulations”. Therefore, it is responsible for ensuring that the Pension Fund is administered in accordance with the Regulations and wider pensions law and other legislation.

Contact Officers:

Name: Eleanor Dennis
Position: Pensions Manager
Telephone: 07551680552
Email: Eleanor.Dennis@lbhf.gov.uk

Name: Emily Hill
Position: Director of Finance
Telephone: 07826 531 849
Email: Emily.Hill@lbhf.gov.uk

Name: Angela Hogan
Position: Chief Solicitor (Contracts and Procurement) Telephone: 07919227585
Email: Angela.Hogan@lbhf.gov.uk

Background Papers Used in Preparing This Report - none

Key considerations

1. This report sets out the recent progress made against the actions previously agreed by the Pension Fund Sub-committee. All of the actions requested at the Sub-Committee of 31 July 2020 have now been completed.

2. As reported at the previous meeting of the Pension Fund Committee, the Pensions Taskforce identified 4 key risks which have all been mitigated against. In recognising the key risks, the Taskforce developed a detailed Project Plan structured around nine key areas of activity, six of the key areas are now complete, progress on the outstanding three risks are detailed below:

Procurement - Pension administration service

3. Officers have agreed Heads of Terms with LPPA, to enable the transition project to commence and are in the process of finalising the delegation agreement which will come into force when the new service commences in January 2022.

Data Improvement - Caseload backlog project

4. The work carried out by ITM is complete and progress detailed in a separate report on data quality.

Communications

5. A key part of the project will be ensuring appropriate communications with stakeholders at key milestones during the project. Fund Employers were informed in October 2021 of the forthcoming change of administration from SCC to LPPA. The Pension Manager is working with LPPA as part of the project plan to ensure effective communications are delivered to all stakeholders in a timely manner.

Implementation timetable

6. Officers are working closely with all stakeholders including working through a detailed project plan with LPPA, to ensure a smooth transfer from SCC and implementation of the new service with LPPA on 26 January 2022. An indicative implementation timetable is set out below:

Month	Key Activities/Milestones
Mar 2021	• Project Manager assigned to project & governance set up • Definition phase begins • System configuration stage begins • System configuration stage complete • Communications plan drafted for stakeholders (members & employers)
Apr 2021	• Definition phase complete • Data migration and UAT begins • Business process review begins
May 2021	• Data cut 1 signed off • Member web – CMS scoping begins
Jun 2021	• Data cut 2 begins • Employer web (EAS) scoping begins • Communication plan agreed including member web registration and employer web on-board
Jul 2021	• Business process sign off • Training plan for employers drafted and agreed
Aug 2021	• Draft employer communications
Sep 2021	• Employer comms issued
Oct 2021	• Employer Pilot group set up
Nov 2021	• Data extracts, parallel runs for payroll begin • Data cut 2 signed off • Employer web sign off • Member web sign off • Data cut 3 begins
Dec 2021	• UPM and web released into operations • Issue welcome letters to members
26 Jan 2022	• Go-live

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23 November 2021

Subject: **Pension Administration Performance Update**

Report of Eleanor Dennis, Pensions Manager

Executive Summary

1.1 This paper sets out a summary of the performance of Surrey County Council (SCC) in providing a pension administration service to the Fund. The Key Performance Indicators (KPI's) for the period January 2021 – September 2021 inclusive are shown in the Appendix 1.

Recommendations

1. The Pension Fund Committee is asked to consider and note the contents of this report.

Wards Affected: None

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer.

Financial Impact

- None

Legal Implications

- None

Contact Officers:

Name: Dawn Aunger
Position: Assistant Director Transformation, Talent, and Inclusion
Telephone: 020 7641 4136
Email: dawn.aunger@lbhf.gov.uk

Name: Eleanor Dennis
Position: Pensions Manager
Telephone: 07551680552
Email: eleanor.dennis@lbhf.gov.uk

Background Papers Used in Preparing This Report

KPI Report

1.0 KPI Performance

1.1. The KPI's are as they have been set out in the delegation agreement between SCC and the London Borough of Hammersmith & Fulham (LBHF). The Pensions Manager ensures performance measures are discussed and reviewed between both parties on a monthly basis. This is in accordance with Code 14 of the Pension Regulator's Code of Practice that states that the scheme manager should hold regular meetings with their service providers to monitor performance.

1.2. The Pension Fund Committee should note that at the beginning of the Covid-19 pandemic, the Pension Regulator asked Fund's to work with their administrators to ensure that there was a minimum focus on the delivery of pay impacting tasks i.e. retirements, refunds, deaths and understands as a consequence delivery on other tasks such as transfers will be impacted, which is demonstrated in the Funds KPI's on transfer tasks. These areas will continue to be the focus of the SCC team during the remaining months of them providing pension administration services to the Hammersmith & Fulham Pension Fund.

1.3. This paper covers the performance of SCC for the period August to September 2021 in comparison to previous performance in 2021.

1.4. The performance for the over the last 2 months has fallen dramatically to the lowest levels this year in all areas apart from in the processing of new joiners. Although this drop in performance is very disappointing cases were processed a day or two later than the set SLA.

1.5. This disappointing dip in performance comes after an increase in cases meeting the SLA's particularly in areas such as deaths and retirements. This dip in performance has been discussed with SCC and the importance of maintaining KPI's during this exit period reinforced.

1.6. The dip in performance has primarily been as a result of a combination of poor resource management and managing the exit of other Funds and the additional tasks required to be actioned the team ahead of the exit date by SCC.

1.7. The performance on the processing of transfer estimates and payments continues to lag other task areas however, transfer outs are beginning to see higher performance levels reached.

2. Telephone Helpdesk

2.1 The Pension Regulator in response to the Covid-19 pandemic has stressed the importance of pension administrators remaining accessible for members whether that be by email, telephone or post.

2.2 The are no defined KPI's for the SCC helpdesk in the delegation agreement other than the requirement for a telephone service that operates Monday to Friday 9am – 4pm.

2.3 There were 58 less calls received in August than in July (a 11% fall) and in September an additional 21 calls (a 4% rise) were received due to annual benefit statement activity. The ability to resolve most calls remains high at 90%.

3.0 Summary

The KPI's for the period (January to September 2021) are now significantly below the desired level that we require from our administrators, but we are working with them to monitor these more closely and have more visibility of the processing of work.

The pensions manager works closely with the SCC team to strike a balance between exit activities, meetings KPI's and legacy work.

Despite the understanding that the Fund is choosing to exit from SCC in January 2022, in addition to other Fund exiting their services, they remain committed where possible to continue to process efficiently as many cases as possible.

Both the SCC exit team and the business as usual administration team continue to work collaboratively with us for the best interests of the Pension Fund, it's members and beneficiaries.

KPI Report - Hammersmith and Fulham

Description	Target time/date as per Partnership Agreement (working days)	Target	Actual Score January	Total No of completed cases	No of cases late	Actual Score Jan	Total No of completed cases	No of cases late	Actual Score Feb	Total No of completed cases	No of cases late	Actual Score March	Total No of completed cases	No of cases late	Actual Score April	Total No of completed cases	No of cases late	Actual Score May	Total No of completed cases	No of cases late	Actual Score June	Total No of completed cases	No of cases late	Actual Score July	Total No of completed cases	No of cases late	Actual Score August	Total No of completed cases	No of cases late	Actual Score September	Total No of completed cases	No of cases late
Pension Administration																																
Death Benefits Write to dependant and provide relevant claim form	5 days	100%	100%	12	0	86%	28	4	70%	23	7	100%	22	0	100%	9	0	100%	13	0	100%	12	0	100%	9	0	84%	19	3	83%	12	2
Set up any dependants benefits and confirm payments due, including concluding any under or overpayme	10 days	100%	95%	22	1	73%	11	3	65%	23	8	62%	21	8	40%	25	15	40%	15	9	70%	23	7	87%	23	3	86%	7	1	62%	13	5
Retirement Notification request for retirement acknowledged, recorded and documentation sent to	10 days	100%				50%	26	13	70%	60	18	48%	50	26	73%	44	12	96%	55	2	89%	36	4	88%	58	7	52%	54	26	60%	55	22
Retirements New retirement benefits processed for payment following receipt of claim	7 days	100%	100%	6	0	73%	11	3	50%	6	3	73%	15	4	100%	22	0	91%	11	1	100%	7	0	55%	11	5	14%	7	6	30%	10	7
Deferred retirement benefits processed for payment following receipt of claim	7 days	100%	89%	18	2	89%	18	2	100%	14	0	92%	24	2	87%	23	3	94%	16	1	77%	26	6	53%	19	9	42%	19	11	29%	28	20
Refunds of Contributions Refund paid following receipt of	10 days	100%	N/A	0	0	98%	42	1	85%	20	3	92%	59	5	90%	21	2	94%	50	3	86%	69	10	85%	100	15	93%	41	3	79%	53	11
Deferred Benefits Statements sent to member following receipt of leaver notification	20 days	100%	36%	45	29	88%	8	1	46%	13	7	53%	15	7	42%	24	14	81%	63	12	87%	98	13	92%	118	9	90%	78	8	67%	69	23
Estimates Early Retirement requests from	10 days	100%	100%	10	0	94%	33	2	63%	96	36	63%	24	9	100%	12	0	88%	8	1	100%	17	0	100%	2	0	90%	78	8	0%	13	13
Projections Requests from	10 days	100%	96%	28	1	63%	8	3	33%	3	2	100%	3	0	100%	2	0	100%	2	0	100%	7	0	100%	3	0	#DIV/0!	0	0	33%	3	2
New Joiners New starters	30 days	100%	100%	28	0	100%	65	0	100%	33	0	100%	106	0	100%	44	0	100%	10	0	100%	164	0	100%	50	0	100%	38	0	100%	40	0
Transfers In Quote estimate to scheme member (includes	20 days	100%	100%	5	0	25%	8	6	50%	10	5	25%	16	12	57%	37	16	74%	23	6	50%	20	10	68%	19	6	25%	12	9	32%	19	13
Transfers In Transfers-in payments	20 days	100%	100%	4	0	63%	8	3	54%	13	6	58%	19	8	67%	18	6	56%	16	7	63%	16	6	75%	28	7	36%	11	7	48%	33	17
Transfers Out Transfers-out quotations processed (includes	20 days	100%	78%	23	5	53%	32	15	59%	17	7	56%	16	7	80%	25	5	87%	23	3	77%	22	5	73%	15	4	80%	10	2	47%	17	9
Transfers Out Transfers out payments	20 days	100%	88%	8	1	57%	7	3	50%	10	5	77%	13	3	78%	9	2	100%	8	0	70%	10	3	88%	16	2	88%	8	1	73%	11	3
No of complaints received within the month	n/a	100%				N/a	0		N/a	1		N/a	1		N/a	0		N/a	0		N/a	0		N/a	2		N/a	0		N/a	1	
No of complaints resolved within the month	30 days	100%				N/a	0		100%	1	0	100%	1	0	N/a	0		N/a	0		N/a	0		N/a	1		N/a	0		N/a	1	
No of compliments received within the month	n/a	N/a	88%	8	1	N/a	0		N/a	1		N/a	3		N/a	1		N/a	0		N/a	0		N/a	0		N/a	0		N/a	0	
Monthly Pensioner Payroll																																
Full reconciliation of payroll and ledger report provided to Borough	Last day of month		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
Issue of monthly payslips	3 days before pay day		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
RTI file submitted to HMRC	3 days before pay day		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
BACS file submitted for payment	3 days before pay day		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
Annual																																
Annual Benefit Statements issued to Active members	31 August each year		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		2,844 active statements produced by 31st July 2021	Achieved	3,637 active statements produced by 31st Aug 2021		Achieved		
Annual Benefit Statements issued to Deferred members	31 August each year		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
P60s issued to Pensioners	31 May each year		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
Apply Pensions Increase	April each year		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		
Pensioner	April each year		Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved			Achieved		

Helpdesk Volumes	
Total Queries Resolved	First Point Fix
Jan 21	79%
Feb 21	79%
Mar 21	89%
Apr 21	92%
May 21	92%
Jun 21	92%
July 21	92%
Aug 21	91%
Sept 21	90%

Agenda Item 7

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23 November 2021

Subject: **Pension Fund Data Quality**

Report of Eleanor Dennis, Pensions Manager

Executive Summary

This paper sets out a summary of the data quality issues for the London Borough of Hammersmith & Fulham Fund and the mitigations the pension manager is taking on behalf of the Fund to improve these.

Recommendations

The Pension Fund Committee is asked to consider and note the contents of this report.

Wards Affected: None

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council taxpayer.

Financial Impact

- None

Legal Implications

- None

Contact Officers:

Name: Dawn Aunger
Position: Assistant Director Transformation, Talent, and Inclusion
Telephone: 020 7641 4136
Email: dawn.aunger@lbhf.gov.uk

Name: Eleanor Dennis
Position: Pensions Manager
Telephone: 07551680552
Email: eleanor.dennis@lbhf.gov.uk

Background Papers Used in Preparing This Report

None

1.0 Data Quality

1.1 The Pension Regulator has placed an increased focus in recent years on the importance of pension schemes to ensure that they hold and maintain good quality data in line with Code of Practice 14 for public service pension schemes. This is necessary to ensure that the scheme is managed properly but this cannot be done effectively if records are inaccurate, incomplete or not up to date.

1.2 The Pension Regulator expects pension schemes to look at their data quality at least annually and actively put in place measures to improve their data quality.

1.3 The Fund has had to engage separately with the pension administration software to produce this year's results, which will be detailed in the next meetings report.

1.4 The forthcoming move from Surrey County Council (SCC) to the Local Pensions Partnership Administration (LPPA) in January 2022, and the migration of the Fund's membership data to their systems, also adds further weight for the need to prioritise cleansing the Fund's data as much as possible for an efficient migration.

1.5 The current pensions administrators, SCC, informed the Fund of a backlog in February 2020 of just under 1,600 cases that by the very nature have an impact on the data quality of the Fund. Namely; undecided leavers, refunds, frozen refunds and aggregations. All of which if not processed mean that the Fund's liabilities are based on incorrect membership data meaning incorrect funding levels for the scheme. The consequences of this for a member may mean inaccurate or late payment of pension benefits.

1.6 After approval from the Fund Committee and recommendation from SCC, (who were unable to commit to carry out the work themselves). The pensions manager engaged directly in working with a third party data Management company, ITM, to complete this work on behalf of the Fund.

1.7 Since the last update, ITM have completed 999 cases in total, which is an increase of 271 cases, so 65% of the 1530 cases have now been processed. Of the total 1530 cases, with 999 now processed, 272 cases have been passed back to SCC as they are out of scope leaving a remainder 259 cases where no response was received from the employer. These cases will be picked by LPPA, who have a dedicated employer engagement team to support with this work. A further 92 cases were received after the project deadline from fund employers and we are working with SCC to process these ahead of the move to LPPA.

1.8 The quality of the project was maintained by ITM throughout the project with positive feedback from SCC.

2. Backlog

2.1 Due to the exiting of the Fund from SCC pension administration services it has come to light that there are further data issues. Namely under and over payments of retirements and overpayment on child pensions.

2.2 SCC are carrying out an exercise where they are reconciling data held on the pension administration system with that held on the pension payment system. This involves verifying which is the correct data (i.e. identifying if this is an under or overpayment), updating the records and following process to address the discrepancy which may involve requesting overpaid monies back from the recipient. SCC plan to complete this exercise ahead of the transfer to the new provider.

2.3 SCC have identified the overpayment of 18 child pensions, with a total overpayment value of just over £56,000, this has occurred due to SCC maladministration. As they have not had in place an effective system to ensure payments are stopped if the beneficiary ceases education post 18 or when they reached age 23. SCC are chasing beneficiaries to recoup the overpayment.

2.4 In addition SCC have recently confirmed that there is a backlog of 2015 business as usual legacy cases that cover case types such as retirements, leaver and death cases. These are cases that have been started by SCC but not completed and date back to 2017. Fortnightly discussions are held with SCC to discuss progress of these cases as well as to agree on priority cases.

2.5 LPPA are aware there is will be a backlog of outstanding cases that will be transferred across however SCC are committed to processing as many cases as possible ahead of the transfer date in January 2022.

3.0 Data Cleansing

3.1 The gone away addresses were completed by ITM in June 2021 with a 91% success rate and new address updated to the member records.

4.0 Summary

The project carried out by ITM has now ceased, with more than two thirds of records being updated. Helping the Funds data to be migrated across to LPPA in a much healthier state and standing in good stead for the forthcoming valuation in 2022.

The remainder of cases not completed as part of the project carried out by ITM will be forwarded for completion by LPPA.

The importance for clean accurate data for a pension Fund should not be underestimated as the impacts are far reaching and ultimately could lead to incurring a Regulator fine, compensation to members for incorrect benefits and reputational damage, so it should remain a priority.

Despite the disappointing discovery of further data issues such as the backlog and overpayments, both SCC and the LBHF pensions manager continue to work collaboratively to with us in the best interests of the Pension Fund, it’s members and beneficiaries.

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23 November 2021

Subject: Pension Fund Quarterly Update Pack

Report of: Patrick Rowe, Pension Fund Manager

Executive Summary

1.1 This paper provides the Pension Fund Committee with summary of the Pension Fund's:

a. overall performance for the quarter ended 30 September 2021;
b. cashflow update and forecast;
c. assessment of risks and actions taken to mitigate these.

Recommendations

1. The Pension Fund Committee is recommended to note the update.

Wards Affected: None

H&F Priorities

Our Priorities	**Summary of how this report aligns to the H&F Priorities**
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax-payer.

Financial Impact

- None

Legal Implications

- None

Contact Officer(s):

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6308
Email: prowe@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. LBHF Pension Fund Quarterly Update – Q2 2020/21

1.1. This report and attached appendices make up the pack for the quarter two (Q2) ended 30 September 2021. An overview of the Pension Fund's performance is provided in Appendix 1. This includes administrative, investment, and cash management performance for the quarter.

1.2. Appendix 2 contains the Pension Fund's report on the latest updates with regard to the integration of the environmental, social and governance (ESG) factors as part of its investment strategy.

1.3. Appendix 3 provides information about the Pension Fund's investments and performance. The highlights from the quarter are shown below:

- Overall global markets performance was relatively flat with investors growing increasingly concerned with rising inflation. UK equities delivered a positive return, outperforming overseas markets.

- Overall, the investment performance report shows that over the quarter to 30 September 2021, the market value of the assets increased by £16.2m to £1,276.8m.

- The Fund was in line with its benchmark net of fees by delivering a return of 1.7% over the quarter to 30 September 2021, and the estimated funding level was 94.0% as at 30 September 2021.

- Over the year to 30 September 2021, the fund overperformed against its benchmark by 1.6%, returning 14.3% overall.

- The highlights over the quarter to 30 September 2021 came from the Aberdeen Long Lease Property Fund, and Partners Group across both the MAC and Infrastructure funds, outperforming the relevant benchmarks.

1.4. The Pension Fund's cashflow monitor is provided in Appendix 4. This shows both the current account and invested cash movements for the last quarter, as well as cashflow forecasts to 30 June 2022. An analysis of the differences between the actuals and the forecasts for the quarter is also included.

1.5. Appendix 5 contains the Pension Fund's Risk Registers.

1.6. Appendix 6 contains the Pension Fund's Breaches of the Law log.

2. Risk Management Implications

2.1 This is included in the risk registers.

3. Other Implications

3.1. n/a

4. Consultation

4.1. n/a

List of Appendices:

Appendix 1: Scorecard at 30 Sep 2021
Appendix 2: Pension Fund ESG Report
Appendix 3a: Deloitte Quarterly Report for Quarter Ended 30 Sep 2021
Appendix 3b: Deloitte Quarterly Report for Quarter Ended 30 Sep 2021 (EXEMPT)
Appendix 4: Cashflow Monitoring Report
Appendix 5: Pension Fund Risk Registers
Appendix 6: Breaches of the Law Log

Appendix 1

Scorecard at 30 June 2021

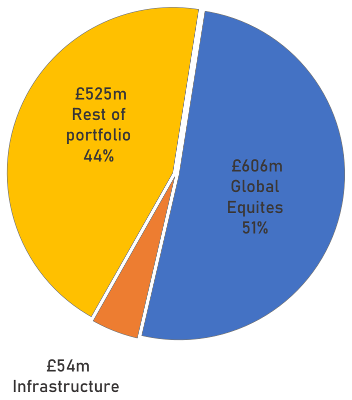
London Borough of Hammersmith and Fulham Pension Fund Quarterly Monitoring Report

	Mar 21 £000	Jul 21 £000	Aug 21 £000	Sep 21 £000	Report reference
Value (£m)	1, 213.2	1,266.5	1,289.1	1,276.8	IRAS reports
% return quarter	2.93%	2.39%	4.49%	1.7%	
% return one year	21.89%	15.07%	15.15%	14.1%	
LIABILITIES					
Value (£m)	1,288			1,361	BW funding update
Surplus/(Deficit) (£m)	(71)			(85)	
Funding Level	95%			94%	
MEMBERSHIP					
Active members	4,467			4475	Reports from Surrey not requested for June
Deferred beneficiaries	5,914			6218	
Pensioners	5,368			5608	
Active Employers	52			57	
CASHFLOW					
Cash balance	1,700	4,627	6,377	8,565	Appendix 4
Variance from forecast	240	2,997	4,747	7,068	
RISK					
No. of new risks	0	0	0	0	Appendix 5: Risk Register
No. of ratings changed	0	0	0	8	
LGPS REGULATIONS					
New consultations	None	None	None	None	
New sets of regulations	None	None	None	None	

Enviromental, Social & Governance (ESG) Report — 30 September 2021

The London Borough of Hammersmith & Fulham Pension Fund is committed to being a responsible investor. In line with this commitment, the Pension Fund recognises Enviromental, Social & Governance (ESG) factors to be integral to its investment strategy.

The Pension Fund has a target to achieve carbon neutrality by 2030.



46.3k
estimated number of cars kept of the road each year by investing in renewable energy[1]

Estimated Carbon Savings (tonnes p/a)

MSCI Low Carbon	Aviva Infrastructure
44.7k	10.1k

Key Highlights

57%
CO_2 emissions saved by investing in the MSCI Low Carbon Fund

112
number of engagements by LGIM on Social topics during the last quarter.

82
number of companies engaged over the last quarter by LAPFF

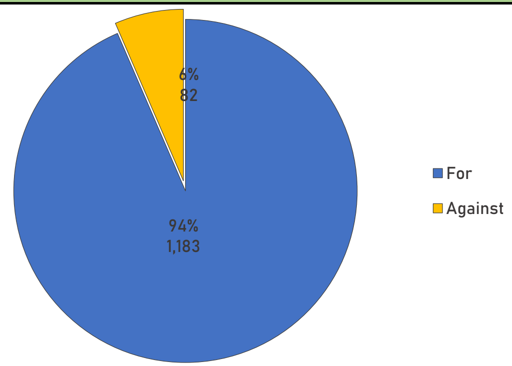
Investment in Low Carbon Assets

£663mil	52%

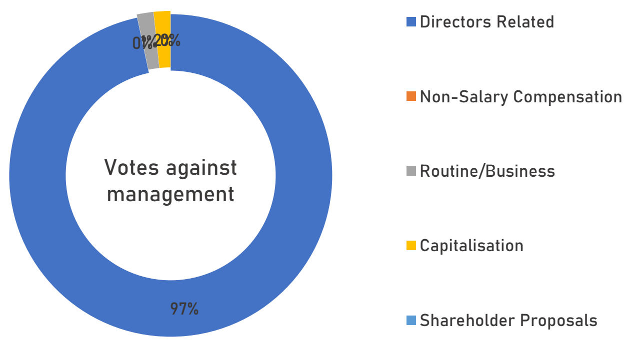
Low Carbon Investments	£000
Equities	606,100
Aviva Infrastructure	25,700
Partners Infrastructure	28,416
LCIV Green Bonds	3,270

Although the Pension Fund does not invest through the use of segregated mandates, fund managers are expected to develop a voting framework consistent with the Pension Fund's own voting policy. The fund managers' voting activity for this quarter is reported below. At present, the Pension Fund holds pooled equity investments with Legal & General Investment Management and the London CIV, through its Absolute Return Fund (Ruffer).

Voting Summary (LCIV)

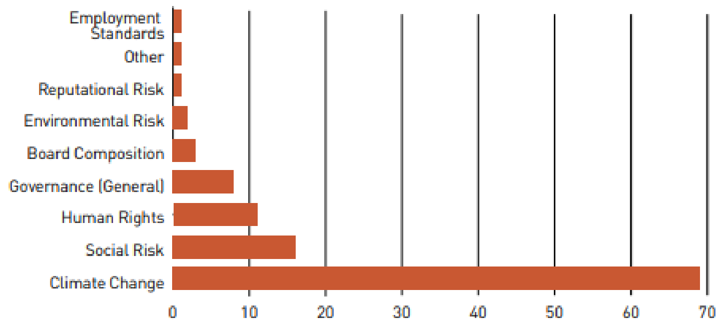


Voting Breakdown (LCIV)

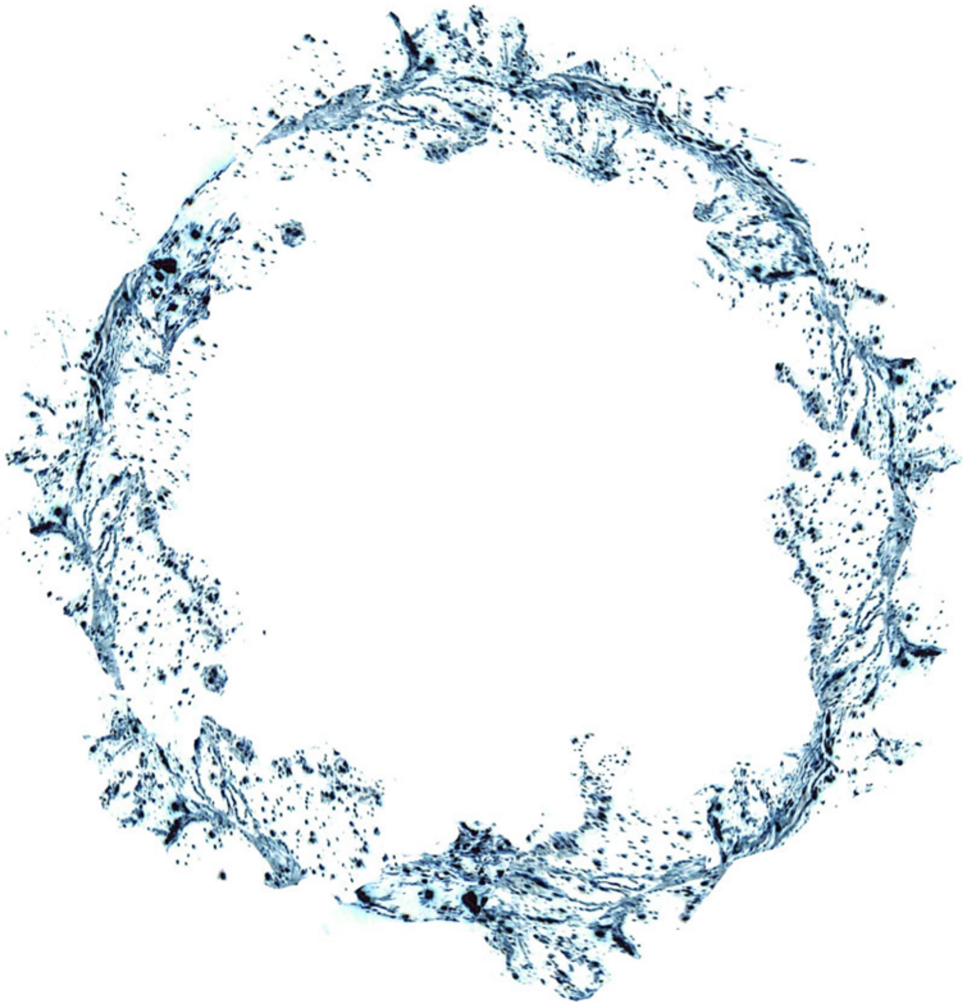


LAPFF Engagement

The Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF), the UK's leading collaborative shareholder engagement group. LAPFF regularly engages with companies to encourage best practice and ensuring that they have the right policies in place to create value.



[1]Source: Aviva Investors/ERM. Data as at 30 June 2018. Car equivalency calculation based on 2016 5 door hatchback; 10,000 p.a (Carbon Footprint)



London Borough of Hammersmith & Fulham Pension Fund

Investment Performance Report to 30 September 2021

Deloitte Total Reward and Benefits Limited
November 2021

Contents

1 Market Background

Global Equities

Performance across global developed markets was relatively flat over the third quarter of 2021, with declines in September erasing prior gains. Since 30 June 2021, investors have grown increasingly concerned with rising inflation with both Federal Reserve and Bank of England policymakers discussing rate rises and the tightening of monetary policy more generally. Natural gas and fuel shortages impacted the UK towards the end of the quarter, and businesses globally have confirmed that supply chain disruption and labour constraints are limiting output. Emerging Market equities underperformed over the quarter as concerns grew around repeated intervention by the Chinese government and the ability of Evergrande and other property companies to service its debts.

Over the third quarter of 2021, global equity markets fell slightly with the FTSE All World Index returning -0.2% in local currency terms. Sterling depreciation benefitted unhedged investors with the same index returning 1.5% in sterling terms. Performance across most global regions was fairly muted with the exception of Japan, which delivered the highest return of 5.0% (local terms), and the Asia Pacific region (excluding Japan), which was the worst performing region, returning -6.3% (local terms). The issues in China also caused Emerging Market equities to underperform.

UK equities delivered a positive return of 2.2% over the quarter, outperforming overseas markets. Positive relative performance was mainly due to sector biases in the UK market with the relatively large exposure the Oil & Gas sector benefitting from the sharp rise in gas and oil prices.

Government bonds

UK nominal gilt yields increased over the quarter across all maturities. The rise was driven by higher inflation expectations. UK consumer price inflation increased to 3.2% over the year to the end of August, its highest level since 2012. The Bank of England is forecasting a further rise in inflation with the Monetary Policy Committee suggesting a tightening of monetary policy may be imminent. The All Stocks Gilts Index therefore delivered a return of -1.8% over the quarter, whilst the Over 15-year Index delivered a return of -2.8%.

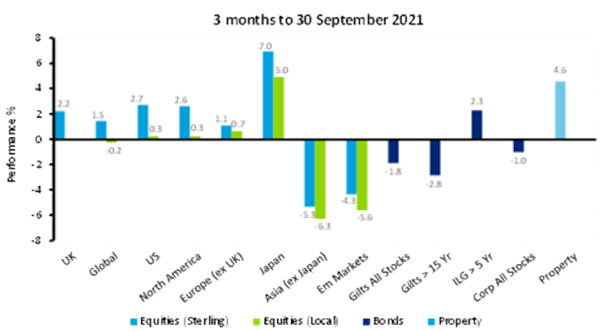
Real yields decreased by up to 50 bps for shorter maturities as inflation expectations moved sharply higher. At medium to longer maturities, the falls in real yields were more muted. The All Stocks Index-Linked Gilts Index delivered a return of 2.3% over the third quarter.

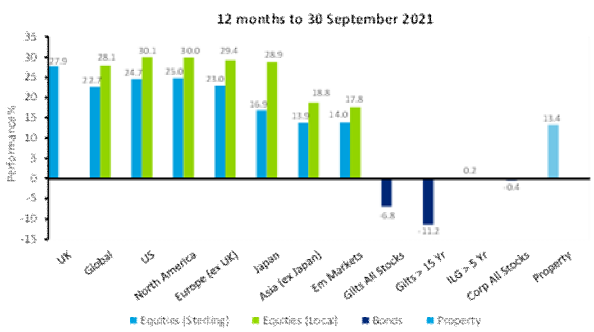
Corporate bonds

Sterling denominated corporate bond yields followed nominal gilt yields higher over the third quarter. However, robust corporate earnings contributed to a marginal fall in credit spreads. The iBoxx All Stocks Non-Gilt Index returned -1.0% over the three months to 30 September 2021.

Property

The MSCI UK All Property Index delivered a return of 4.6% over the third quarter, and a return of 13.4% over the 12 months to 30 September 2021. The industrial sector continues to lead the way, benefitting from trends including the switch to online shopping, which have accelerated as a result of the pandemic. UK monthly property transactions have certainly increased over the past 12 months and returns have been strong. However, investors should not lose sight of the continued issues around rental collections and the previous accumulation of rent arrears.





2 Performance Overview

2.1 Investment Performance to 30 September 2021

Breakdown of Fund Performance by Manager as at 30 September 2021 Fund	Manager	3 month	1 year	3 year p.a.	5 year p.a.
Equity Mandate					
	LCIV Global Equity Core Fund	2.4	11.7	n/a	n/a
MSCI AC World Index		1.4	22.2	n/a	n/a
Difference		1.0	-10.5	n/a	n/a
	LGIM Low Carbon Mandate	2.4	23.7	n/a	n/a
MSCI World Low Carbon Target Index		2.5	23.9	n/a	n/a
Difference		0.0	-0.1	n/a	n/a
Dynamic Asset Allocation					
	LCIV Absolute Return Fund	0.5	13.6	7.2	4.7
3 Month Sterling LIBOR + 4% p.a.		1.0	4.1	4.5	4.5
Difference		-0.5	9.5	2.7	0.2
Global Bonds					
	LCIV Global Bond Fund	0.1	2.5	n/a	n/a
Barclays Credit Index (Hedged)		0.0	1.2	n/a	n/a
Difference		0.1	1.3	n/a	n/a
Secure Income					
	Partners Group MAC[2]	5.9	27.1	5.4	5.5
3 Month Sterling LIBOR + 4% p.a.		1.0	4.1	4.5	4.5
Difference		4.9	23.0	0.9	1.1
	Oak Hill Advisors	0.9	9.4	3.9	3.8
3 Month Sterling LIBOR + 4% p.a.		1.0	4.1	4.5	4.5
Difference		-0.1	5.3	-0.5	-0.6
	ASI MSPC Fund	0.1	2.8	n/a	n/a
Blended benchmark[4]		-0.4	1.0	n/a	n/a
Difference		0.4	1.8	n/a	n/a
	Partners Group Infra[2]	5.4	15.6	14.2	7.6
	Aviva Infra Income[3]	3.6	1.3	2.8	n/a
Inflation *Protection*					
	ASI Long Lease Property Fund	4.2	9.6	6.5	7.8
FT British Government All Stocks		-1.3	-4.7	5.0	3.2
Difference		5.5	14.3	1.4	4.6
Total Fund		1.7	14.1	7.9	7.6
Benchmark[1]		1.3	11.8	8.4	8.3
Difference		0.5	2.2	-0.5	-0.7

Source: Northern Trust (Custodian). Figures are quoted net of fees. Differences may not tie due to rounding.
Please note that there also exists a residual private equity allocation to Invesco and Unicapital – this allocation makes up less than 0.1% of the Fund's total invested assets.
[1] The Total Assets benchmark is calculated using the fixed weight target asset allocation.
[2] Partners Group Multi Asset Credit and Direct Infrastructure Fund performance provided to 31 August 2021.
[3] Aviva Investors performance figures provided by Northern Trust take into account a c. 1% income distribution from the Infrastructure Income Fund towards the end of each quarter.
[4] ASI MSPC Fund is measured against a blended benchmark of 3 Month Sterling LIBOR and the ICE ML Sterling BBB Corporate Bond Index while the strategy is in the process of deploying invested capital. The weight of the benchmark allocated to the ICE ML Sterling BBB Corporate Bond Index reflects the proportion of the Fund's investment in the MSPC Fund which has been deployed by ASI. Once the Fund's investment has been fully deployed, the MSPC Fund will be measured against a benchmark consisting 100% of the ICE ML Sterling BBB Corporate Bond Index. Over the quarter to 30 September 2021, the MSPC Fund was measured against a blended benchmark of 53.2% 3 Month Sterling LIBOR and 46.8% ICE ML Sterling BBB Corporate Bond Index.

3 Total Fund

3.1 Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Total Fund - Net of fees	1.7	14.1	7.9	7.6
Benchmark[1]	1.3	11.8	8.4	8.3
Net performance relative to benchmark	0.5	2.2	-0.5	-0.6

Source: Northern Trust. Relative performance may not sum due to rounding.

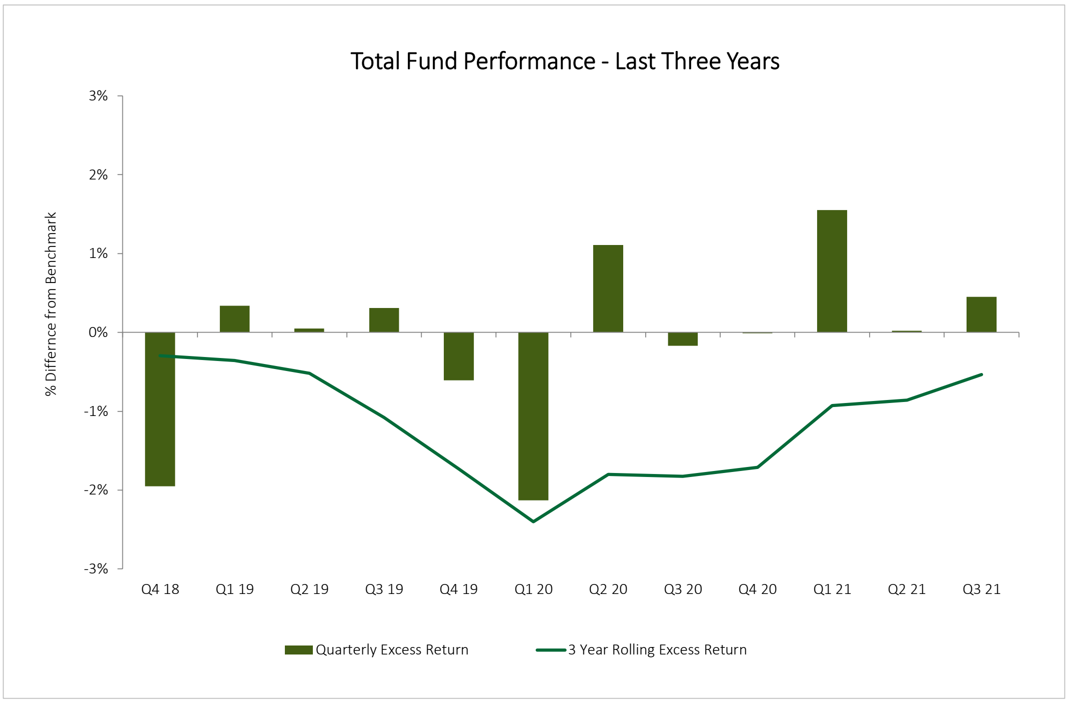
(1) Fixed weight benchmark

Over the third quarter of 2021, the Total Fund delivered a positive absolute return of 1.7% on a net of fees basis, outperforming the fixed weight benchmark by 0.5%.

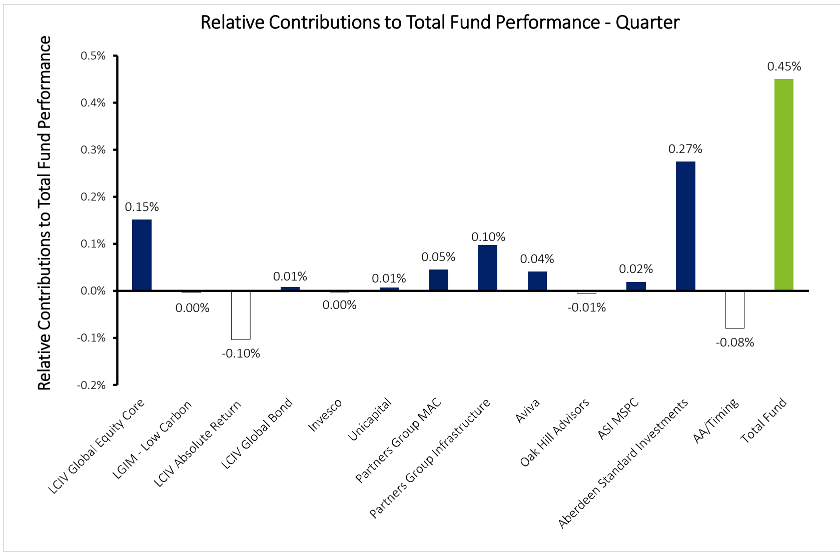
Over the year to 30 September 2021, the Total Fund delivered a positive absolute return of 14.1% on a net of fees basis, outperforming its fixed weight benchmark by 2.2%. The Total Fund delivered positive absolute returns of 7.9% p.a. and 7.6% p.a. on a net of fees basis over the longer three and five year periods to 30 September 2021 respectively, underperforming the fixed weight benchmark by 0.5% p.a. and 0.6% p.a. respectively.

Underperformance over the three year period to 30 September 2021 continues to be partially attributed to the Fund's allocation to the LCIV UK Equity Fund, which underperformed its FTSE-based benchmark by 5.2% p.a. on a net of fees basis over the three-year period until the point of disinvestment in December 2019.

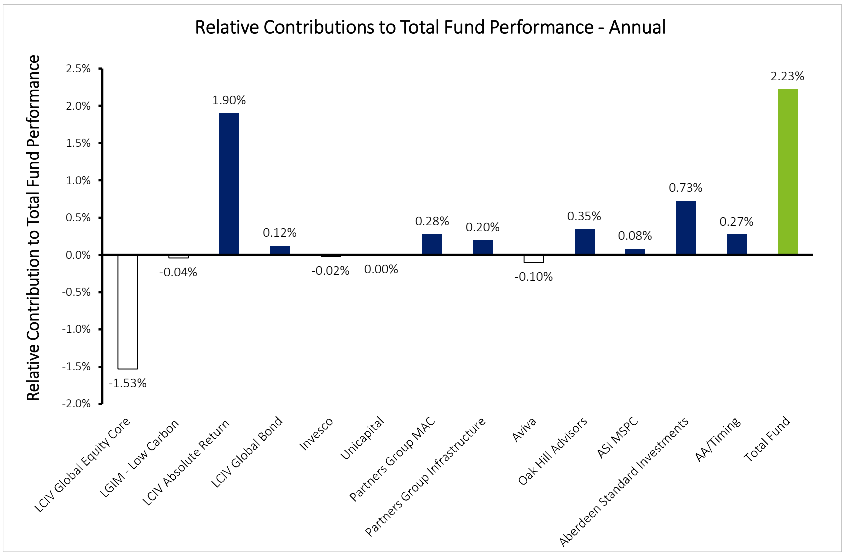
The chart below compares the net performance of the Fund relative to the fixed weight benchmark over the three years to 30 September 2021. The 3-year rolling excess return remained negative over the third quarter of 2021.



3.2 Attribution of Performance to 30 September 2021



The Total Fund outperformed its fixed weight benchmark by c. 0.5% over the quarter to 30 September 2021. Outperformance was primarily driven by the ASI Long Lease Property Fund, having outperformed its government bond-based benchmark over the third quarter of 2021 with the wider UK property market, in general, delivering positive returns over a period of rising gilt yields. Outperformance can also be partially attributed to the LCIV Global Equity Core Fund, which outperformed the wider global equity market over the quarter with the strategy's bias to high quality stocks proving beneficial over the three-month period. Outperformance was partially offset by the LCIV Absolute Return Fund, having underperformed its cash-plus benchmark over the quarter. Please note, however, that we would expect relative performance differences over shorter time horizons where strategies are measured against cash-plus benchmarks.



Over the year to 30 September 2021, the Total Fund outperformed its fixed weight benchmark by c. 2.2% with outperformance over the year primarily driven by the LCIV Absolute Return Fund, having delivered large levels of outperformance over the first two quarters of the year to 30 September 2021, with the manager's strategic allocations proving resilient across a variety of market environments. Outperformance can also be attributed to the ASI Long Lease Property Fund, having outperformed its gilts-based benchmark over the year, and the Oak Hill Advisors Diversified Credit Strategies Fund, having outperformed its cash-plus benchmark over the year with the strategy's high yield bonds and leveraged loans exposures delivering positive returns as credit spreads narrowed. Despite delivering a positive absolute return of 11.7% on a net of fees basis, the LCIV Global Equity Core Fund has provided the largest detraction to outperformance over the year to 30 September 2021 having underperformed its MSCI-based benchmark over a twelve-month period where cyclical stocks, which the strategy holds a low allocation to, have rallied.

3.3 Asset Allocation

The table below shows the value of assets held by each manager as at 30 September 2021 alongside the Target Benchmark Allocation.

Manager	Asset Class	Actual Asset Allocation 30 June 2021 (£m)	30 Sept 2021 (£m)	30 June 2021 (%)	30 Sept 2021 (%)	Benchmark Allocation (%)
LCIV	Global Equity Core	181.4	185.1	14.4	14.5	15.0
LGIM	Low Carbon Equity (passive)	410.9	421.0	32.6	33.0	30.0
	Total Equity	**592.3**	**606.0**	**47.0**	**47.5**	**45.0**
LCIV	Absolute Return	282.6	272.8	22.4	21.4	10.0
LCIV	Global Bond	109.6	109.0	8.7	8.5	10.0
	Total Dynamic Asset Allocation	**392.2**	**381.8**	**31.1**	**29.9**	**20.0**
Partners Group[1]	Multi Asset Credit	11.7	7.4	0.9	0.6	0.0
Oak Hill Advisors	Diversified Credit Strategy	81.4	82.2	6.5	6.4	7.5
Partners Group[1]	Direct Infrastructure	35.6	38.4	2.8	3.0	5.0
Aviva	Infrastructure Income	24.9	25.7	2.0	2.0	2.5
Aberdeen Standard Investments	Multi Sector Private Credit	56.5	56.3	4.5	4.4	5.0
	Secure Income	**210.0**	**210.1**	**16.7**	**16.5**	**20.0**
Aberdeen Standard Investments	Long Lease Property	62.6	65.3	5.0	5.1	5.0
Alpha Real Capital	Ground Rents	-	-	-	-	5.0
Man GPM	Affordable Housing	-	7.6	-	0.6	2.5
	Total Inflation Protection	**62.6**	**72.9**	**5.0**	**5.7**	**15.0[2]**
Northern Trust	Trustee Bank Account	3.1	5.8	0.2	0.5	0.0
	Total[3]	**1,260.6**	**1,276.8**	**100.0**	**100.0**	**100.0**

Source: Northern Trust (Custodian) and have not been independently verified.
Figures may not sum to total due to rounding.
[1] Partners Group Multi Asset Credit and Direct Infrastructure valuations provided by Northern Trust with a month's lag (i.e. as at 31 May 2021 and 31 August 2021).
[2] Includes 2.5% yet to be reallocated following the disinvestment from M&G. Funds currently held in Ruffer.
[3] Total Fund valuation includes £0.1m which is invested in private equity allocations with Invesco and Unicapital, with these investments currently in wind down.

Over the quarter to 30 September 2021, the Fund's overweight equity allocation increased further with both equity strategies delivering positive absolute returns over the three-month period. With the Partners Group Direct Infrastructure Fund not yet fully drawn for investment, the Fund's secure income position remained underweight as at 30 September 2021.

On 16 February 2021, a manager selection exercise was carried out by the Fund to replace the M&G Inflation Opportunities V Fund within the inflation protection allocation. The asset classes included ground rents, affordable housing and supported living by various managers, with the Sub-Committee deciding to allocate c. 5% to the Alpha Real Capital ("ARC") Index Linked

Income Fund and a c. 2.5% allocation to the Man GPM Community Housing Fund. Both allocations total to £90m and will be taken from the overweight Ruffer allocation (temporary hold for the M&G disinvestment proceeds).

The Fund's commitment with ARC was closed on 17 May 2021 with the full £60m expected to be drawn and deployed during Q1 2022. The Fund's commitment with Man GPM was closed on 2 June 2021 with the full £30m expected to be drawn over the next 6 years across quarterly and deal-specific requests. As reported last quarter, Man GPM issued an initial draw down request, including equalisation payment, on 18 June 2021 for £3.6m (£3.0m for investments). However, Northern Trust has accounted for this initial drawdown in July 2021 and therefore the Man GPM allocation in the table above as at 30 June 2021 is nil. Man GPM issued three draw down requests over the third quarter of 2021 for a total of £5.1m (£4.4m for investments), with the Fund's commitment c. 29% drawn for investment as at 30 September 2021. The Man GPM drawdown requests have been funded from the LCIV Absolute Return Fund.

3.4 Yield Analysis as at 30 September 2021

The following table shows the running yield on the Fund's investments:

Manager	Asset Class	Yield as at 30 Sept 2021
LCIV	Global Equity Core	1.27%
LGIM	Low Carbon Equity	1.76%
LCIV	Absolute Return	1.50%
LCIV	Global Bond	2.78%
Partners Group	Multi-Asset Credit	5.70%
Oak Hill Advisors	Diversified Credit Strategy	5.30%
Aviva Investors	Infrastructure	6.40%[1]
Aberdeen Standard Investments	Long Lease Property	3.85%
	Total	2.02%

[1] Represents yield to 30 June 2021.

4 Summary of Manager Ratings

The table below summarises Deloitte's ratings of the managers employed by the Fund and triggers against which managers should be reviewed.

Manager	Mandate	Triggers for Review	Rating
Morgan Stanley Investment Management	LCIV Global Equity Core	Loss of key personnel Change in investment approach Lack of control in growth of assets under management	1
LGIM	Low Carbon Equity	Major deviation from the benchmark return Significant loss of assets under management	1
Ruffer	LCIV Absolute Return	Departure of either of the co-portfolio managers from the business Any significant change in ownership structure	1
PIMCO	LCIV Global Bond	A significant increase or decrease to the assets under management Significant changes to the investment team responsible for the Fund	1
Partners Group	Multi Asset Credit	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 7 year lock-up period	1
	Direct Infrastructure	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 10 year lock-up period	1
Oak Hill Partners	Diversified Credit Strategy	Significant changes to the investment team responsible for the Fund Significant changes to the liquidity of underlying holdings within the Fund	1
Aviva Investors	Infrastructure Income	Significant changes to the investment team responsible for the Fund	2
Aberdeen Standard Investments	Long Lease Property	Les Ross leaving the business or ceasing to be actively involved in the Fund without having gone through an appropriate hand-over A build up within the Fund of holdings with remaining lease lengths around 10 years Investment in lower yielding or poorer quality assets than expected	1
	Multi Sector Private Credit	Significant changes to the investment team responsible for the Fund	1
Alpha Real Capital	Ground Rents	Significant changes to the investment team responsible for the Fund	1
Man GPM	Affordable Housing	Significant changes to the investment team responsible for the Fund *Note the mandate is subject to a 10 year lock-up period	1

4.1 London CIV

Business

The London CIV had assets under management of £12,575m within the 14 sub-funds (not including commitments to the London CIV Infrastructure Fund, London CIV Inflation Plus Fund, The London Fund, London CIV Renewable Infrastructure Fund and London CIV Private Debt Fund) as at 30 September 2021, an increase of £445m over the quarter primarily as a result of new London Borough investments in the LCIV Global Alpha Paris Aligned Fund, the LCIV Sustainable Equity Fund and the LCIV Emerging Market Fund.

As at 30 September 2021, the total assets under oversight, including passive investments held outside the London CIV platform, stood at £25.9bn, a decrease of c. £0.8bn over the quarter. Cumulative additional commitments to the London CIV's private market funds totaled £387.5m over the third quarter of 2021, with total commitments raised by the private market funds standing at £1.8bn as at 30 September 2021.

LCIV Passive Equity Progressive Paris Aligned ("PEPPA") Sub Fund

Having undertaken a manager selection exercise in July 2021 the London CIV has selected an investment manager to manage the LCIV Passive Equity Progressive Paris Aligned ("PEPPA") Sub Fund, a low carbon passive equity mandate, having initially sent an RFP to nine prospective managers. The Passive Equity Progressive Paris Aligned Fund is now ready for launch, having received FCA approval and having agreed the terms of the IMA with the investment manager. The PEPPA Sub Fund has attracted two initial investors with combined contributions of £495m, which the London CIV expects to be invested in the Fund by the end of 2021. The London CIV expects demand for the passive low carbon equity strategy to total between £0.9bn and £1.1bn.

The PEPPA Sub Fund's investment objective is to track the performance of the S&P Developed Ex-Korea LargeMidCap Paris-Aligned Climate Index with a tracking error of less than 0.5% p.a. The Index has c. 800 holdings with no exposure to Korea or Emerging Markets. The Sub Fund will implement a low carbon factor-based investment approach, targeting the following factors: carbon intensity; climate alignment; green revenues; and ESG scoring, omitting coal, oil and gas, and all UN exclusions from the portfolio.

Personnel

As reported last quarter, on 12 July 2021, Yiannis Vairamis was appointed as Senior Equities Portfolio Manager. Yiannis has over 13 years of experience in the financial services industry, having previously been employed by Railpen, Russell and Hymans Robertson.

On 6 September 2021, London CIV appointed Rob Treich as Head of Public Markets. Rob joins the team having previously worked for Coal Pension Trustee, Mercer and Mellon Bank.

The London CIV is also looking to hire a Senior Portfolio Manager for Private Markets, alongside three analysts to work across the London CIV's private market funds.

Additionally, over the quarter, Vanessa Shia, Head of Private Markets returned from maternity leave, while it was announced that Jacqueline Jackson, Head of Responsible Investment will take maternity leave from November 2021. The London CIV has confirmed that plans are in place for cover during Jacqueline's period of leave.

Deloitte view – We are continuing to monitor developments on the business side as well as the new fund launches.

4.2 Morgan Stanley Investment Management

Business

The LCIV Global Equity Core Fund held assets under management of c. £552m as at 30 September 2021, an increase of c. £13m over the quarter.

The Morgan Stanley Global Sustain Fund, which the LCIV Global Equity Core Fund is based upon, held assets under management of c. $4.5bn as at 30 September 2021, representing an increase of c. $0.2bn over the third quarter of 2021 as a result of positive market movements.

Personnel

There were no significant team or personnel changes over the third quarter of 2021.

Deloitte View - We continue to rate Morgan Stanley Investment Management positively for its active equity capabilities.

4.3 LGIM

Business

As at 30 June 2021, Legal & General Investment Management ("LGIM") had assets under management ("AuM") of c. £1,327bn, an increase of c. £48bn since 31 December 2020. Note, LGIM provides AuM updates biannually.

Personnel

Zahra Vinamnwala joined LGIM's Index team as an Investment Analyst over the quarter.

Deloitte View - We continue to rate Legal & General positively for its passive capabilities.

4.4 Ruffer

Business

As at 30 September 2021, Ruffer held c. £23.2bn in assets under management, an increase of c. £0.2bn over the quarter.

Personnel

Paula Walter, Ruffer's COO, officially left Ruffer on 30 September 2021. Ruffer has stated that there has been no change in the day-to-day running of the firm and Paula's executive responsibilities will, at least initially, be covered by two members of the Executive Committee. Ruffer has not yet decided whether to recruit a direct replacement for Paula.

On 6 July 2021, as reported last quarter, Aled Smith joined Ruffer as Deputy CIO. Aled will lead Ruffer's macro team and work alongside Henry Maxey and Jonathan Ruffer to help shape asset allocation. Aled joins Ruffer from J O Hambro Capital Management where he was an Investment Director. His primary responsibility included launching new funds and products and building a new asset management arm focused on responsible investing. As part of this move, Ruffer's responsible investment team now reports into Aled as Deputy CIO, further improving the ongoing integration of Ruffer's responsible investment efforts and investment process.

Additionally, Franziska Jahn-Madell, Responsible Investment Director, left Ruffer over the quarter to join a competitor. Throughout Fran's time at Ruffer, she built a responsible investment team beneath her and worked to embed ESG considerations within Ruffer's research and investment process. Ruffer's engagement and stewardship processes will continue to be driven by Alexia Palacios and Lorena Cebuc, who have been working alongside Fran. As noted above, the responsible investment team now reports to Deputy CIO, Aled Smith.

Lastly, David Ballance, co-manager of the Absolute Return Fund since 2006 and leading member of Ruffer's institutional client team, has announced his intention to retire on 31 March 2022. Jos North, who joined Steve Russell and David in managing the Absolute Return Fund in 2019 and sits on Ruffer's asset allocation committee, will continue to co-manage the strategy, while Henry Maxey and Jonathan Ruffer will continue to lead the investment process. Where David leads individual client relationships, these will be transitioned across Ruffer's institutional team with the process commencing in the coming weeks.

Deloitte view – The Ruffer product is distinctive within the universe of diversified growth managers with the manager willing to take contrarian, long term positions, where necessary drawing on the expertise of external funds. We will continue to monitor the Absolute Return Fund and the portfolio management team going forward following David Ballance's departure, but we are comfortable that the portfolio management team, supported by Henry Maxey and Jonathan Ruffer, continues to be appropriate.

4.5 PIMCO

Business

PIMCO held c. £1.7tn in assets under management as at 30 September 2021, an increase of c. £0.1tn over the quarter. The LCIV Global Bond Fund had assets under management of c. £496m as at 30 September 2021, remaining relatively unchanged over the quarter.

Personnel

There were no significant personnel changes to the Global Bond Fund over the third quarter of 2021.

Deloitte View – We continue to rate PIMCO highly for its global bond capabilities.

4.6 Partners Group

Business

Partners Group had total assets under management of c. $119bn as at 30 June 2021, representing an increase of c. $10bn since 31 December 2020. Note, Partners Group provides AuM updates biannually.

Multi Asset Credit

As at 30 September 2021, the Partners Group MAC Fund had a net asset value of c. £43.5m, a decrease of c. £22.3m since the previous quarter end valuation at 30 June 2021 despite positive portfolio returns over the quarter, as a result of a combined £25.0m of distributions issued back to investors over the quarter.

The investment period for the 2014 MAC vintage finished at the end of July 2017, and the Fund continues to make distributions back to investors, with the Partners Group MAC Fund making three further distributions over the quarter, as mentioned above, which combined totaled £25.0m across all investors. The London Borough of Hammersmith & Fulham Pension Fund received a total of c. £4.9m from these distributions combined.

Direct Infrastructure

As at 30 September 2021, the Direct Infrastructure Fund had drawn down c. 68% of its total €1,081m commitment value for investment, with c. 101% of the total Direct Infrastructure Fund's portfolio committed to investment opportunities as at 30 September 2021.

Personnel

There were no significant team or personnel changes to the Multi Asset Credit or Direct Infrastructure Fund teams over the quarter.

Deloitte View - We continue to rate Partners Group for its private market capabilities.

4.7 Aberdeen Standard Investments – Multi-Sector Private Credit ("MSPC")

Business

The Aberdeen Standard Investments ("ASI") Multi-Sector Private Credit Fund commitment value stood at £194m as at 25 October 2021, an increase of c. £28m since 30 June 2021.

ASI expects a further c. £18m in commitments to be added to the MSPC Fund around April 2022.

The MSPC Fund has a robust indicative pipeline of private credit assets and has closed on one senior mixed used commercial real estate asset over the third quarter of 2021, and one business services private placement debt asset and one construction equipment leasing company private placement debt asset following quarter end.

Personnel

There were no significant team or personnel changes to the Multi-Sector Private Credit Fund over the third quarter of 2021.

Deloitte View – We continue to rate Aberdeen Standard Investments for its private credit capabilities.

4.8 Oak Hill Advisors – Diversified Credit Strategies ("DCS")

Business

Oak Hill Advisors ("OHA") held assets under management of c. $53bn as at 1 August 2021, remaining relatively unchanged since 1 May 2021.

As at 30 September 2021, the Diversified Credit Strategies Fund's net asset value stood at c. $5.0bn, remaining relatively unchanged over the quarter. The Diversified Credit Strategies Fund saw approximately $52m of net cash inflows during the third quarter of 2021.

On 28 October 2021, OHA announced that the firm had entered into an agreement to be acquired by T. Rowe Price, Inc. ("T. Rowe Price"), a global asset management firm with c. $1.6tn in assets under management. OHA has confirmed that the transaction will not change OHA's day-to-day operations, and that OHA will operate as a standalone business within T. Rowe Price, remaining under the OHA brand. There will also be no change to the team managing the Diversified Credit Strategies Fund and there will be no redundancies as part of the transaction. Glen August will remain as CEO of OHA and will join the Board of T. Rowe Price and all OHA partners will sign 5-year employment agreements.

Personnel

At Managing Director level and above, OHA saw two new joiners and one leaver over the third quarter of 2021. Pooja Vivek joined as Managing Director in the Consumer Sector team and Prasanth Nair joined as Managing Director in the Structured Financing and Capital Markets team, while Jared Weisman, Managing Director in the Distressed team, left OHA over the quarter.

Deloitte view – We are comfortable with how the strategy is being managed and the level of risk within the strategy. We have a meeting scheduled with OHA to discuss the recent acquisition and will monitor developments closely.

4.9 Aviva Investors

Business

The Aviva Investors Infrastructure Income Fund (the "AIIIF") had a total subscription value of c. £1,292m as at 30 September 2021, an increase of c. £25m over the third quarter of 2021. As at 30 September 2021, the undrawn amount for the AIIIF was £25m, following an additional commitment from an existing investor.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2021, with one new associate, Spyridon Kazianis, joining the team over the three-month period.

In addition, as reported last quarter, Aviva Investors is also currently undertaking hiring processes for two Directors.

Deloitte View – Further change and instability within the AIIIF team is a concern following the loss of Ian Berry in December 2019, particularly the loss of another Director over the second quarter of 2021. However, the AIIIF is almost entirely invested and the assets within the portfolio will be held until maturity so the loss of senior originators within the team is not expected to have a significant impact on the existing asset portfolio given the soft close of the fund. The asset management team servicing the existing portfolio of investments remains strong and unchanged which provides some comfort to existing investors. Any leavers from the asset management team would be a cause for concern.

4.10 Aberdeen Standard Investments – Long Lease Property

Business

As at 30 September 2021, the Aberdeen Standard Investments Long Lease Property Fund had a total fund value of c. £3.3bn, increasing by c. £0.1bn since 30 June 2021.

COVID-19 Impact:

After removing the material valuation uncertainty clause and lifting the suspension on trading during the third quarter of 2020, the Long Lease Property Fund continues to trade as normal.

ASI continues to work with its tenants to discuss deferment arrangements where necessary. As at 4 November 2021, the Long Lease Property Fund had collected 98.9% of its Q3 2021 rent with none of the Long Lease Property Fund's rental income subject to deferment arrangements.

Personnel

There were no significant team or personnel changes over the quarter to 30 September 2021.

Deloitte View – We continue to rate Aberdeen Standard Investments positively for its long lease property capabilities.

4.11 Alpha Real Capital

Business

As at 30 September 2021, Alpha Real Capital's total assets under management stood at £4.4bn.

The Alpha Real Capital Index Linked Income Fund's net asset value stood at £1,767m as at 30 June 2021, with the Fund's NAV as at 30 September 2021 not yet available. Alpha Real Capital expects to be able to draw down the London Borough of Hammersmith & Fulham's commitment over the first quarter of 2022.

Personnel

There were no significant personnel changes over the third quarter of 2021.

Deloitte view – We continue to rate Alpha Real Capital for its ground rent property capabilities.

4.12 Man GPM

Business

Man GPM held a total of c. $3.5bn in assets under management as at 30 September 2021, including commitments and dry powder, an increase of c. $0.1bn over the quarter. The Community Housing Fund's NAV stood at c. £14.9m as at 30 June 2021, with the Fund's NAV at 30 September 2021 not yet available.

As at 30 September 2021, commitments to the Community Housing Fund totaled £135m, with no new commitments received over the quarter. The Fund's total capacity is £400m. Man GPM issued a £1.5m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 12 July 2021, a £1.3m capital call on 30 August 2021 and a £2.3m capital call on 10 September 2021.

Following quarter end, on 26 October 2021, Man GPM issued a further capital call to the London Borough of Hammersmith & Fulham Pension Fund for £1.1m. Following payment, the Fund's total commitment is c. 32% drawn for investment.

Personnel

There were no significant personnel changes over the quarter to 30 September 2021.

Following quarter end, in October 2021, Poly Bradshaw joined Man GPM as a dedicated Project Manager, reflecting Man GPM's commitment to building out the team over time. Poly has joined from London & Quadrant and will be immediately involved in the ongoing delivery of all sites in contract.

Deloitte view – We continue to rate Man GPM for its affordable housing capabilities.

5 London CIV

5.1 Investment Performance to 30 September 2021

The assets under management within the 14 sub-funds of the London CIV was £12,575m as at 30 September 2021, with a further combined £1.8m committed to the London CIV's private market funds. The total assets under oversight (which includes passive investments held outside of the CIV platform) decreased by c. £0.8bn to c. £25.9bn over the quarter. The table below provides an overview of the sub-funds currently available on the London CIV platform.

Sub-fund	Asset Class	Manager	Total AuM as at 30 June 2021 (£m)	Total AuM as at 30 Sept 2021 (£m)	Number of London CIV clients	Inception Date
LCIV Global Alpha Growth	Global Equity	Baillie Gifford	3,521	2,730	11	11/04/16
LCIV Global Alpha Growth Paris Aligned	Global Equity	Baillie Gifford	501	1,377	6	13/04/21
LCIV Global Equity	Global Equity	Newton	769	787	3	22/05/17
LCIV Global Equity Core Fund	Global Equity	Morgan Stanley Investment Management	539	552	2	21/08/20
LCIV Global Equity Focus	Global Equity	Longview Partners	930	964	5	17/07/17
LCIV Emerging Market Equity	Global Equity	Henderson Global Investors	513	582	7	11/01/18
LCIV Sustainable Equity Fund	Global Equity	RBC Global Asset Management (UK)	971	1,246	8	18/04/18
LCIV Sustainable Equity Exclusion Fund	Global Equity	RBC Global Asset Management (UK)	449	430	3	11/03/20
LCIV Global Total Return	Diversified Growth Fund	Pyrford	244	244	3	17/06/16
LCIV Diversified Growth	Diversified Growth Fund	Baillie Gifford	689	695	7	15/02/16
LCIV Absolute Return	Diversified Growth Fund	Ruffer	1,122	1,117	10	21/06/16
LCIV Real Return	Diversified Growth Fund	Newton	226	181	2	16/12/16
LCIV MAC	Fixed Income	CQS	1,160	1,174	12	31/05/18
LCIV Global Bond	Fixed Income	PIMCO	496	496	5	30/11/18
Total			**12,130**	**12,575**		

Over the quarter to 30 September 2021, three investors transferred a total of £578m from the LCIV Global Alpha Growth Fund to the LCIV Global Alpha Growth Paris Aligned Fund, with a further additional new investor added to the LCIV Global Alpha Growth Paris Aligned Fund over the three-month period, funded from assets held outside of the London CIV platform.

Additionally, over the quarter, two London Boroughs invested into the LCIV Sustainable Equity Sub Fund and an additional London Borough invested in the LCIV Emerging Market Equity Fund, while one London Borough disinvested from the LCIV Real Return Fund.

6 LCIV – Global Equity Core

Morgan Stanley Investment Management was appointed to manage an active equity portfolio with a focus on sustainability when selecting investment opportunities, held as a sub-fund on the London CIV platform from 30 September 2020. The aim of the fund is to outperform the MSCI AC World Index.

6.1 Global Equity Core – Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)
Net of fees	2.4	11.7
Benchmark (MSCI World Net Index)	1.4	22.2
Global Franchise Fund (net of fees)	3.6	13.0
Net Performance relative to Benchmark	1.0	-10.5

Source: Morgan Stanley and Northern Trust. Relative performance may not tie due to rounding.

Over the quarter to 30 September 2021, the LCIV Global Equity Core Fund delivered a positive return of 2.4% on a net of fees basis, outperforming the MSCI World Net Index by 1.0%. Over the longer twelve-month period to 30 September 2021, the strategy has underperformed its benchmark by 10.5%, delivering a positive absolute return of 11.7% on a net of fees basis.

The LCIV Global Equity Core Fund's portfolio is predominantly comprised of quality franchises with strong recurring cash flows, and the strategy therefore has a low allocation to cyclical stocks. Underperformance relative to the MSCI-based benchmark over the year can therefore primarily be attributed to a cyclical-led recovery in equity markets.

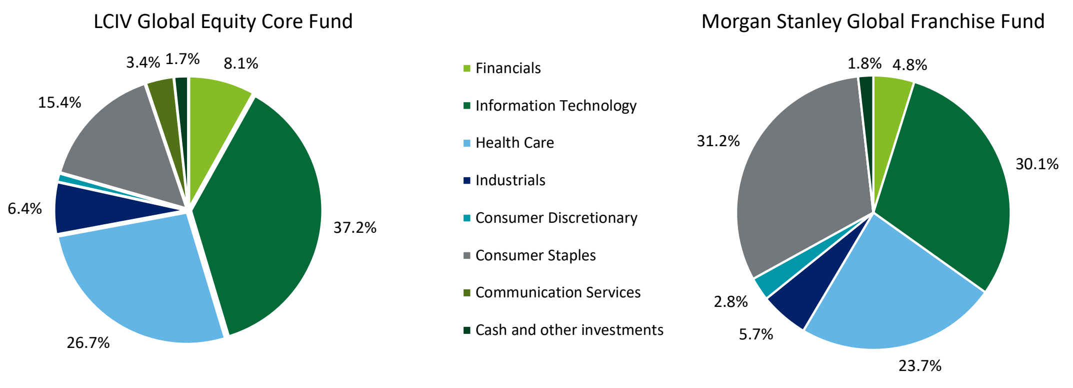
The portfolio is, however, expected to prove beneficial during volatile periods. Over the quarter to 30 September 2021, the wider global equity market delivered modest returns in comparison with recent periods with increased inflationary worries driving a reduction in earnings expectations. In this scenario, the strategy has outperformed the wider market with the stable earnings profile and high-quality characteristics of the underlying stocks proving favourable, relative to cyclical companies.

Over the quarter to 30 September 2021, the Global Equity Core Fund's healthcare and communications services exposures were the best performers. Particularly, both Danaher and Thermo Fisher have proven to be more resilient than expected, with the manager initially concerned that activity levels would reduce as the volume of COVID-related work declined.

The LCIV Global Equity Core Fund follows the same strategy and, in general, has the same investment principles as the Morgan Stanley Global Franchise Fund, but is subject to a greater number of restrictions, owing to its key focus on sustainability. As such, there exists a number of small differences in the characteristics of the two funds. Over the quarter to 30 September 2021, the LCIV Global Equity Core Fund underperformed the Global Franchise Fund by 1.2%, with underperformance largely attributed to a lower allocation to consumer staples companies, with beverage and tobacco companies benefitting from increased global social activity, having been adversely impacted by previous social distancing measures.

6.2 Portfolio Sector Breakdown at 30 September 2021

The charts below compare the relative weightings of the sectors in the LCIV Global Equity Core Fund and the Morgan Stanley Global Franchise Fund as at 30 September 2021.



Source: London CIV and Morgan Stanley

The Global Equity Core strategy has a higher allocation to information technology, healthcare and financials, and a lower allocation to consumer staples due to its intentional tilt towards sustainable investments.

As at 30 September 2021, the Global Franchise Fund portfolio held an allocation of c. 11% to tobacco stocks. The Global Equity Core Fund is restricted from investing in tobacco, and hence holds a substantially smaller allocation to consumer staples.

6.3 Performance Analysis

The table below summarises the Global Equity Core Fund portfolio's key characteristics as at 30 September 2021, compared with the Morgan Stanley Global Franchise Fund.

	LCIV Global Equity Core Fund	Global Franchise Fund
No. of Holdings	38	31
No. of Countries	7	5
No. of Sectors*	6	6
No. of Industries*	18	13

*Not including cash

Source: London CIV and Morgan Stanley

Holdings

The top 10 holdings in the Global Equity Core Fund account for c. 47.7% of the strategy and are detailed below.

Global Equity Core Fund Holding	% of NAV
Microsoft	7.5
Visa	5.3
SAP	5.1
Reckitt Benckiser	5.0
Accenture	4.7
Baxter International	4.3
Becton Dickinson	4.2
Danaher	4.0
Thermo Fisher Scientific	3.9
Abbott Laboratories	3.8
Total	47.7*

Global Franchise Fund Holding	% of NAV
Microsoft	9.5
Philip Morris	8.4
Reckitt Benckiser	6.5
Visa	5.2
Danaher	4.8
Accenture	4.8
Thermo Fisher Scientific	4.7
Procter & Gamble	4.5
SAP	4.5
Abbott Laboratories	4.3
Total	57.2*

*Note figures may not sum due to rounding

Source: London CIV and Morgan Stanley

Eight stocks are consistently accounted for in the top ten holdings of both strategies.

7 Legal and General – World Low Carbon Equity

Legal and General Investment Management ("LGIM") was appointed on 18 December 2018 to manage a low carbon portfolio with the aim of replicating the performance of the MSCI World Low Carbon Target Index. The manager has an annual management fee, in addition to On Fund Costs.

7.1 World Low Carbon Equity – Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)
Net of fees	2.4	23.7
Benchmark (MSCI World Low Carbon Target)	2.5	23.9
MSCI World Equity Index	2.6	24.0
Net Performance relative to Benchmark	0.0	-0.1

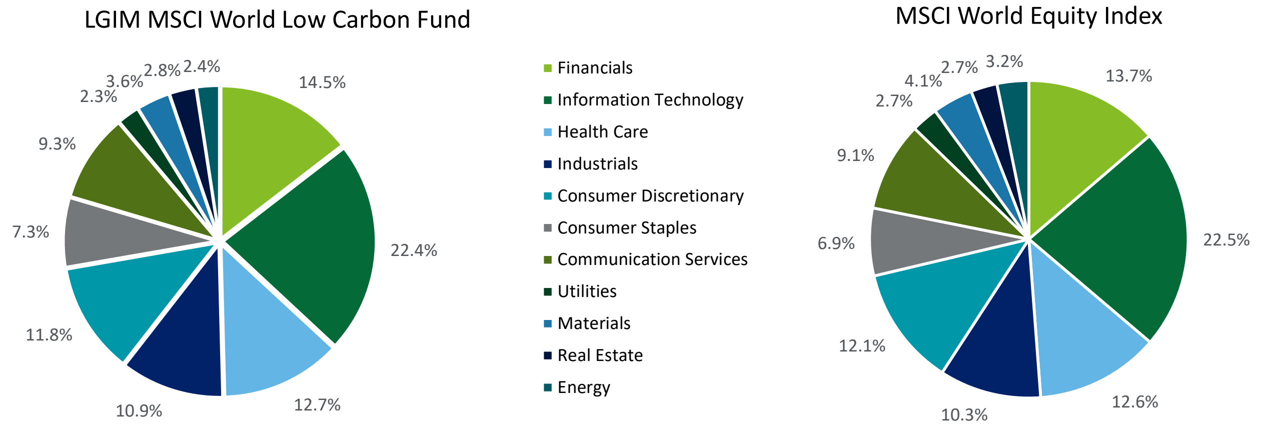
Source: LGIM and Northern Trust. Relative performance may not tie due to rounding.

Over the third quarter of 2021, the LGIM MSCI World Low Carbon Index Fund delivered a positive absolute return of 2.4% on a net of fees basis, slightly underperforming its benchmark and the MSCI World Equity Index benchmark.

The LGIM MSCI World Low Carbon Index Fund delivered a strong positive absolute return of 23.7% on a net of fees basis over the one-year-period to 30 September 2021, slightly underperforming its MSCI World Low Carbon Target benchmark by 0.1%, while underperforming the broader MSCI World Equity Index by 0.3% on a net of fees basis over the year. The Fund's large positive absolute return over the year can be attributed to the widely sustained recovery in global equity markets following the onset of the COVID-19 pandemic over the first quarter of 2020, with global equity markets delivering positive returns over each of the four separate quarters to 30 September 2021.

7.2 Portfolio Sector Breakdown at 30 September 2021

The below charts compare the relative weightings of the sectors in the LGIM MSCI World Low Carbon Target Fund and the MSCI World Equity Index as at 30 September 2021.



Source: LGIM

The LGIM MSCI Low Carbon Target Fund has a larger allocation to financials and industrials than the MSCI World Equity Index, whilst the relatively lower allocation to materials and energy represents the 'low carbon' nature of the Fund.

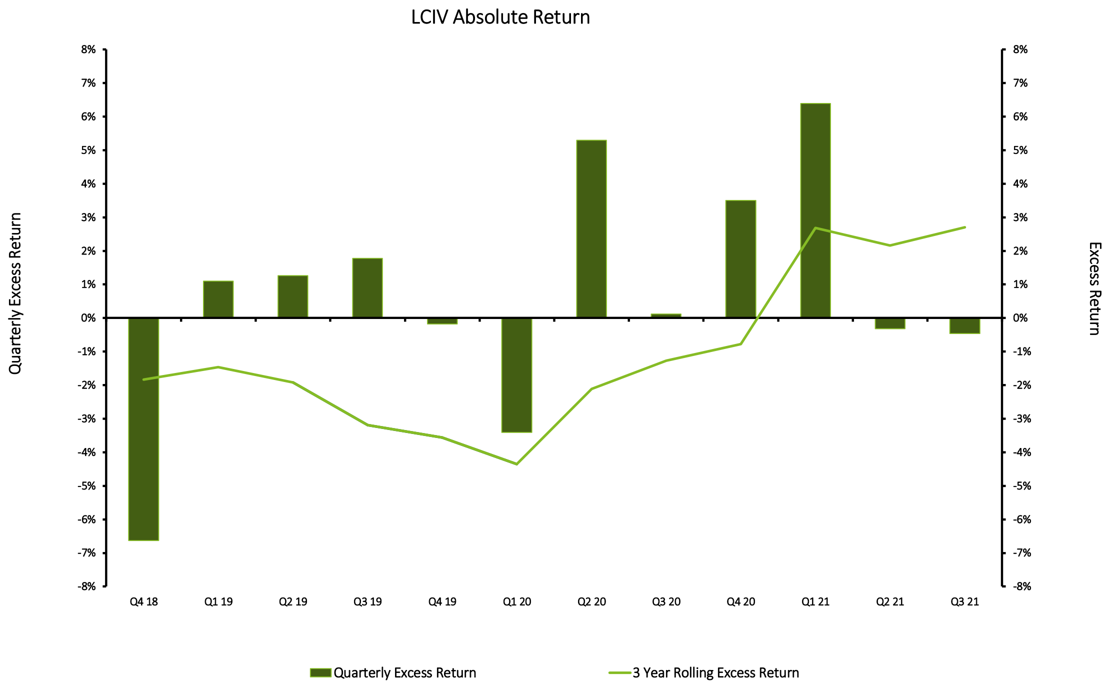
8 LCIV – Absolute Return

Ruffer was appointed to manage an absolute return mandate, held as a sub-fund under the London CIV platform from 21 June 2016, with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. The manager has a fixed fee based on the value of assets.

8.1 Dynamic Asset Allocation – Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.5	13.6	7.2	4.7
Target	1.0	4.1	4.5	4.5
Net performance relative to Target	-0.5	9.5	2.7	0.2

Source: Northern Trust. Relative performance may not tie due to rounding.



The Absolute Return Fund returned 0.5% on a net of fees basis over the quarter to 30 September 2021, underperforming its LIBOR+4% target by 0.5%. The strategy has delivered a strong absolute return of 13.6% on a net of fees basis over the year to 30 September 2021, outperforming its target by 9.5%. Over the longer three and five year periods to 30 September 2021, the strategy has delivered positive returns of 7.2% p.a. and 4.7% p.a. respectively on a net of fees basis, outperforming the LIBOR-based target by 2.7% p.a. and 0.2% p.a. respectively.

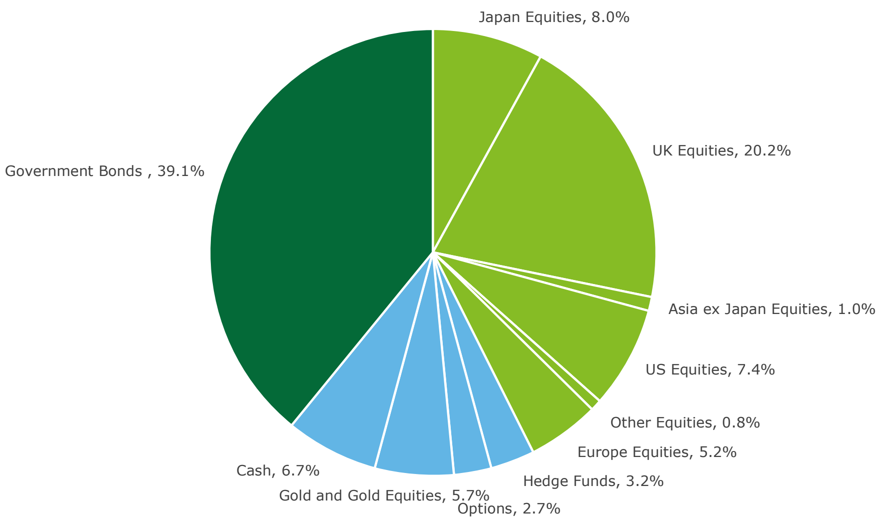
Over a volatile quarter, the Absolute Return Fund generated an overall modest positive return on an absolute basis with the strategy's inflation-linked bonds delivering positive returns over the first two months of the quarter as bond yields fell slightly and inflation expectations were tempered by central banks, partially offset by the portfolio's downside protection option strategies. While heightened inflationary concerns led to the portfolio's downside protection option strategies boosting performance in September, alongside selective energy and financials equity exposures, with the portfolio's interest rate options and energy stock exposure strategically raised in August in time to take part in the oil price and natural gas price surge.

In late August, the manager took profits on the portfolio's long-dated UK inflation-linked bonds to reduce the fund's bond positioning which, combined with the effects of increasing the exposure to protection strategies against higher bond yields, reduced the portfolio net duration to zero.

The strategy's gold and gold equities exposure provided the largest detraction to performance over the quarter. Overall, bond yields rose over the three-month period to 30 September 2021, which coupled with an appreciating US dollar led to a decline in gold pricing, with gold mining equities underperforming the gold price.

8.2 Asset Allocation

The chart below represents the asset allocation of the LCIV Absolute Return Fund portfolio as at 30 September 2021.



Source: London CIV

9 LCIV – Global Bond

PIMCO was appointed on 8 May 2019 to manage a Global Bond mandate, held as a sub-fund under the London CIV platform from 30 November 2018. The aim of the Fund is to outperform the Barclays Aggregate – Credit Index Hedged (GBP) Index. The manager has a fixed fee based on the value of assets.

9.1 Global Bond – Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)
Net of fees	0.1	2.5
Benchmark	0.0	1.2
Net Performance relative to Benchmark	0.1	1.3

Source: Northern Trust. Relative performance may not tie due to rounding.

The LCIV Global Bond Fund delivered an absolute return of 0.1% on a net of fees basis over the quarter to 30 September 2021, outperforming the Barclays Aggregate – Credit Index Hedged (GBP) Index by 0.1%. Over the year to 30 September 2021, the strategy delivered a positive return of 2.5%, outperforming the benchmark by 1.3%.

With government bond yields rising over the third quarter of 2021, driven by higher inflation expectations and widespread belief that monetary policy may be tightened, credit spreads were steady as a result of robust corporate earnings. As such, the wider credit market delivered a marginal positive return over the three-month period, with the Global Bond Fund, albeit marginally, outperforming its peers owing primarily to the portfolio's overweight positioning and positive credit selection in financials. The strategy's overweight European subordinated bank debt exposure in particular provided a positive contribution to outperformance, alongside the strategy's REIT positions with the manager adding exposure to property companies over the course of the year.

The Global Bond Fund's additional exposure to spreads gained through futures contracts also contributed to outperformance, however, the strategy's exposure to emerging market debt detracted from returns following the deteriorating outlook for Chinese real estate developers. PIMCO reduced the strategy's duration over the quarter, which proved beneficial as yields rose across the curve, while the strategy's security selection also added value over the quarter, particularly within the transportation sector as economies continued to reopen.

The strategy experienced no defaults over the quarter, although 4 issues, representing c. 0.1% of the portfolio, were downgraded to sub-investment grade over the period. These four securities are issued by the same corporate issuer, Standard Industries Inc., whose credit rating was downgraded by S&P from BBB- to BB+ citing the company's intention to distribute $3.2bn in dividends to its parent. PIMCO recommendation is to continue holding the position, as a result of the company's strong business performance with further upside likely to be realised, whilst noting that this recommendation may change if market conditions or company specific circumstances change. The strategy remains relatively well positioned to cope with downgrades. The Global Bond Fund has the ability to hold up to 10% in sub-investment grade credit per its mandate.

9.2 Performance Analysis

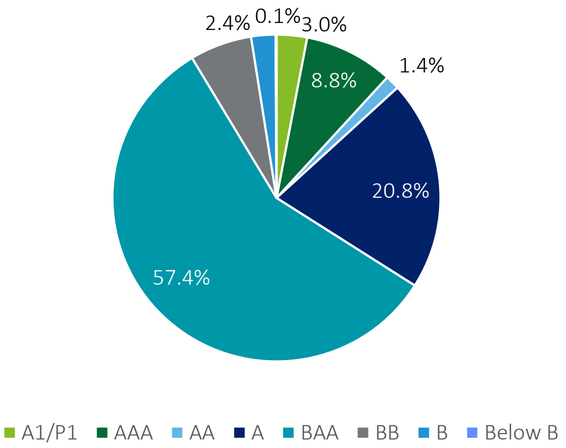
The table below summarises the Global Bond portfolio's key characteristics as at 30 September 2021.

	30 June 2021	30 Sept 2021
No. of Holdings	1,047	1,113
No. of Countries	45	48
Coupon	2.60	2.85
Effective Duration	7.22	6.82
Rating	A-	BAA+
Yield to Maturity (%)	2.39	2.60

Source: London CIV

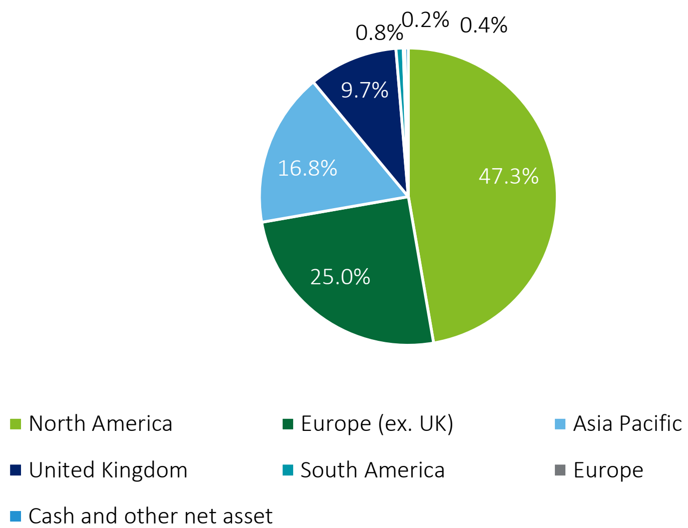
The number of holdings in the portfolio increased by 66 over the quarter, with the Global Bond Fund continuing to participate in an increased level of corporate debt issuance. After opting to increase the strategy's overall duration positions over the second quarter of 2021, PIMCO decreased the portfolio's effective duration position over the quarter by 0.4 years.

The chart below represents the split of the Global Bond portfolio by credit rating. The Fund's investment grade holdings made up c. 91.4% of the portfolio as at 30 September 2021, a decrease of 1.2% over the quarter, with the Fund predominately invested in BAA and A rated bonds.



Source: London CIV

The chart below represents the regional split of the Global Bond portfolio.



Source: London CIV

Note that figures do not sum to 100% due to short holdings in cash and currency forwards.

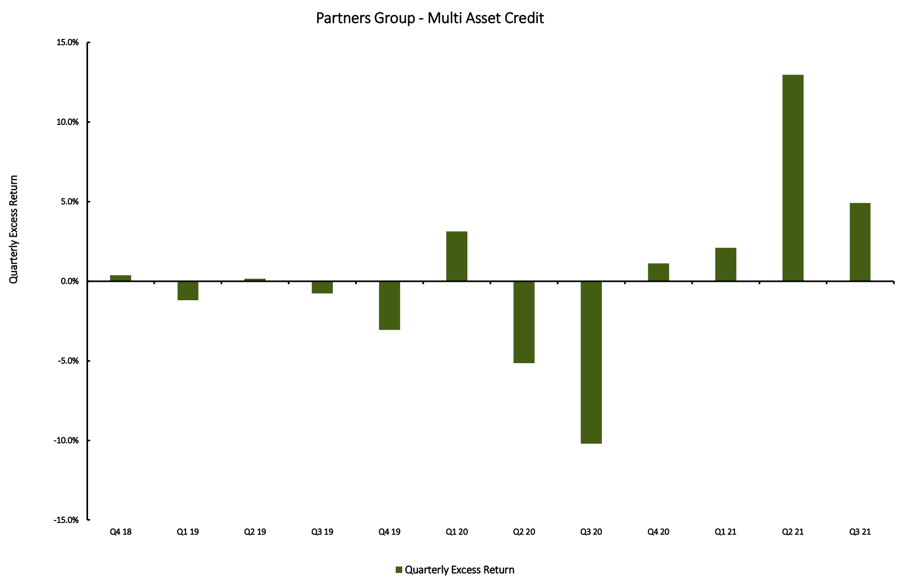
10 Partners Group – Multi Asset Credit

Partners Group was appointed to manage a multi asset credit mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. The manager has an annual management fee and performance fee.

10.1 Multi Asset Credit - Investment Performance to 31 August 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	5.9	27.1	5.4	5.5
Benchmark / Target	1.0	4.1	4.5	4.5
Net performance relative to Benchmark	4.9	23.0	0.9	1.1

Source: Northern Trust. Relative performance may not tie due to rounding.



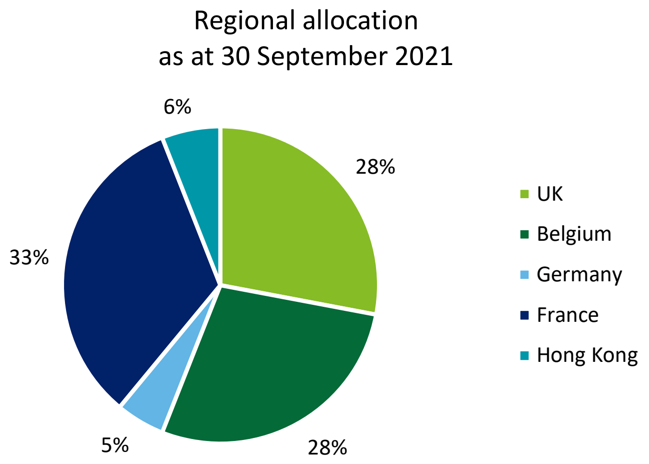
Please note, performance shown is to 31 August 2021.

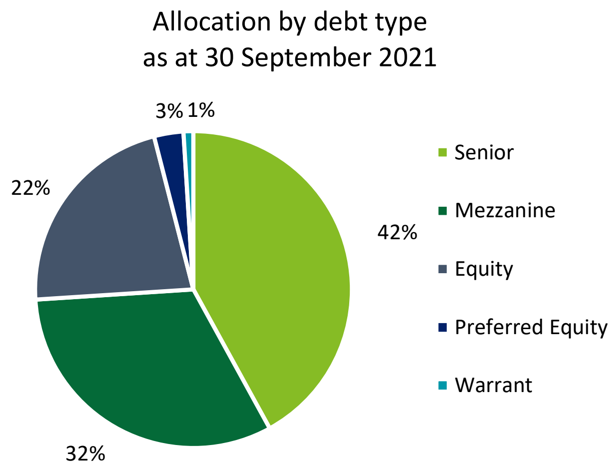
Over the three-month period to 31 August 2021, the Multi Asset Credit strategy delivered a positive return of 5.9% on a net of fees basis, outperforming its 3 Month LIBOR +4% benchmark by 4.9%.

The strategy has delivered a strong positive return of 27.1% on a net of fees basis over the year to 31 August 2021, outperforming its benchmark by 23.0%. The recent strong performance represents the rebound in performance of the strategy's tail investments which the Fund lifespan was extended for, which were initially particularly impacted by the economic restrictions caused by COVID-19, and have recently rebounded as anticipated following the recent reversal and easing of these restrictions in spring and summer 2021. An example of this has been Cote Bistro, the Fund's investment in a French restaurant chain in the UK, which experienced cashflow issues during lockdown and Partners Group performed a 'pre packed administration' to transfer its debt holding for an equity stake in the 'newco' in order to maintain the business, which has subsequently benefitted from the large pent-up demand to dine out after the lifting of restrictions, resulting in strong positive performance over the second quarter of 2021.

10.2 Asset Allocation

The charts below show the regional split and allocation by debt type of the Fund as at 30 September 2021.





Note: Based on information provided by Partners Group.

10.3 Fund Activity

The Partners Group Multi Asset Credit Fund had made 54 investments, of which 47 have been fully realised as at 30 September 2021 following one further full realisation and one partial realisation made over the third quarter of 2021.

The Fund's three-year investment period ended in July 2017 and therefore, any investments realised have subsequently been repaid to investors. In January 2021, Partners Group proposed a further three-year extension to allow more extended payback periods for a small group of (ten) tail investments whose cashflows have been particularly impacted by COVID-19 and require more time to recover to fully repay the loans extended to them.

The strategy has already returned over 90% of the capital and is expected to deliver an overall return on capital of c. 4%, in line with the 4-6% target return despite the unforeseen impact of COVID-19 – however this expected return is contingent on the tail investments above being given longer to repay.

This further three-year extension was formally approved in May 2021, and subsequent recent performance on the tail investments has been strong as these COVID-19/GDP sensitive investments have rebounded benefitting from the recent easing of economic restrictions over spring/summer 2021 as anticipated.

Over the third quarter of 2021, Partners Group issued three further distributions with c. £1.0m, c. £3.5m and c. £0.4m distributed to the London Borough of Hammersmith & Fulham Pension Fund on 29 July 2021, 7 September 2021 and 28 September 2021 respectively.

11 Aberdeen Standard Investments – Multi-Sector Private Credit Fund

Aberdeen Standard Investments was appointed to manage a multi sector private credit mandate, with the Fund drawing down capital for investment on 8 April 2020. The Multi Sector Private Credit Fund aims to outperform the ICE ML Sterling BBB Corporate Bond Index once it has been fully deployed. The manager has a fixed annual management fee based on the value of investments.

11.1 Multi-Sector Private Credit - Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)
Net of fees	0.1	2.8
Benchmark / Target	-0.4	1.0
Net performance relative to Benchmark	0.4	1.8

Source: Northern Trust. Relative performance may not tie due to rounding.

Over the quarter to 30 September 2021, the ASI Multi Sector Private Credit Fund delivered a modest positive absolute return of 0.1% on a net of fees basis, outperforming the blended benchmark by 0.4%. Over the year to 30 September 2021, ASI returned 2.8% on a net of fees basis, outperforming the blended benchmark by 1.8%. The strategy continues to deploy invested capital, with non-deployed capital invested in a portfolio of cash and short term bonds until full investment is achieved.

Once fully committed, the strategy will be measured against the ICE ML Sterling BBB Corporate Bond Index. While the strategy is in the process of deploying invested capital, the strategy is measured against a blended benchmark of 3 Month Sterling LIBOR and the ICE ML Sterling BBB Corporate Bond Index, with the weight of the benchmark allocated to the ICE ML Sterling BBB Corporate Bond Index reflecting the proportion of the Fund's investment in the MSPC Fund which has been deployed by ASI. Over the quarter to 30 September 2021, the MSPC Fund has been measured against a benchmark of 53.2% 3 Month Sterling LIBOR and 46.8% ICE ML Sterling BBB Corporate Bond Index.

11.2 Portfolio Composition

Aberdeen Standard Investments aims to deploy invested capital in line with its long-term target asset allocation over two phases – an initial allocation via liquid opportunities, and a second phase made up of illiquid investments.

Illiquid Investments

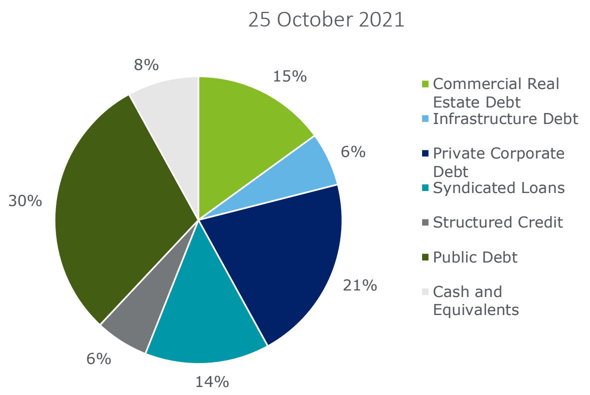
As at 25 October 2021, the MSPC Fund portfolio consists of 17 private assets:

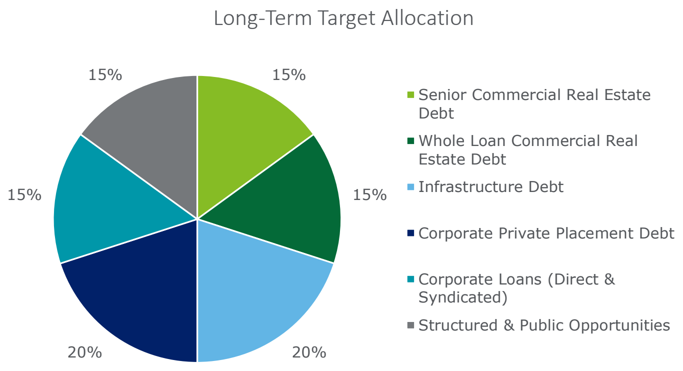
- 2 infrastructure debt investments;
- 7 senior real estate debts investments;
- 1 whole loan real estate debt investment; and
- 7 private corporate debt investments.

ASI has a strong pipeline of opportunities with a further deal in documentation as at 25 October 2021, and expects the target allocation to be achieved over the fourth quarter of 2021.

Asset Allocation

As at 25 October 2021, 67% of the MSPC Fund portfolio has been invested in illiquid assets that make up the long term portfolio, while the remaining 33% of the portfolio remains invested in a liquid transition portfolio in order to avoid a cash drag where the Fund has not fully deployed its committed capital. The charts below compare the asset allocation as at 25 October 2021 with that of the long-term target allocation.





Source: Aberdeen Standard Investments

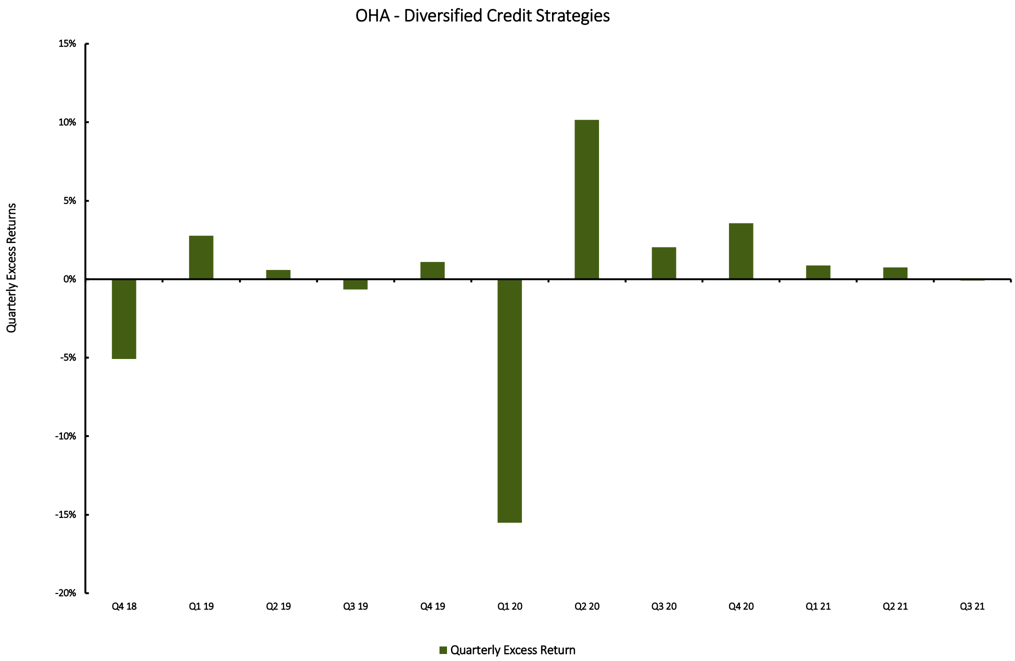
12 Oak Hill Advisors – Diversified Credit Strategies Fund

Oak Hill Advisors was appointed to manage a multi asset credit mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 4% p.a. The manager has an annual management fee and performance fee.

12.1 Diversified Credit Strategies - Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	0.9	9.4	3.9	3.8
Benchmark / Target	1.0	4.1	4.5	4.5
Net Performance relative to Benchmark	-0.1	5.3	-0.5	-0.6

Source: Northern Trust. Relative performance may not tie due to rounding.



Over the third quarter of 2021, the Oak Hill Advisors Diversified Credit Strategies Fund delivered a positive absolute return of 0.9% on a net of fees basis, slightly underperforming its 3 Month Sterling LIBOR +4% p.a. benchmark by 0.1%. The strategy delivered a positive absolute return of 9.4% on a net of fees basis over the year to 30 September 2021, outperforming the benchmark by 5.3%. As the strategy is measured against a cash-plus benchmark, we would expect relative performance differences over shorter time horizons.

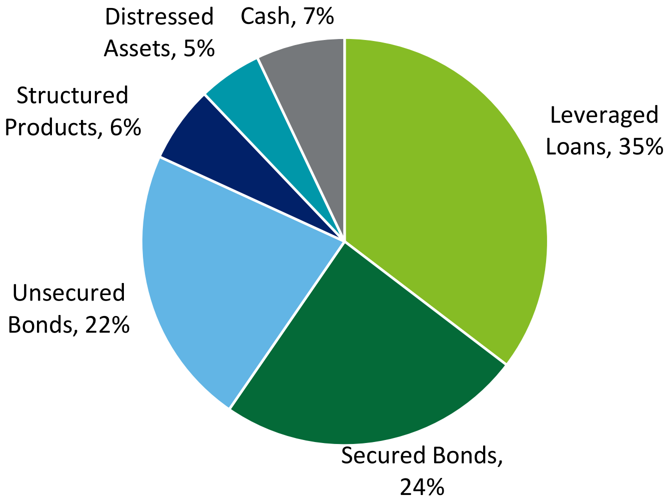
The strategy's high yield bonds and leveraged loans exposures continued to deliver positive returns over the third quarter of 2021, with US and European credit spreads remaining relatively stable as a result of robust corporate earnings, despite a rise in underlying bond yields.

The strategy's distressed assets exposures, having negatively impacted fund performance over 2020 owing to elevated default risk given the severity of the COVID-19 economic impact and the potential for further economic damage from the implementation of increased lockdown restrictions, have noticeably contributed to positive performance since the beginning of the calendar year as a result of the initial anticipation of and subsequent realisation of the relaxation in lockdown restrictions over the first half of 2021.

Oak Hill Advisors does not track the number of defaults within its portfolio. The strategy's opportunistic nature means that the fund can take on restructuring opportunities for issuers. However, the manager does track when an issuer becomes "non-performing". Oak Hill Advisors has stated that no positions in the portfolio became "non-performing" over the quarter.

12.2 Asset Allocation

The below chart shows the composition of the Diversified Credit Strategies Fund's Portfolio as at 30 September 2021.



Source: Oak Hill Advisors

Over the quarter, the Diversified Credit Strategies Fund increased its allocation to unsecured bonds by 4% whilst decreasing both the portfolio's allocation to leveraged loans and secured bonds by 2% each.

13 Partners Group – Direct Infrastructure

Partners Group was appointed to manage a global infrastructure mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 8% p.a. The manager has an annual management fee and performance fee.

13.1 Direct Infrastructure - Investment Performance to 30 September 2021

Activity

There were no further acquisitions over the third quarter of 2021. As at 30 September 2021 the Partners Group Direct Infrastructure Fund had made 22 investments of which 3 have been fully realised.

The Direct Infrastructure Fund's investment period ended on 30 September 2021 and the Fund will therefore make no further investments going forward.

As at 30 September 2021, the total capacity of the Partners Group Direct Infrastructure Fund was €1.08 billion. Of this, c. 101% has been committed to investments as at 30 September 2021, with 68% (c. €0.7bn) of the total capacity drawn down from investors as at 30 September 2021.

The Partners Group Direct Infrastructure Fund's portfolio is made up primarily of investments that have no direct correlation to GDP. The remaining assets have limited correlation with GDP, however these assets provide an essential service with contract-based structures and high barriers to entry. As such, Partners Group sees no immediate cause for concern regarding the Fund as a result of the COVID-19 pandemic.

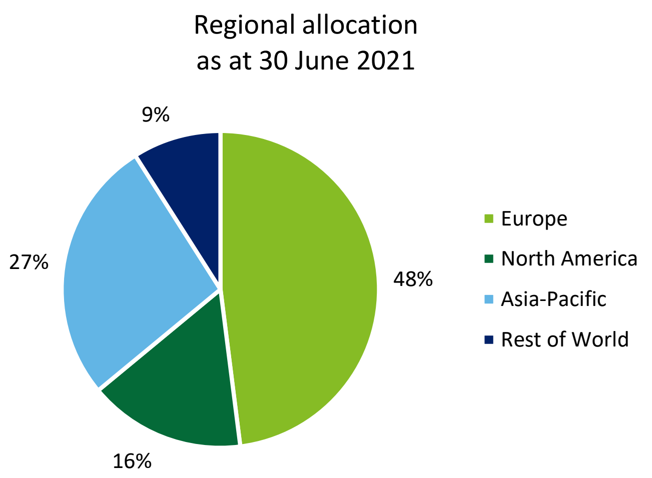
Capital Calls and Distributions

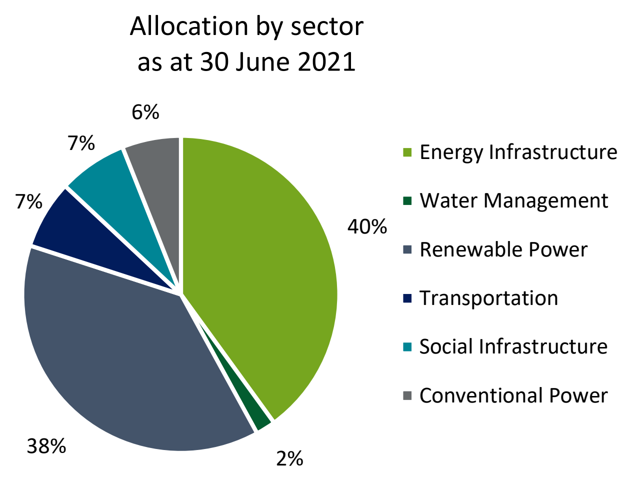
The Fund issued one capital call over the quarter to 30 September 2021:

- On 23 July 2021, the Fund issued a capital call for €21.6m, of which the London Borough of Hammersmith & Fulham Pension Fund was entitled to pay €1.1m.

13.2 Investments Held

The charts below show the regional split of the Direct Infrastructure Fund and a breakdown of the Fund by infrastructure sector as at 30 June 2021.





Note: Based on information provided by Partners Group.

14 Aviva Investors – Infrastructure Income

Aviva Investors was appointed to manage an infrastructure income mandate with the aim of outperforming the 3 month Sterling LIBOR benchmark by 6% p.a. The manager has an annual management fee and performance fee.

14.1 Infrastructure Income - Investment Performance to 30 June 2021

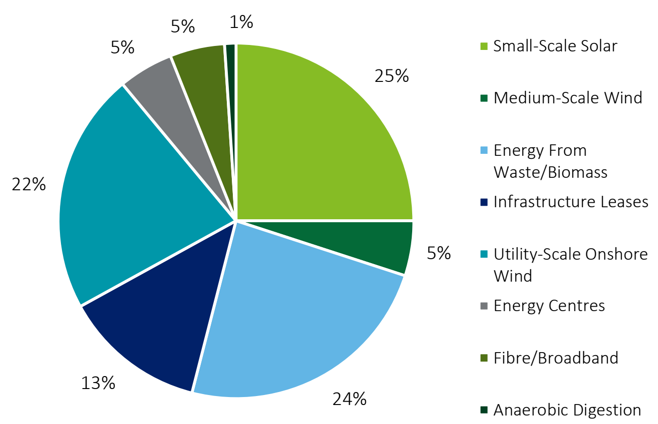
Over the third quarter of 2021, one of the strategy's underlying assets, the Barry Biomass plant, has received an Enforcement Notice against the plant. The biomass plant, a wood incinerator, was authorised to begin construction in 2018 despite protests and petitions by locals in the Vale of Glamorgan area over pollution fears. Earlier in 2021, it was recognised that there had been some inconsistencies between the approved design of the plant and what had actually been built, with Aviva committing to address and resolve the issues and operations recommenced in August. On 1 September, as a result of these inconsistencies, the local council issued the aforementioned Enforcement Notice against the plant which, when served, will give the plant 28 days to remedy the planning breaches or appeal the notice. Aviva expects to appeal the notice. Aviva has stated its belief that the plant will only be removed if Aviva does not work to resolve the issues, which Aviva is working to do.

In addition, a construction stage Energy from Waste project has experienced supply chain disruption and delays in recent periods as a result of the COVID-19 pandemic and the corresponding lockdown procedures. Aviva is currently reviewing the project's business plan with the main contractor. Also, management of the ongoing legal dispute with the Fund's former contractor on three biomass assets continues, with the process timetable delayed and the final hearing for all three plants expected to take place in 2023.

The income distribution of the Fund was 6.4% over the year to 30 June 2021, which sits just below the 7-8% p.a. range targeted by Aviva, with the decrease in yield attributed to identified commissioning defects in the Fund's biomass assets, with these assets therefore not currently operating at full capacity, leading to a revision of Aviva's construction timeline. Distributions are underpinned by operational revenue generated from the Fund's assets. Aviva has confirmed that a rectification programme is in place. It is expected that the plants will operate on an improving intermittent basis for the remainder of 2021 and early 2022, with the plants not expected to operate at full capacity until Q3 2022. Once these assets reach their specified capacity, the associated revenues will increase accordingly, and distributions are expected to return to within Aviva's target range of 7-8% p.a.

Sector Breakdown

The chart below shows the split of the portfolio by sector as at 30 June 2021.



Source: Aviva Investors.

Small-scale solar and utility-scale onshore wind make up c. 47% of the portfolio.

Transactions and Pipeline

The Infrastructure Income Fund received an additional £25m commitment from an existing investor over the quarter.

Aviva did not complete any transactions over the third quarter of 2021 but there exists c. £175m of existing contractual commitments and obligations within the Fund, across three energy from waste assets, two infrastructure leases, one energy centre – all in the construction phase, and three operational fibre/broadband assets.

Ahead of the soft close of the Fund, Aviva has had verbal confirmation from existing investors looking to commit additional capital, with a number of other existing investors agreeing to re-invest income, in order to satisfy the £175m of pre-agreed contractual commitments. We are awaiting further information and confirmation of this.

15 Aberdeen Standard Investments – Long Lease Property

Aberdeen Standard Investments was appointed to manage a long lease property mandate with the aim of outperforming the FT British Government All Stocks Index benchmark by 2.0% p.a. The manager has an annual management fee.

15.1 Long Lease Property - Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)	Five Years (% p.a.)
Net of fees	4.2	9.6	6.5	7.8
Benchmark / Target	-1.3	-4.7	5.0	3.2
Net Performance relative to Benchmark	5.5	14.3	1.4	4.6

Source: Northern Trust. Relative performance may not tie due to rounding.

Over the quarter to 30 September 2021, the ASI Long Lease Property Fund delivered an absolute return of 4.2% on a net of fees basis, outperforming the FT British Government All Stocks Index Benchmark by 5.5%.

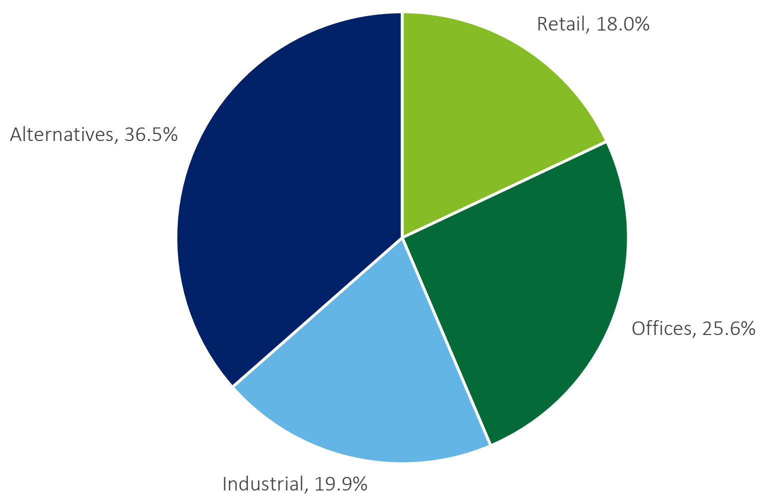
The Long Lease Property Fund has underperformed the wider property market, as measured by the MSCI (formerly IPD Monthly) UK All Property Index, by 0.4% over the third quarter of 2021, largely as a result of the strategy's underweight position to the industrial sector, relative to the wider property market, which delivered positive returns over the third quarter of 2021.

After removing the material valuation uncertainty clause and lifting the suspension on trading during the third quarter of 2020, the Long Lease Property Fund continues to trade as normal.

Rent collection statistics improved slightly over the third quarter of 2021 as ASI realised Q3 collection rates of 98.9% (as at 4 November 2021). Over the third quarter of 2021, none of the Long Lease Property Fund's rental income was subject to deferment arrangements, with 1.1% unpaid or subject to ongoing discussions with tenants. As at 4 November 2021, ASI had collected 98.6% of its Q4 2021 rent, with no income subject to deferment arrangements and 1.4% of rent unpaid or subject to ongoing discussions with tenants.

15.2 Portfolio Holdings

The sector allocation in the Long Lease Property Fund as at 30 September 2021 is shown in the graph below.



Source: ASI.

At the time of writing, ASI has not been able to provide a detailed breakdown of the Long Lease Property Fund's assets as at 30 September 2021, or confirmation of any transactions that have taken place over the third quarter of 2021.

Q3 and Q4 2021 rent collection, split by sector, as at 4 November 2021 is reflected in the table below:

Sector	Proportion of Fund as at 30 September 2021 (%)	Q3 2021 collection rate (%)	Q4 2021 collection rate (%)
Alternatives	6.0	100.0	100.0
Car Parks	3.7	100.0	100.0
Car Showrooms	3.2	100.0	100.0
Hotels	7.8	90.1	90.1
Industrial	14.7	100.0	100.0
Leisure	3.3	90.0	95.0
Public Houses	5.5	100.0	100.0
Offices	29.6	100.0	100.0
Student Accommodation	8.1	100.0	94.0
Supermarkets	18.2	100.0	100.0
Total	100.0	98.9	98.6

As at 30 September 2021, 1.0% of the Fund's NAV is invested in ground rents via an indirect holding in the ASI Ground Rent Fund, with 17.1% of the Fund invested in income strip assets.

The hotels and leisure sectors have expressed the poorest rental collection statistics over the third and fourth quarters of 2021 as at 4 November 2021, with the student accommodation sector also expressing poor rental collection statistics over Q4 2021 as at 4 November 2021.

ASI has stated that the majority of the Long Lease Property Fund's underlying tenants have reverted to paying rent as per their lease terms, with no Q3 or Q4 2021 rental income subject to deferment arrangements as at 4 November 2021.

ASI has now collected over 99% of 2020 rents, and the majority of outstanding rent in 2021 has been reduced to a small number of tenants, including Marstons', continuing with monthly repayments for the time being with all rent expected to be collected in due course. There has been no write-off of any outstanding rent, or rent-free periods agreed.

The table below shows details of the top ten tenants in the fund measured by percentage of net rental income as at 30 September 2021:

Tenant	% Net Income	Credit Rating
Whitbread	5.6	BBB
Viapath	5.0	AA
Tesco	4.9	BBB
Sainsbury's	4.6	BB
Marston's	4.4	BB
Asda	3.7	BBB
Salford University	3.6	A
Secretary of State for Communities	3.5	AA
QVC	3.4	BB
Lloyds Bank	3.3	AA
Total	41.9*	

*Total may not equal sum of values due to rounding

As at 30 September 2021, the top 10 tenants contributed 41.9% of the total net income of the Fund. Of which 13.2% of the net income came from the supermarket sector, with Tesco, Sainsbury's and Asda continuing to make up a significant proportion of the Fund at quarter end.

The unexpired lease term increased from 25.2 years as at 30 June 2021 to 25.7 years as at 30 September 2021. The proportion of income with fixed, CPI or RPI rental increases remained relatively unchanged over the quarter at 91.1%.

16 Alpha Real Capital

Alpha Real Capital was appointed to manage a ground rents mandate with the aim of outperforming the BoAML Long-Dated UK Inflation-Linked Gilts Index benchmark by 2.0% p.a. over a 5 year period. The manager has an annual management fee.

16.1 Index Linked Income – Illustrative Investment Performance to 30 September 2021

	Last Quarter (%)	One Year (%)	Three Years (% p.a.)
Net of fees	2.4	6.0	5.0
Benchmark / Target	2.8	2.3	8.3
Net Performance relative to Benchmark	-0.4	3.7	-3.3

Source: Alpha Real Capital. Relative performance may not tie due to rounding.

Note, Scheme investment not yet drawn – performance figures for illustrative purposes only.

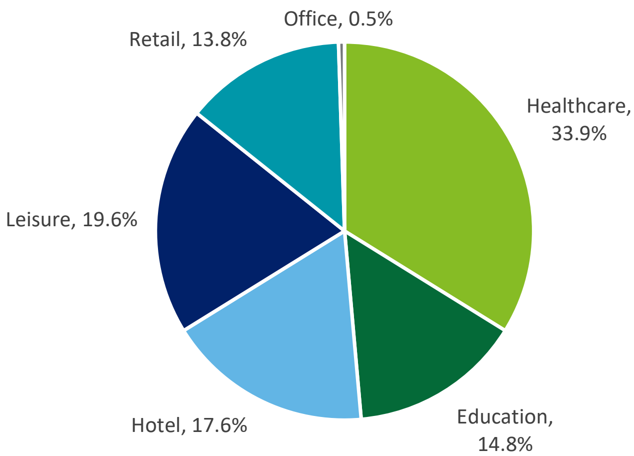
The London Borough of Hammersmith & Fulham's commitment has not yet been drawn for investment by Alpha Real Capital. The Fund's full £60m commitment is expected to be drawn and deployed during the first quarter of 2022. As such, please note that the performance of the Alpha Real Capital Index Linked Income Fund displayed in the table above is for illustration purposes only.

The Index Linked Income Fund has delivered a positive return of 2.4% on a net of fees basis over the quarter to 30 September 2021, but has underperformed its BoAML Long-Dated UK Inflation-Linked Gilts Index +2% by 0.4% with real yields falling over the third quarter of 2021.

Alpha Real Capital has collected c. 88% of the Fund's Q3 2021 rental income, remaining relatively unchanged compared to the second quarter of 2021, having agreed deferrals or holding active discussions with tenants concerning overdue rent. Where deferrals are agreed, extended credit charges are applied to the rents with an expectation that this income will be received in the short to medium term.

16.2 Portfolio Holdings

The sector allocation in the Index Linked Income Fund as at 30 September 2021 is shown in the graph below.



Source: Alpha Real Capital. Totals may not sum to 100% due to rounding.

Alpha Real Capital made no further acquisitions or sales over the third quarter of 2021. As at 13 October 2021, Alpha Real Capital is in the process of executing one further investment, a £75m portfolio of 99 UK pubs, with a further £1.6bn of opportunities under consideration across an extensive pipeline, diversified by sector and location.

The table below shows details of the top ten holdings in the Fund measured by value as at 30 June 2021 (note at the time of writing 30 September data was not available):

Tenant	Value (%)	Credit Rating
Leonardo Hotels	16.0	A1
Elysium Healthcare	12.0	Baa1
Parkdean	10.0	A3
HC One	8.5	A3
Dobbies Garden Centres	8.5	Baa2
PGL	6.0	Baa3
Away Resorts	5.6	Baa1
Busy Bees	4.4	A3
Kingsway Hall	4.1	A3
CareTech	3.9	Baa1
Total	79.0	

Source: Alpha Real Capital. Totals may not sum due to rounding.

The top 10 holdings in the Index Linked Income Fund accounted for c. 79.0% of the Fund as at 30 June 2021, with asset details as at 30 September 2021 not yet available at the time of writing.

The average lease length stood at 139 years as at 30 September 2021, remaining relatively unchanged over the quarter while the Index Linked Income Fund’s portfolio continues to be 100% linked to RPI with no fixed rent reviews in the portfolio.

17 Man GPM

Man GPM was appointed to manage an affordable housing mandate following the manager selection exercise in February 2021. The manager has an annual management fee.

17.1 Community Housing Fund - Investment Performance to 30 September 2021

Capital Calls and Distributions

The Fund issued three capital calls over the quarter to 30 September 2021:

- Man GPM issued a £1.5m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 12 July 2021. The request consisted of c. £1.1m for investments and c. £0.5m for expenses;
- Man GPM issued a £1.3m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 30 August 2021, with the entire drawdown amount issued to fund investments; and
- Man GPM issued a £2.3m capital call to the London Borough of Hammersmith & Fulham Pension Fund on 10 September 2021. The request consisted of c. £2.1m for investments and c. £0.2m for expenses.

As such, as at 30 September 2021, the London Borough of Hammersmith & Fulham Pension Fund's commitment was c. 29% drawn for investment.

Following quarter end, on 26 October 2021, Man GPM issued a further capital call for £1.1m to be paid by the London Borough of Hammersmith & Fulham Pension Fund, consisting entirely of capital drawn for investments into the portfolio. Following payment of this capital call, the London Borough of Hammersmith & Fulham Pension Fund's commitment was c. 32% drawn for investment.

Man GPM expects to draw capital into the Fund on a quarterly basis in addition to ad hoc drawdown requests to fund specific investments.

Activity

Man GPM agreed terms on one project over the third quarter of 2021:

- Campbell Wharf, Milton Keynes – a forward fund of 79 flats in a single block close to the city centre, with 100% affordable rent targeted at key worker and median income households. The investment has been completed and Man GPM is holding discussions on a 10 year operating lease to a local Housing Association. Gross project cost of £22m.

Following this investment, the Community Housing Fund has now committed c. £95m across four affordable housing assets, with a fifth site expected to complete in November 2021 which would increase the Fund's commitment level to c. £120m.

Man GPM has stated that all projects are proceeding broadly in-line with expectations.

Pipeline

At the time of writing, Man GPM has been unable to provide an updated list of pipeline opportunities. As at end July 2021, Man GPM's pipeline investment opportunities included a list of seven developments, including Campbell Wharf, with an estimated combined gross project cost of £278m where the manager is in negotiations with the vendor with an offer either accepted or preferred bidder status gained, alongside three favourable investment opportunities with an estimated combined gross project cost of £168m where Man GPM holds a positive view on returns and investment thesis, having completed initial due diligence, with an offer not yet accepted by the vendor.

17.2 Investments Held

The table below shows a list of the projects currently undertaken by Man GPM Community Housing Fund as at 30 June 2021.

Investment	Number of Homes	Number of Affordable Homes	Expected Total Commitment – Gross (£m)	Expected Total Commitment – Net (£m)	Total Capital Drawn and Invested to Date (£m)
Alconbury Weald	95	95 (100%)	22.4	12.0	4.8
Grantham	227	186 (82%)	38.0	17.0	4.8
Lewes	41	39 (95%)	12.9	10.5	1.2
Total	363	320 (88%)	73.3	39.5	10.8

Source: Man GPM

At the time of writing, Man GPM has been unable to provide an updated list of projects as at 30 September 2021. Therefore, the table above does not include Campbell Wharf, which was completed over the third quarter of 2021, and the total capital drawn and invested by the Community Housing Fund may have increased.

Appendix 1 – Fund and Manager Benchmarks

The tables in this Appendix detail the benchmarks and outperformance targets, for the Total Fund and each individual manager.

Total Fund

Inception: 31 December 1999.

Manager	Asset Class	Allocation	Benchmark	Inception Date
LCIV	Global Equity Core	15.0%	MSCI AC World Index	30/09/20
LGIM	Low Carbon Target	30.0%	MSCI World Low Carbon Target Index	18/12/18
Ruffer	Dynamic Asset Allocation	10.0%	3 Month Sterling LIBOR +4% p.a.	31/07/08
PIMCO	Global Bond	10.0%	Barclays Global Aggregate – Credit Index Hedged (GBP)	09/05/19
Partners Group	Multi Asset Credit	0.0%	3 Month Sterling LIBOR +4% p.a.	28/01/15
Oak Hill Advisors	Multi Asset Credit	7.5%	3 Month Sterling LIBOR +4% p.a.	01/05/15
Aberdeen Standard Investments	Multi Sector Private Credit	5.0%	3 Month Sterling LIBOR / ICE ML Sterling BBB Corporate Bond Index	08/04/2020
Partners Group	Infrastructure Fund	5.0%	3 Month Sterling LIBOR +8% p.a.	31/08/15
Aviva Investors	Infrastructure Income Fund	2.5%	3 Month Sterling LIBOR +6% p.a.	23/05/18
Aberdeen Standard Investments	Long Lease Property	5.0%	FT British Government All Stocks Index +2.0%	09/04/15
Alpha Real Capital	Ground Rents	5.0%	BoAML >5 Year UK Inflation-Linked Gilt Index +2.0%	17/05/21
Man GPM	Affordable / Supported Housing	2.5%	3 Month Sterling LIBOR +4% p.a. (Target)	02/06/21
TBC	TBC	2.5%	TBC	TBC
	Total	100.0%		

Appendix 2 – Manager Ratings

Based on our manager research process, we assign ratings to the investment managers for specific products or services. The ratings are based on a combination of quantitative and qualitative factors, where the inputs for the qualitative factors come from a series of focused meetings with the investment managers. The ratings reflect our expectations of the future performance of the particular product or service, based on an assessment of:

- The manager's business management;
- The sources of ideas that go to form the portfolio ("alpha generation");
- The process for including the ideas into the portfolio ("alpha harnessing"); and
- How the performance is delivered to the clients.

On the basis of the research and analysis, managers are rated from 1 (most positive) to 4 (most negative), where managers rated 1 are considered most likely to deliver outperformance, net of fees, on a reasonably consistent basis. Managers rated 1 will typically form the basis of any manager selection short-lists.

Where there are developments with an investment manager that cause an element of uncertainty we will make the rating provisional for a short period of time, while we carry out further assessment of the situation.

Appendix 3 – Risk Warnings & Disclosures

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

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Committee Report
Reporting Period: Q2 21/22
Pension Fund Current Account Cashflow Actuals and Forecast for period Jul - Sep-21

Pension Fund Current Account Cashflow Actuals and Forecast for period Jul - Sep-21

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-21	May-21	Jun-21	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast		
Balance b/f	2,963	4,626	6,376	8,565	7,216	7,068	6,219	4,871	4,322	5,474	6,126	5,577	£000s	£000s
Contributions	2,614	2,569	2,910	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	31,493	2,624
Pensions	(2,840)	(2,858)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(2,848)	(34,181)	(2,848)
Lump Sums	(650)	(872)	(839)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(600)	(7,761)	(647)
Net TVs in/(out)	(25)	85	228	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(2,412)	(201)
Net Expenses/other transactions	(435)	52	4,123	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	1,940	162
Net Cash Surplus/(Deficit)	(1,337)	(1,024)	3,574	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(1,348)	(10,922)	(910)
Distributions	0	2,773	614	-	800	500	-	800	500	-	800	500	7,288	607
Net Cash Surplus/(Deficit) including investment income	(1,337)	1,750	4,189	(1,348)	(548)	(848)	(1,348)	(548)	(848)	(1,348)	(548)	(848)	(3,634)	(303)
Withdrawals (to)/from Custody Cash	3,000	0	(2,000)		400	-	-		2,000	2,000	-	2,000	7,400	740
Balance c/f	4,626	6,376	8,565	7,216	7,068	6,219	4,871	4,322	5,474	6,126	5,577	6,729	3,766	437

Current account cashflow actuals compared to forecast in Jul - Sep-21

	Jul-21		Aug-21		Sep-21		Jul - Sep-21
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Contributions	2,600	2,614	2,600	2,569	2,600	2,910	293
Pensions	(2,833)	(2,840)	(2,833)	(2,858)	(2,833)	(2,848)	(46)
Lump Sums	(600)	(650)	(600)	(872)	(600)	(839)	(561)
Net TVs in/(out)	(300)	(25)	(300)	85	(300)	228	1,188
Expenses	(200)	(435)	(200)	52	(200)	4,123	4,340
Distributions	-	-	800	2,773	500	614	2,088
Withdrawals (to)/from Custody Cash	2,000	3,000	-	-	-	(2,000)	(1,000)
Total	667	1,663	(533)	1,750	(833)	2,189	6,301

Notes on variances

- transfers in and out are difficult to forecast given their unpredictable nature so a conservative outflow is maintained in the cashflow for prudence

- withdrawals from custody cash were predominately used to fund capital calls for Man GPM.

Pension Fund Custody Invested Cashflow Actuals and Forecast for period Jul - Sep-21

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-21	May-21	Jun-21	F'cast Annual Total	F'cast Monthly Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
	Actual	Actual	Actual	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast	F'cast		
Balance b/f	6,036	3,052	1,908	5,521	8,021	6,121	5,921	7,921	9,921	10,721	8,721	10,721	£000s	£000s
Sale of Assets	5,000	0	0			1,000		2,000	2,000		2,000	2,000	14,000	1,750
Purchase of Assets	(6,033)	(1,267)	(2,309)		(1,500)	(1,200)			(1,200)				(13,509)	(2,251)
Net Capital Cashflows	(1,033)	(1,267)	(2,309)	0	(1,500)	(200)	0	2,000	800	0	2,000	2,000	491	41
Distributions	1,049	123	3,922	2,500	-	-	2,000	-	2,000	-	-	1,000	12,594	1,049
Interest	(0)	(0)	(0)										(0)	(0)
Management Expenses	0	0	0										0	0
Foreign Exchange Gains/Losses	0	0	0										0	0
Class Actions	0	0	0										0	0
Net Revenue Cashflows	1,049	123	3,922	2,500	0	0	2,000	0	2,000	0	0	1,000	12,594	1,049
Net Cash Surplus/(Deficit) excluding withdrawals	16	(1,144)	1,613	2,500	(1,500)	(200)	2,000	2,000	2,800	0	2,000	3,000	13,085	1,090
Contributions to Custody Cash	2,000	0	2,000											
Withdrawals from Custody Cash	(5,000)	0	0	0	(400)	0	0	0	(2,000)	(2,000)	0	(2,000)	(11,400)	(950)
Balance c/f	3,052	1,908	5,521	8,021	6,121	5,921	7,921	9,921	10,721	8,721	10,721	11,721	1,685	140

London Borough of Hammersmith and Fulham Pension Fund Risk Register															
Risk Group	Risk Ref.	Risk Description	Impact				Likelihood	Previous risk score	Current risk score	Trending	Mitigation actions	Revised likelihood	Total risk score	Reviewed on
			Fund	Employers	Reputation	Total								
Asset and Investment Risk	1	The global outbreak of COVID-19 poses economic uncertainty across the global investment markets.	5	4	1	10	3	**40**	**30**	↓	TREAT 1) Officers will continue to monitor the impact covid-19 measures have on the fund's underlying investments and the wider economic environment 2) The Fund will continue to review its asset allocation and make any changes when necessary 3) The Fund holds a well diversified portfolio, which should reduce the downside risks of adverse stock market movements. 4) Estimation uncertainty remove from valuers reports	2	**20**	23/09/2021
Asset and Investment Risk	2	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty.	5	4	1	10	3	**40**	**30**	↓	**TREAT** 1) Continued dialogue with investment managers regarding management of political risk in global developed markets. 2) Investment strategy integrates portfolio diversification and risk management. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes.	3	**30**	23/09/2021
Asset and Investment Risk	3	Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union. Supply chain shortages disrupting the economy.	4	3	1	8	4	**32**	**32**	↔	**TREAT** 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements. 3) The UK has exited the EU and the transition period has come to an end. There is still the potential for volatility implementing some of the post-Brexit agreements once Covid becomes less of an issue.	2	**16**	23/09/2021
Liability Risk	4	There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations.	5	4	3	12	3	**36**	**36**	↔	**TREAT** 1) Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. 2) The Fund receives quarterly income distributions from some of its investments to help meet its short term pensions obligations. 3) The fund will review the income it receives from underlying investments and make suitable investments to meet its target income requirements.	2	**24**	23/09/2021
Asset and Investment Risk	5	The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	5	4	3	12	2	**24**	**24**	↔	**TORELATE** 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3) The LCIV has recently bolstered its investment team with the successful recruitment of a permanent CIO, Head of Responsible Investment & Client Relations Director. 4)Fund representation on key officer groups.	2	**24**	23/09/2021
Asset and Investment Risk	6	Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.1m.	5	3	2	10	3	**33**	**30**	↓	**TREAT** 1) The Investment Management Agreements (IMAs)clearly state LBHF's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee is positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	**20**	23/09/2021

Page 73

Asset and Investment Risk	7	Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	5	3	2	10	3	**30**	**30**		**TREAT** 1) Proportion of total asset allocation made up of equities, fixed income, property funds and other alternative asset funds, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data.	2	**20**	23/09/2021
Asset and Investment Risk	8	Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	3	2	1	6	3	**18**	**18**		**TOLERATE** 1) Officers consult and engage with MHCLG, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new MHCLG guidance	3	**18**	23/09/2021
Asset and Investment Risk	9	London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	3	3	2	8	3	**24**	**24**		**TREAT** 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	**16**	23/09/2021
Liability Risk	10	Impact of economic and political decisions on the Pension Fund's employer workforce.	5	2	1	8	2	**16**	**16**		**TOLERATE** 1) Barnet Waddingham uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	**16**	23/09/2021
Asset and Investment Risk	11	Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	3	2	1	6	3	**18**	**18**		**TREAT** 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	**12**	23/09/2021
Asset and Investment Risk	12	Increased scrutiny on environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in July 2019, the full impact of this decision is uncertain. TCFD regulations impact on LGPS schemes currently unknown but expected to come into force during 2023.	3	2	4	9	3	**18**	**27**		**TREAT** 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors. 6) Officers attend training sessions on ESG and TCFD requirements.	2	**18**	23/09/2021
Asset and Investment Risk	13	Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	5	3	3	11	2	**22**	**22**		**TREAT** 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	**11**	23/09/2021

Asset and Investment Risk	14	Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	5	3	2	10	2	**20**	**20**	↔	**TREAT** 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	1	**10**	23/09/2021
Asset and Investment Risk	15	Financial failure of third party supplier results in service impairment and financial loss.	5	4	1	10	2	**20**	**20**	↔	**TREAT** 1) Performance of third party suppliers regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	**10**	23/09/2021
Asset and Investment Risk	16	Failure of global custodian or counterparty.	5	3	2	10	2	**20**	**20**	↔	**TREAT** 1)At time of appointment, ensure assets are separately registered and segregated by owner. 2)Review of internal control reports on an annual basis. 3)Credit rating kept under review.	1	**10**	23/09/2021
Asset and Investment Risk	17	Financial failure of a fund manager leads to value reduction, increased costs and impairment.	4	3	3	10	2	**20**	**20**	↔	**TREAT** 1) Adequate contract management and review activities are in place. 2) Fund has processes in place to appoint alternative suppliers at similar price, in the event of a failure. 3) Fund commissions the services of Legal & General Investment Management (LGIM) as transition manager. 4) Fund has the services of the London CIV.	1	**10**	23/09/2021
Liability Risk	18	Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	1	**6**	**6**	↔	**TREAT** 1) GMP to be identified as a Project as part of the Service Specification between the Fund and Surrey County Council.	1	**6**	23/09/2021
Liability Risk	19	Rise in ill health retirements impact employer organisations.	2	2	1	5	2	**10**	**10**	↔	**TREAT** 1) Engage with actuary re assumptions in contribution rates.	1	**5**	23/09/2021
Liability Risk	20	Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	**10**	**10**	↔	**TREAT** 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	**5**	23/09/2021
Liability Risk	21	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%.	5	3	2	10	5	**50**	**50**	↔	**TREAT** 1) The fund holds investments in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) Officers continue to monitor the increases in CPI inflation on an ongoing basis. 3) Short term inflation is expected due to a number of reasons on current course.	3	**30**	23/09/2021
Liability Risk	22	Scheme members live longer than expected leading to higher than expected liabilities. This risk is trending down as life expectancy does not increase at rates expected.	5	5	1	11	2	**22**	**22**	↔	**TOLERATE** 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	**22**	23/09/2021
Liability Risk	23	Employee pay increases are significantly more than anticipated for employers within the Fund.	4	4	2	10	2	**20**	**20**	↔	**TOLERATE** 1) Fund employers continue to monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014). 4) Pay rises generally remain below inflation.	2	**20**	23/09/2021

Liability Risk	24	Ill health costs may exceed “budget” allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	4	2	1	7	2	**14**	**14**	↔	**TOLERATE** 1) Review “budgets” at each triennial valuation and challenge actuary as required. 2) Charge capital cost of ill health retirements to admitted bodies at the time of occurring. 3) Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	**14**	23/09/2021
Liability Risk	25	Impact of increases to employer contributions following the actuarial valuation	5	5	3	13	2	**26**	**26**	↔	**TREAT** 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	**13**	23/09/2021
Regulatory and Compliance Risk	26	Changes to LGPS Regulations	3	2	1	6	3	**18**	**18**	↔	**TREAT** 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2019 actuarial valuation process. 3) Fund will respond to several ongoing consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	**12**	23/09/2021
Liability Risk	27	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	5	3	2	10	1	**10**	**10**	↔	**TOLERATE** 1) Political power required to effect the change.	1	**10**	23/09/2021
Liability Risk	28	Transfers out of the scheme increase significantly due to members transferring their pensions to DC funds to access cash through new pension freedoms.	4	4	2	10	1	**10**	**10**	↔	**TOLERATE** 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) Evidence has shown that members have not been transferring out of the CARE scheme at the previously anticipated rates.	1	**10**	23/09/2021
Liability Risk	29	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	5	3	1	9	2	**18**	**18**	↔	**TREAT** 1) Review maturity of scheme at each triennial valuation. 2)Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 3) Cashflow position monitored monthly.	1	**9**	23/09/2021
Liability Risk	30	The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	4	2	1	7	3	**14**	**21**	↑	**TREAT** 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	**7**	23/09/2021
Regulatory and Compliance Risk	31	Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	4	2	1	7	2	**14**	**14**	↔	**TREAT** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2)Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**7**	23/09/2021
Employer Risk	32	Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	**27**	**27**	↔	**TREAT** 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers planned to be part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	**18**	23/09/2021
Employer Risk	33	Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	5	3	3	11	2	**22**	**22**	↔	**TREAT** 1) Transferee admission bodies required to have bonds in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds.	1	**11**	23/09/2021

Resource and Skill Risk	34	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. Service may deteriorate due to the contract ending at the end of 2021. Currently transitioning to new admin provider LPP.	1	3	3	7	3	**28**	**21**	↓	**TOLERATE** 1) Officers to continue monitor the ongoing staffing changes at Surrey CC. 2) Ongoing monitoring of contract and KPIs	3	**21**	23/09/2021
Resource and Skill Risk	35	Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	**12**	**12**	↔	**TREAT** 1) Reconciliation is undertaken by the pension fund team. Officers to ensure that reconciliation process notes are understood and applied correctly the team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	2	**8**	23/09/2021
Resource and Skill Risk	36	Failure to detect material errors in bank reconciliation process.	2	2	2	6	2	**12**	**12**	↔	**TREAT** 1) Pensions team to continue to work closely with staff at HCC to smooth over any teething problems relating to the newly agreed reconciliation process.	1	**6**	23/09/2021
Resource and Skill Risk	37	Failure to pay pension benefits accurately leading to under or over payments.	2	2	2	6	2	**12**	**12**	↔	**TREAT** 1) There are occasional circumstances where under/over payments are identified. Where underpayments occur, arrears are paid as soon as possible, usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted, and the pension corrected in the next month. Repayment is requested and sometimes this is collected over several months.	1	**6**	23/09/2021
Resource and Skill Risk	38	Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	**12**	**12**	↔	**TREAT** 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Surrey County Council. 2) Officers regularly attend training seminars and conferences 3) Designated officer in place to record and organise training sessions for officers and members	1	**6**	23/09/2021
Resource and Skill Risk	39	Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	**10**	**10**	↔	**TREAT** 1) The team will continue to ensure process notes are updated and circulated amongst colleagues in the Pension Fund and Administration teams.	1	**5**	23/09/2021
Resource and Skill Risk	40	Lack of productivity leads to impaired performance.	2	2	1	5	2	**10**	**10**	↔	**TREAT** 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	**5**	23/09/2021
Resource and Skill Risk	41	Failure by the audit committee to perform its governance, assurance and risk management duties	3	2	1	6	3	**18**	**18**	↔	**TREAT** 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Sub-Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	2	**12**	23/09/2021
Resource and Skill Risk	42	Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	4	3	3	10	2	**20**	**20**	↔	**TREAT** 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	**10**	23/09/2021
Resource and Skill Risk	43	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	4	3	2	9	2	**18**	**18**	↔	**TREAT** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)	1	**9**	23/09/2021

Resource and Skill Risk	44	Loss of 'Elective Professional Status' with any Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options and ongoing engagement with the Fund managers.	4	2	2	8	2	16	16		**TREAT** 1)Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. 2)Training programme and log are in place to ensure knowledge and understanding is kept up to date. 3)Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	8	23/09/2021
Resource and Skill Risk	45	Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	2	2	1	5	2	10	10		**TREAT** 1) Succession planning processes are in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	1	5	23/09/2021
Administrative and Communicative Risk	46	The Pension Fund is recruiting for a brand new retained HR and Pensions administration team, with finding candidates for all postiions likely to be a challenge. At the Same time the Pension Fund is transferring its Pension Fund Administration service from Surrey County Council, to the Local Pensions Parternship.	4	3	3	10	3	30	30		**TREAT** 1) A task force of key stakeholders has been assembled. Officers to feed into the internal processes necessary for the setup of an effective retained pensions team 2) Recruitment isalmost complete for the the retained team 3) Officers to received handover pack from the departing RBKC retained pensions team. 4) Members have chosen the new service provider as the London Pensions Partnership, with a project team established to manage the transition. 5) A number of staff have been recruited with few posts unfilled.	2	20	23/09/2021
Administrative and Communicative Risk	47	COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	4	3	9	1	27	9		**TOLERATE** 1) The Pensions Administration team have shifted to working from home 2) The administrators have prioritised death benefits, retirements including ill health and refunds. If there is any spare capacity the administrators will prioritise transfers and divorce cases. 3) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home.	2	18	23/09/2021
Administrative and Communicative Risk	48	Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	5	2	2	9	2	18	18		**TREAT** 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 3). Officers to take advice from the investment advisor on fund manager ratings and monitoring investment	2	18	23/09/2021
Administrative and Communicative Risk	49	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	21	21		**TREAT** 1) Process notes are in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	14	23/09/2021
Administrative and Communicative Risk	50	Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	22	22		**TREAT** 1) Update and enforce admin strategy to assure employer reporting compliance. 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbis. **TOLERATE** 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members can interrogate data to ensure accuracy.	1	11	23/09/2021
Administrative and Communicative Risk	51	Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	16	16		**TREAT** 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for Surrey CC to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	8	23/09/2021

Page 77

Administrative and Communicative Risk	52	Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	**16**	**16**		**TREAT** 1) Disaster recovery plan in place as part of the service specification between the Fund and Surrey County Council 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	**8**	23/09/2021
Administrative and Communicative Risk	53	Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	**14**	**14**		**TREAT** 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	**7**	23/09/2021
Administrative and Communicative Risk	54	Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	**9**	**9**		**TREAT** 1) Pension administration records are stored on the Surrey CC servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue. 2) All files are backed up daily.	2	**6**	23/09/2021
Regulatory and Compliance Risk	55	Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation. The Fund is changing admin providers which poses a risk for a breach during transition.	3	3	5	11	3	**22**	**33**		**TREAT** 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR 4) Project team in place to ensure smooth transition	1	**11**	23/09/2021
Regulatory and Compliance Risk	56	Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	1	3	5	9	2	**18**	**18**		**TREAT** 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	23/09/2021
Reputational Risk	57	Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	**20**	**20**		**TREAT** 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams.	1	**10**	23/09/2021
Reputational Risk	58	Financial loss of cash investments from fraudulent activity	3	3	5	11	2	**22**	**22**		**TREAT** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. 2) Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal audit assist in the implementation of strong internal controls. Processes recently firmed up 3)Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	**11**	23/09/2021
Reputational Risk	59	Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	5	2	4	11	2	**22**	**22**		**TREAT** 1) Officers maintain knowledge of legal framework for routine decisions. 2)Eversheds retained for consultation on non-routine matters.	1	**11**	23/09/2021
Reputational Risk	60	Inaccurate information in public domain leads to damage to reputation and loss of confidence	1	1	3	5	3	**15**	**15**		**TREAT** 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed.	2	**10**	23/09/2021
Reputational Risk	61	Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	2	2	3	7	2	**14**	**14**		**TREAT** 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process. 2) Pooled funds are not subject to OJEU rules.	1	**7**	23/09/2021

Regulatory and Compliance Risk	62	Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	**16**	**16**	↔	**TREAT** 1) The Fund has generally good internal controls regarding the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches.	1	**8**	23/09/2021
Regulatory and Compliance Risk	63	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	3	3	4	10	2	**20**	**20**	↔	**TREAT** 1) Publication of all documents on external website. 2) Officers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	**10**	23/09/2021

Hammersmith and Fulham Pension Fund Breaches of the Law Log								
Reporter Name	Reporter Position	Telephone Contact	Email Address	Address	Date Of Suspected Breach	Description Of Suspected Breach And Why You Consider It To Be A Breach (Please Provide All Relevant Details)	Signed	Date Of Submission

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23/11/2021

Subject: Draft Annual Report 2020/21

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager
Patrick Rowe, Pension Fund Manager

Summary

This report presents the draft Pension Fund Annual Report and Statement of Accounts for the year ended 31 March 2021.

Recommendations

The Pension Fund Committee is requested to:

1. Approve the draft Pension Fund Annual Report for 2020/21 and delegate the approval of the final version to the Director of Treasury and Pensions in consultation with the Chair.

2. Note the draft Pension Fund Accounts for 2020/21.

Wards Affected: None

LBHF Priorities

Please state how the outcome will contribute to our priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
• Building shared prosperity	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the council and the council tax payer.

Financial Impact

The report is an annual permanent record of the financial state of the pension fund with the intention that the Fund will be continually monitored to ensure that scheme members' future pensions are safeguarded.

Legal Implications

None.

Contact Officer(s):

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6308
Email: prowe@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

1. Annual Report

1.1. The Pension Fund Annual Report 2020/21, which includes the draft Pension Fund Accounts 2020/21, is a regulatory requirement and is required to be approved by the Pension Fund Committee. The draft Pension Fund Annual Report for 2020/21 is attached as Appendix 1.

1.2. Members are asked to comment on any matters in the draft Pension Fund Annual Report and delegate approval of the final document to the Director of Treasury and Pensions in consultation with the Chair.

1.3. The deadline for submitting the Annual Report was 30 September 2021. The statement of accounts was completed and handed to External Audit in June 2021. However, due to resourcing issues, there have been delays in commencing the audit process. The audit is, however, currently underway. The draft pension fund accounts were presented to Committee at the 21 July 2021 meeting.

1.4. A draft Annual Report will be shared with the external auditors following approval at this Pension Fund Committee meeting.

1.5. The Pension Fund investments returned 21.9% over the year. This was mostly driven by a strong recovery of the equities allocation in the portfolio, following the steep decline in 2020 in response to the COVID-19 pandemic.

2. Equality Implications

2.1. None

3. Risk Management Implications

3.1. None

4. Other Implications

4.1. None

5. Consultation

5.1. None

List of Appendices:

Appendix 1: London Borough of Hammersmith and Fulham Pension Fund Annual Report 2020/21

Annual Report

Hammersmith & Fulham Pension Fund **2020/21**

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Contents

1. Preface

Report from Chair of the Pensions Sub-Committee

WELCOME TO THE ANNUAL REPORT OF HAMMERMSITH AND FULHAM PENSION FUND

The Pension Fund Committee is responsible for overseeing the governance and management of the London Borough of Hammersmith and Fulham Pension Fund, including investment management and pension administration responsibilities. As the current Chair of this Committee, I am pleased to introduce the Pension Fund's Annual Report for the year 2020/21.

Since the Covid-19 pandemic struck in early 2020, people across the world are still suffering and our thoughts are with those affected. The Pension Fund has experienced a considerable recovery since the March 2020 lows that occurred during the early stages of the pandemic, with asset values bouncing back 21% in value. The Committee continues to monitor the Fund closely at each quarterly committee meeting and challenges the investment advisors and officers as necessary to ensure the Fund's investments are being managed effectively.

The Fund completed a triennial actuarial valuation as at 31 March 2019, with the funding level improving significantly from 88% in 2016, to 97%. This is primarily as a result of strong investment returns over the period. The planning process for the March 2022 valuation is already underway. Recent funding updates shows that the funding level should remain broadly in line with 2019.

The Pension Fund remains conscious of its role in ensuring good environmental, social and governance behaviours from the companies in which it invests. The Fund made a £30m commitment to the construction of new affordable homes during the year. In line with good governance practice, the Fund continues to closely monitor the underlying carbon emissions of its investments, with the latest data showing the Fund has reduced its carbon to value invested of its equity portfolios by approximately 80% since December 2018 (June 2020 data).

The Pension Fund has shown leadership in managing the environmental social and governance (ESG) impacts of its investments. The London CIV showcased the Pension Fund's ESG dashboard as an exemplar, when it was first introduced in 2019, of reporting ESG concerns to members. The Pension Fund has also been recognised by Friends of the Earth in its "Divest Dashboard" as having the second lowest exposure to fossil fuels across all UK LGPS funds and the lowest in London.

I would like to thank all those involved in the governance and management of the Pension Fund during the year, especially those who served on the Pension Fund Committee during this time.

Councillor Iain Cassidy
Chairman of the Audit, Pensions & Standards Committee & Pensions Sub-Committee

Introduction

The London Borough of Hammersmith and Fulham Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS) and is administered locally by Hammersmith and Fulham Council. It is a contributory defined benefit pension scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies, and from investment returns on the Fund's investment assets. Contributions rates for employees set in accordance with the Local Government Pension Scheme Regulations 2013. Employer contributions are set based on the triennial actuarial funding valuation. The latest valuation for the fund was carried out as at 31 March 2019, and the new contributions came into effect from 1 April 2020.

The benefits payable from the Fund in respect of service from 1 April 2014 are set out in the Local Government Pension Scheme Regulations 2013, as amended, and in summary consist of:

- Career average revalued earnings (CARE), revalued in line with the Consumer Prices Index.
- Pensionable pay to include non-contractual overtime and additional hours.
- Flexibility for member to pay 50% contributions for 50% of the pension benefit
- Normal pension age to equal the individual member's State Pension Age.
- Option to trade £1 of pension for a £12 tax-free lump sum at retirement.
- Death in service lump sum of three times pensionable pay and survivor benefits
- Early payment of pensions in the event of ill health.

The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Benefits accrued in the Scheme before 1st April 2014 are protected up to that dated based on the scheme member's final year's pay.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The content and format of this annual report is prescribed by the LGPS Regulations 2013.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together several separate reporting strands into one comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

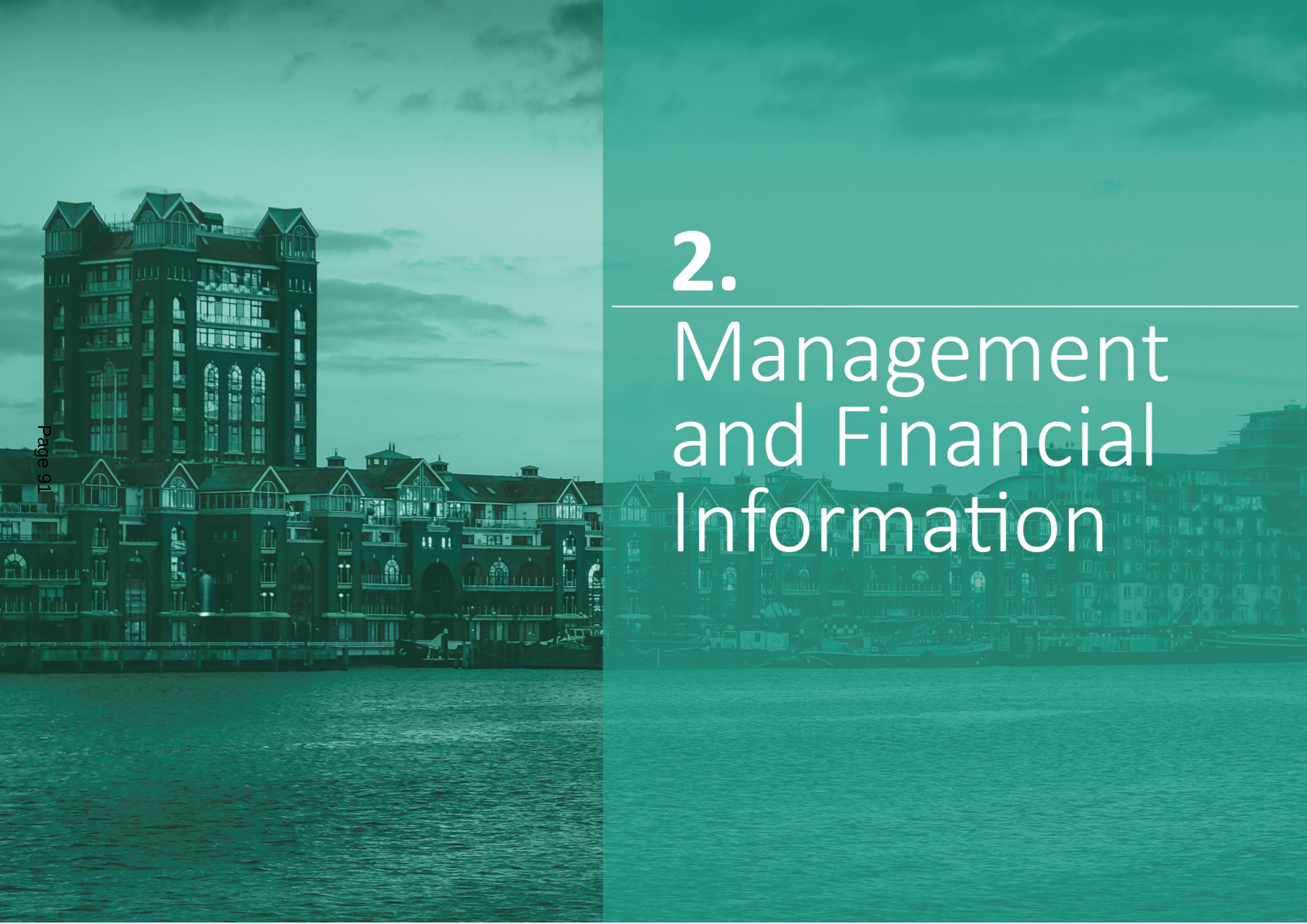
It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

THIS ANNUAL REPORT COMPRISES THE FOLLOWING SECTIONS:

- **Management and Financial Performance** which explains the governance and management arrangements for the Fund, as well as summarising the financial position and the approach to risk management.
- **Investment Policy and Performance** which details the Fund's investment strategy, arrangements and performance.
- **Scheme Administration** which sets out how the Scheme's benefits and membership are administered.
- **Actuarial Information** which includes the funding position of the Fund with a statement from the Fund's actuary.
- **The Fund's Annual Accounts** for the year ended 31 March 2020.
- **List of contacts** and a glossary of some of the more technical terms
- **Appendices** setting out the various regulatory policy statements of the Fund:
  - Governance Compliance Statement
  - Statement of Investment Principles
  - Communication Policy
  - Funding Strategy Statement
  - Pension Administration Strategy
  - Report of the Pension Board

Further information about the Local Government Pension Scheme can be found at: *www.lbhfpensionfund.org*

This annual report and the statement of accounts within have been prepared taking careful account of relevant Statutory Guidance.



2.

Management and Financial Information

Governance Arrangements

PENSION FUND COMMITTEE

The London Borough of Hammersmith & Fulham Council has delegated responsibility for pension matters to the Audit, Pensions and Standards Committee.

The Committee is comprised of six elected representatives of the council – four from the administration and two opposition party representatives. Members of the admitted bodies and representatives of the Trade Unions may attend the committee meetings but have no voting rights. In order to manage the workload of the committee, it has delegated decisions in relation to all pension matters to the Pensions Sub-Committee.

The Sub-Committee obtains and considers advice from the Tri-Borough Director of Treasury and Pensions, the Section 151 Officer and, as necessary, from the Fund's appointed actuary, advisors and investment managers.

Terms of reference for the Sub-Committee are:

- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
- To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable.
- To determine the Fund's management arrangements, including the appointment and termination of fund managers, actuary, custodians and fund advisors.
- To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
- To approve the final Statement of Accounts of the Pension Fund and to approve the Annual Report.
- To receive actuarial valuations of the Pension Fund regarding the level of employers' contributions necessary to balance the Pension Fund.
- To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.
- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To receive and consider the Auditor's report on the governance of the Pension Fund.
- To determine any other investment or Pension Fund policies that may be required from time to time to comply with Government regulations and to make any decisions in accordance with those policies

The current membership of the Pensions Sub-Committee is set out below. Jonathan Caleb-Landy and Rowan Ree replaced Rebecca Harvey and PJ Murphy at the beginning of 2021, with the remaining elected members serving for the full year in 2020/21.

Councillor	Committee Attendance 2020/21
Iain Cassidy (Chair)	7/7
Matt Thorley (Vice Chair)	7/7
Rebecca Harvey	5/7
PJ Murphy	5/7
Jonathan Caleb-Landy	2/2
Rowan Ree	2/2

Councillors may be contacted at Hammersmith Town Hall, King Street, London, W6 9JU

LOCAL PENSION BOARD

The Council has also established a Pensions Board (the Board) to assist the Pensions Sub-Committee as required by the Public Services Pensions 2013. The purpose of the Pensions Board is to provide oversight of the Pensions Sub-Committee.

The Board does not have a decision-making power in relation to management of the Fund but is able to make recommendations to the Pensions Sub-Committee. It meets at least twice a year.

Terms of reference for the Local Pension Board are:

- To secure compliance with the LGPS Governance regulations and any other legislation relating to the governance and administration of the Fund.
- To secure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme
- To ensure effective and efficient governance and administration of the Scheme

The membership of the Board is as follows:

- Two employer representatives comprising one from an admitted or scheduled body and two nominated by the Council;
- Three scheme member representatives from the Council or an admitted or scheduled body.

The current membership of the Pensions Board is set out below.

Board Member	Employer/Employee	Attendance 2019/20
Cllr Rory Vaughn (Chair)	Employer	2/2
Cllr Bora Kwon	Employer	2/2
William OConnell	Employee	2/2
Khadija Sekhon	Employee	0/2
Neil Newton	Employee	1/2

MEMBER AND OFFICER TRAINING

The LGPS Governance regulations and other related legislation requires Local Pension Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge

During 2020/21 knowledge was gained at various meetings with investment managers in addition to individual attendance at conferences and seminars.

Further relevant training is planned for 2021/22 based on self-assessments completed by Sub-Committee and board members in accordance with the policy.

CONFLICTS OF INTEREST

The Pension Fund is governed by elected members acting as trustees and the Code of Conduct for elected members' sets out how any conflicts of interests should be addressed. The Members Code of Conduct is in Part 5 of the Council Constitution which can be found online at *www.lbhf.gov.uk*

The Code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council.

The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

GOVERNANCE COMPLIANCE STATEMENT

The LGPS Regulations 2013 require Pension Funds to prepare, publish and maintain a governance compliance statement; and to measure the governance arrangements in place against a set of best practice principles. This measurement should result in a statement of full, partial or non-compliance with a further explanation provided for any non- or partial-compliance.

The key issues covered by the best practice principles are:

- Formal committee structure;
- Committee membership and representation;
- Selection and role of lay members;
- Voting rights;
- Training, facility time and expenses.

The Fund's Governance Compliance statement was updated in June 2015 can be found at Appendix 1.

Scheme Management and Advisors

EXTERNAL PARTIES

Investment Advisor	Deloitte	
Investment Managers	**Global Equities (Passive)**	**Absolute Return**
	Legal & General Investment Management	London LGPS CIV – Ruffer
	Morgan Stanley Investment Management	**Fixed Income**
	Private Multi-Asset Credit	Oakhill Advisors
	Partners Group	**Long Lease Property**
	Aberdeen Standard	Aberdeen Standard
	Infrastructure	**Private Equity**
	Aviva Investors	Invesco
	Partners Group	Unigestion
Custodian	Northern Trust	
Banker	NatWest Bank	
Actuary	Barnett Waddingham	
Auditor	Grant Thornton LLP	
Legal adviser	Eversheds Sutherland	
Scheme Administrators	Surrey County Council	
AVC Providers	Zurich Assurance	Equitable Life Assurance Society

OFFICERS

Strategic Director of Finance and Governance (S151 Officer)	Emily Hill	
Tri-Borough Pensions Team	Phil Triggs	Julia Stevens
	Matt Hopson	Billie Emery
	Mat Dawson	Alastair Paton
	Patrick Rowe	Gibraan Karim
Pensions Manager	Eleanor Dennis	

Contact details are provided in Section 7 of this report

Risk Management

The Fund's primary long-term risk is that its assets fall short of its liabilities such that there are insufficient assets to pay promised benefits to members. The investment objectives have been set with the aim of maximising investment returns over the long term within specified risk tolerances. This aims to optimise the likelihood that the promises made regarding members' pensions and other benefits will be fulfilled.

The responsibility for the Fund's risk management strategy rests with the Pensions Sub-Committee. In order to manage the risks a Pension Fund Risk Register is maintained, focusing on investment risks and on administration risk. This document is reviewed quarterly. For the key risks which have been identified, appropriate planned actions have been introduced to minimise their impact. The risk register is managed by the Tri-Borough Director of Treasury and Pensions and risks have been assigned to the appropriate "risk owners".

The key risks identified within the Pension Fund risk register are:

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Investment	The global outbreak of COVID-19 poses economic uncertainty across the global investment markets. Valuations of illiquid assets such as property and infrastructure are increasingly difficult to determine.	High	Tri-Borough Director of Pensions and Treasury	The Fund's officers will continue to monitor the impact lockdown measures have on the fund's underlying investments and the wider economic environment The Fund will continue to review its asset allocation and make any changes when necessary
Administration	Changing the fund's pensions administration provider at the same time as bringing back the retained pensions team in house poses significate operational risk to the fund	High	Director of Finance	A task force of key stakeholders has been assembled. Officers to feed into the internal processes necessary for the setup of an effective retained pensions team
Investment	Significant volatility and negative sentiment in global investment markets caused by global political uncertainty	High	Tri-Borough Director of Pensions and Treasury	The Fund's officers are in regular dialogue with investment managers with regards to their management of political risk. The Fund holds a well-diversified portfolio and the investment strategy is reviewed regularly.
Administration	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints.		Director of Finance	The Fund's officers continue to monitor the staffing changes, contract and KPIs of third-party provider.

Risk Management (continued)

Risks arising from financial instruments are outlined in the notes to the Pension Fund Accounts (Note 16).

The Funding Strategy Statement (Appendix 3) sets out the key risks, including demographic, regulatory, governance, to not achieving full funding in line with the strategy. The actuary reports on these risks at each triennial valuation or more frequently as and when required.

Objective Area at Risk	Risk	Risk Rating	Responsible Officer	Mitigating Actions
Funding	There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations.	Medium	Director of Finance	The Fund's officers maintain a regularly monitored cashflow forecast. The Fund's cash position is reported to sub-committee quarterly. The Fund continually reviews the income it receives from underlying investments
Governance	The asset pool disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	Medium	Tri-Borough Director of Pensions and Treasury	The Fund's officers frequently engage with the pool and partner funds Ongoing fund and pool proposals are monitored regularly
Funding	Scheme members live longer than expected leading to higher than expected liabilities.	Medium	Tri-Borough Director of Pensions and Treasury	The scheme's pension liabilities are reviewed on a quarterly basis and revalued every three years.
Investment	Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union, including ongoing supply chain issues.	Medium	Tri-Borough Director of Pensions and Treasury	Officers regularly consult and engage with advisors and independent managers.

Risk Management (continued)

THIRD PARTY RISKS

The Council has outsourced the following functions of the Fund:

- Investment management;
- Custodianship of assets;
- Pensions administration.

As these functions are outsourced, the Council is exposed to third party risk. A range of investment managers are used to diversify manager risk.

To mitigate the risks regarding investment management and custodianship of assets, the Council obtains independent internal controls assurance reports from the reporting accountants to the relevant service providers. These independent reports are prepared in accordance with international standards. Any weaknesses in internal controls highlighted by the controls assurance reports are reviewed and reported as necessary to the Pension Committee.

The Council's internal audit service undertakes planned programmes of audits of all the Councils' financial systems on a phased basis, all payments and income/contributions are covered by this process as and when the audits take place.

The results of these reviews are summarised below and cover 99.5% of investment holdings at 31 March 2021.

Fund Manager	Type of Assurance	Control Framework	Compliance with Controls	Reporting Accountant
Aberdeen Standard	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Aviva Investors	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Invesco	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Legal & General	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
Morgan Stanley	ISAE 3402	Reasonable assurance	Reasonable assurance	Deloitte
Oak Hill Advisors	SOC10	Reasonable assurance	Reasonable assurance	RSM US LLP
Partners Group	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Ruffer LLP	ISAE 3402	Reasonable assurance	Reasonable assurance	Ernst Young LLP
Unigestion	ISAE 3402	Reasonable assurance	Reasonable assurance	KPMG LLP
PIMCO	ISAE 3402	Reasonable assurance	Reasonable assurance	PWC LLP
Custodian				
Northern Trust	SOC10	Reasonable assurance	Reasonable assurance	KPMG LLP

Financial Performance

The Fund asset value increased by £208m during 2020/21, to £1,219m as at 31 March 2021, after recovering well from a drop in value due to the uncertainty in the global economic outlook as a result of the COVID-19 disease.

A triennial revaluation was completed in 2016/17 showing an improvement in the overall funding level to 88% compared to 83% in 2013. However, funding levels for different employers vary significantly. To improve funding levels, the Council's medium-term financial plan already assumes an increase in employer contributions, which in combination with other employers, will improve the overall funding level over the medium term.

The latest triennial revaluation took place in 2019 and set employer contribution rates from 2020/21 onwards and shows a further funding level of 97%.

ANALYTICAL REVIEW – FUND ACCOUNT

	2016/17	2017/18	2018/19	2019/20	2020/21
Fund account	£'000	£'000	£'000	£'000	£'000
Dealings with members					
Contributions	(32,274)	(33,454)	(36,386)	(37,869)	(41,534)
Pensions	40,770	42,827	48,846	52,660	52,088
Net (additions)/withdrawals from dealings with members	8,496	9,373	12,460	14,791	10,554
Management expenses	6,530	4,503	6,199	5,866	8,903
Investment Income	(12,799)	(10,283)	(11,967)	(14,642)	(12,327)
Change in market value	(148,740)	(10,384)	(49,142)	36,172	(215,444)
Net (increase)/decrease in the Fund	**(146,513)**	**(6,791)**	**(42,450)**	**41,187**	**(208,337)**

Over the five-year period, pensions paid have exceeded contributions received by £56m in total. This reflects the maturity of the Fund membership in that there are fewer contributors than beneficiaries.

Both officers and the Pensions Sub-Committee monitor investment performance closely and refer to independent investment advisers as necessary to ensure the Fund's investments are being managed effectively.

Financial Performance (continued)

ANALYTICAL REVIEW – NET ASSET STATEMENT

	2016/17	2017/18	2018/19	2019/20	2020/21
Net Asset Statement	£'000	£'000	£'000	£'000	£'000
Bonds	-	-	-	-	
Equities	112,475	150	150	150	150
Pooled investment vehicles	834,828	998,141	1,034,851	946,792	1,214,810
Commodities	-	-	-	-	-
Derivatives	-	-	-	-	-
Cash deposits	7,856	6,168	12,843	59,524	8
Other	486	35	34	26	13
Total Investment Assets	1,002,682	1,004,494	1,047,878	1,006,492	1,214,981
Current assets	4,373	6,420	5,396	5,572	3,664
Current Liabilities	(4,223)	(1,291)	(1,201)	(1,178)	(1,100)
Net (increase)/decrease in the Fund	1,002,832	**1,009,623**	**1,052,073**	**1,010,886**	**1,219,223**

The points to note are:

- 95% of pooled investment vehicles comprise equity shareholdings both domestic and overseas, while the remaining 5% is in property pooled funds.
- The overall value of pooled investment vehicles increased by £268m (28%) during the year.

Further details are given in the Investment Policy and Performance Section.

Financial Performance (continued)

ANALYSIS OF DEALINGS WITH SCHEME MEMBERS

	2016/17	2017/18	2018/19	2019/20	2020/21
Contributions receivable	£'000	£'000	£'000	£'000	£'000
- Members	(6,937)	(6,781)	(7,157)	(7,408)	(8,004)
- Employers	(22,494)	(24,268)	(25,074)	(26,135)	(24,180)
- Transfers in	(2,090)	(3,012)	(2,934)	(4,326)	(9,350)
- Other	(753)	607	(1,221)	-	-
Total Income	**(32,274)**	**(33,454)**	**(36,386)**	**(37,869)**	**(41,534)**

	2016/17	2017/18	2018/19	2019/20	2020/21
Benefits Payable	£'000	£'000	£'000	£'000	£'000
- Pensions	30,002	31,465	32,912	34,916	36,363
- Lump sum retirements and death benefits	5,685	7,256	8,167	9,400	8,672
- Transfers out	5,046	4,086	7,726	7,225	7,013
- Refunds	37	20	41	119	40
Total Expenditure	40,770	42,827	48,846	51,660	51,580
Net Dealings with Members	**8,496**	**9,373**	**12,460**	**13,791**	**10,554**

The key variances were due to the following:

- Lump sums fell due to fewer members retiring than in the prior year.
- Transfers in were higher, reflecting more new starters joining the scheme and choosing to transfer in benefits on commencement of employment, than last year.

Financial Performance (continued)

ANALYSIS OF OPERATIONAL EXPENSES

The costs of running the pension fund are shown below.

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Administration					
Employees	138	235	214	223	279
Supplies and services	381	165	132	139	254
Other Costs	1	3	2	3	3
Total Administration Costs	**520**	**403**	**348**	**365**	**536**
Governance and Oversight					
Employees	103	341	337	447	550
Investment advisory services	66	65	93	81	109
Governance and compliance	43	0	56	134	125
External audit	24	21	16	25	-4
Actuarial fees	31	25	50	79	54
Total Governance and Oversight Costs	**267**	**452**	**552**	**766**	**834**
Investment Management					
Management fees	4,310	3,223	4,763	4,250	5,446
Performance fees	997	343	244	36	257
Transaction costs	382	44	185	421	1,764
Custodian fees	54	38	107	28	66
Total Investment Management Fees	**5,743**	**3,648**	**5,299**	**4,735**	**7,553**
Total Operational Expenses	**6,530**	**4,503**	**6,199**	**5,866**	**8,903**

In 2020/21, the Fund carried out extensive work related to the moving its administrative function back in-house (to be completed in 2021/22). In order to ensure effective administration for fund members this process was carried out whilst maintaining Surrey as the Funds admin team through 2020/21. This was a key cost driver for the increase in administrative costs for the pension fund. Costs increased by 47%.

The Fund's investment management expenses increased by 60% during the year. The main driver of this increase in cost was the result of the Fund's managers achieving strong returns in year, with fees being based on the value on assets under management and performance fees in some instances.

Administration Management Performance

The administration of the Fund is managed by Hammersmith and Fulham Council but undertaken by Surrey County Council under a not-for-profit contractual arrangement operational from 1 September 2014.

PERFORMANCE INDICATORS

The contract with Surrey County Council includes several performance indicators included to ensure that service to members of the pension fund is effective. The targets are set out below, along with actual performance.

Performance Indicators	Target	2017/18 Performance	2018/19 Performance	2019/20 Performance	2020/21 Performance
Letter detailing transfer out quote	20 days	34%	82%	89%	74%
Process refund and issue payment voucher	10 days	98%	92%	93%	90%
Letter notifying estimate of retirement benefit	10 days	100%	87%	93%	79%
Letter notifying actual retirement benefit	7 days	100%	98%	95%	73%
Letter acknowledging death of member	5 days	100%	100%	94%	77%
Letter notifying amount of dependant's benefits	10 days	100%	94%	96%	75%
Calculate and notify deferred benefits	20 days	44%	90%	79%	86.5%

Performance had generally shown improvement across the board due to improvements in staffing and the implementation process of the new online pension systems, however this performance has decreased over the last year following the withdrawal from the arrangement and commitment to a new provider.

ORBIS

The ORBIS on-line pension system is a secure portal which enables members to:

- Update personal details
- Check membership records and calculate pension projections
- View payslips and P60s
- Nominate beneficiaries

Scheme employers can use the system to:

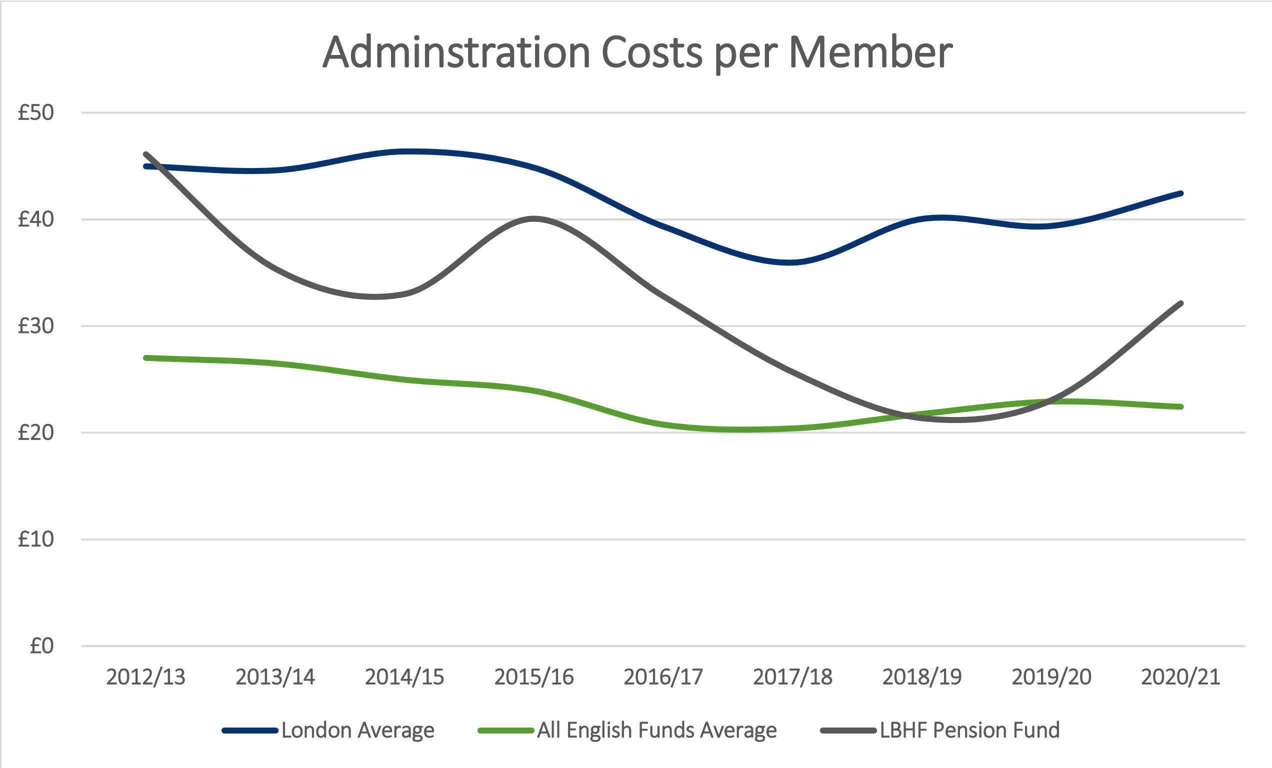
- Submit starter and leaver details and other changes online
- View and update employee details
- Run benefit calculations e.g. early retirements

COMPLAINTS RECEIVED

The pension administrators occasionally deal with members of the fund who dispute an aspect of their pension benefits. These cases are dealt with by the Internal Dispute Resolution Procedure (see section 4).

One new complaint was lodged with the Ombudsman in 2020/21.

Administration Management Performance (continued)



STAFFING INDICATORS

The Pension Fund's cost of administration per member remains below the average for the London borough pension funds as shown in the chart. Administration costs are subject to regular review.

The administration of the Fund comprises of:

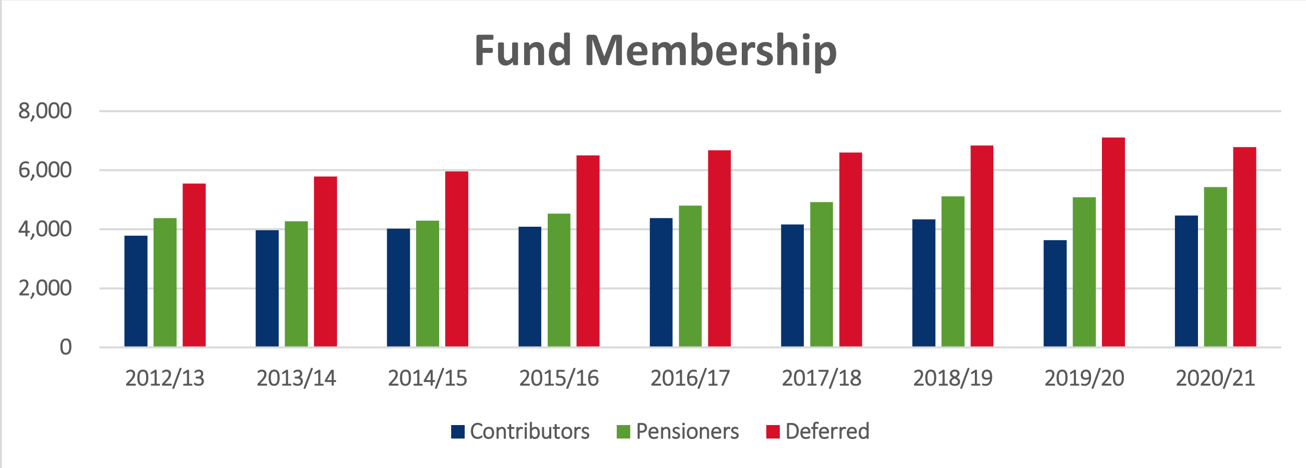
- 3 full-time equivalent (FTE) staff engaged by Surrey CC working directly on pension administration for Hammersmith and Fulham
- 2.8 FTE Hammersmith and Fulham HR staff to deal with internal administration.
- 1.93 FTE Westminster Finance staff assigned to the oversight and governance of the Pension Fund.

Administration Management Performance (continued)

MEMBERSHIP NUMBERS AND TRENDS

Overall membership has increased by about 10% over the past 5 years from 15,124 to 16,676.

The introduction of auto-enrolment in 2013 and the increase in admitted employers has led to an increase in members contributing towards the Scheme. Nonetheless, the number of pensioners has been stable over the last several years in common with other local government pension funds, reflecting the maturity of the Fund.



ENHANCED BENEFITS

The total number of pensioners in receipt of enhanced benefits due to ill health or early retirement on the grounds of redundancy or efficiency of the service is given in the table across as at each year on 31 March.

Reason for leaving	2016/17	2017/18	2018/19	2019/20	2020/21
Ill health retirement	10	6	4	3	6
Early retirement	29	18	20	21	29
	39	**24**	**24**	**24**	35

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

The list below contains a list of the current active contributing employers and the contributions received in 2020/21. The employer's contributions figures include early retirement and deficit funding contributions.

Administering Authority Employer	Employees Contributions £000	Employers Contributions[1] £000	Total Contributions £000
London Borough of Hammersmith & Fulham	5,663	15,874	21,537
Addison Primary School	33	120	152
All Saints Church of England Primary School	13	45	58
Avonmore Primary School	25	91	115
Bayonne Nursery School	15	55	70
Brackenbury Primary School	27	99	126
Cambridge School	35	121	156
Flora Gardens Primary School	21	72	92
Holy Cross Catholic Primary School	36	129	165
Jack Tizard School	53	192	245
James Lee Nursery School	10	34	44
John Betts Primary School	17	59	76
Kenmont Primary School	16	59	75
Larmenier & Sacred Heart Catholic Primary School	32	117	149
Melcombe Primary School	32	114	146
Miles Coverdale Primary School	27	97	123
Normand Croft Community School	30	106	136
Old Oak Primary School	28	103	131
Queensmill School	140	505	646
Randolph Beresford Early Years Centre	42	139	181
Sir John Lillie Primary School	26	92	118
St Augustine's Primary School	15	56	71
St John XXIII Catholic Primary School	26	99	125
St John's Walham Green Church of England Primary School	20	71	92
St Mary's Catholic Primary School	28	104	132
St Paul's Catholic Primary School	24	89	112
St Peter's Church of England Primary School	17	63	80
St Stephens Church of England Primary School	39	141	180
St. Thomas of Canterbury Primary School	13	45	58
The Good Shepherd Primary School	18	68	86
Vanessa Nursery School	14	52	66
Wendall Park Primary School	22	83	105
William Morris Sixth Form School	58	197	255
Wood Lane High School	27	92	119
Wormholt Park Primary School	34	116	150
Total Contributions from Administering Authority	**6,671**	**19,500**	**26,171**

[1] Includes early retirement and deficit contributions

Administration Management Performance (continued)

SCHEDULED BODIES

The Fund provides pensions not only for employees of Hammersmith and Fulham Council, but also for the employees of several scheduled and admitted bodies.

Scheduled bodies are organisations which have a statutory right to be a member of the Local Government Pension Scheme under the regulations e.g. academy schools.

Scheduled Body	Employees Contributions £000	Employers Contributions[2] £000	Total Contributions £000
Ark Bentworth Primary Academy	13	54	67
Ark Burlington Danes Primary Academy	67	154	221
Ark Conway Primary Academy	19	88	108
Fulham Boys School	41	142	183
Fulham College Boys' Academy	45	167	212
Fulham Cross Girls' Academy	51	173	224
Greenside Academy	16	60	76
Hammersmith Academy	61	223	284
Hurlingham & Chelsea Academy	37	128	165
Lady Margaret School	47	164	211
Langford Primary School	11	39	50
London Oratory School	61	148	210
Mortlake Crematorium Board	23	58	81
Phoenix Academy	25	97	122
Phoenix Canberra Academy	21	85	106
Sacred Heart High School	61	207	268
TBAP Trust	58	214	272
Thomas' Academy	17	69	87
West London Free School	100	334	434

[2] Includes early retirement and deficit contributions

Scheduled Body	Employees Contributions £000	Employers Contributions[2] £000	Total Contributions £000
Total Contributions from Scheduled Bodies	**775**	**2,603**	**3,379**

Administration Management Performance (continued)

ADMITTED BODIES

Admitted bodies participate in the pension scheme via an admission agreement made between the Council and the employing organisation. Examples of admitted bodies are not-for-profit organisations linked to the Council and contractors who have taken on delivery of services with Council staff also transferred to third parties.

Admitted Body	Employees Contributions £000	Employers Contributions[3] £000	Total Contributions £000
3BM	12	36	48
Abelian UK	0	1	2
Birkin Clean	1	8	9
BT-IT Services	6	19	26
Caterlink	4	18	22
Chigwell Group	1	3	4
CT Plus Transport	8	40	48
Disabilities Trust	1	4	5
Eden Food Services	26	111	137
Family Support Service	45	232	277
FM Conway	15	119	134
Fulham Palace Trust	3	0	3
HTC – Passenger Transport	2	9	10
K&T Heating Services	5	16	22
London Hire Community Services	1	8	9
Medequip Assistive Technology	2	8	9
Peabody Trust	11	40	51
Pinnacle PSG	79	274	352
Quadron Services	51	172	224
Serco Group	161	445	605
Urban Partnership	15	87	102
Wates Group	1	7	8
Total Contributions from Admitted Bodies	**452**	**1,656**	**2,108**

[3] Includes early retirement and deficit contributions

Administration Management Performance (continued)

EMPLOYER ANALYSIS

The following table summarises the number of employers in the fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

	Active	Ceased	Total
Administering Authority	1	-	1
Scheduled Bodies	21	3	24
Admitted Bodies	30	22	52
Total number of bodies	**52**	**25**	**77**

3.

Investment Policy and Performance

Investment Policy

The Pensions Sub-Committee has set out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS).

The ISS sets out responsibilities relating to the overall investment policy of the Fund including:

- asset allocations
- restrictions on investment types
- methods of investment management
- performance monitoring

The ISS also sets out the Fund's approach to responsible investment and corporate governance issues, and how the Fund demonstrates compliance with the "Myners Principles".

These Principles are a set of recommendations relating to the investment of pension funds originally prepared by Lord Myners in 2001 and subsequently endorsed by Government. The current version of the Myners Principles covers the following areas:

- effective decision making
- clear objectives
- risk & liabilities
- performance measurement
- responsible ownership
- transparency and reporting

The Fund's ISS has been included in this report as Appendix 4.

For 2020/21, the LGPS (Management and Investment of Funds) Regulations 2016, requires the Fund to publish an ISS.

The ISS addresses each of the objectives included in the 2016 Regulations, namely:

- The administering requirement to invest fund money in a wide range of instruments.
- The administering authority's assessment of the suitability of particular investments and types of investment.
- The administering authority's approach to risk, including the ways in which risks are to be measured and managed.
- The administering authority's approach to pooling investments, including the use of collective investment vehicles.
- The administering authority's policy on how environmental, social and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

Any queries relating to the Fund's investment policy should be addressed to:

Tri-Borough Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP

Email: *pensionfund@lbhf.gov.uk*

Asset Allocation

The strategic asset allocation is agreed by the Pensions Sub-Committee and the Fund's advisers. The allocation during the year ended 31 March 2021 was as follows:

Asset Class	Actual Allocation	Target Allocation
Global Equities	45.8%	45.0%
Dynamic Asset Allocation	32.0%	20.0%
Secure Income	17.2%	20.0%
Total Inflation Protection	5.0%	15.0%
Total	**100.0%**	**100.0%**

The Pensions Sub-Committee holds Fund Managers accountable for decisions on asset allocation within the Fund mandate that they operate under. To follow the Myners' Committee recommendation, Fund Managers are challenged deliberately and formally about asset allocation decisions.

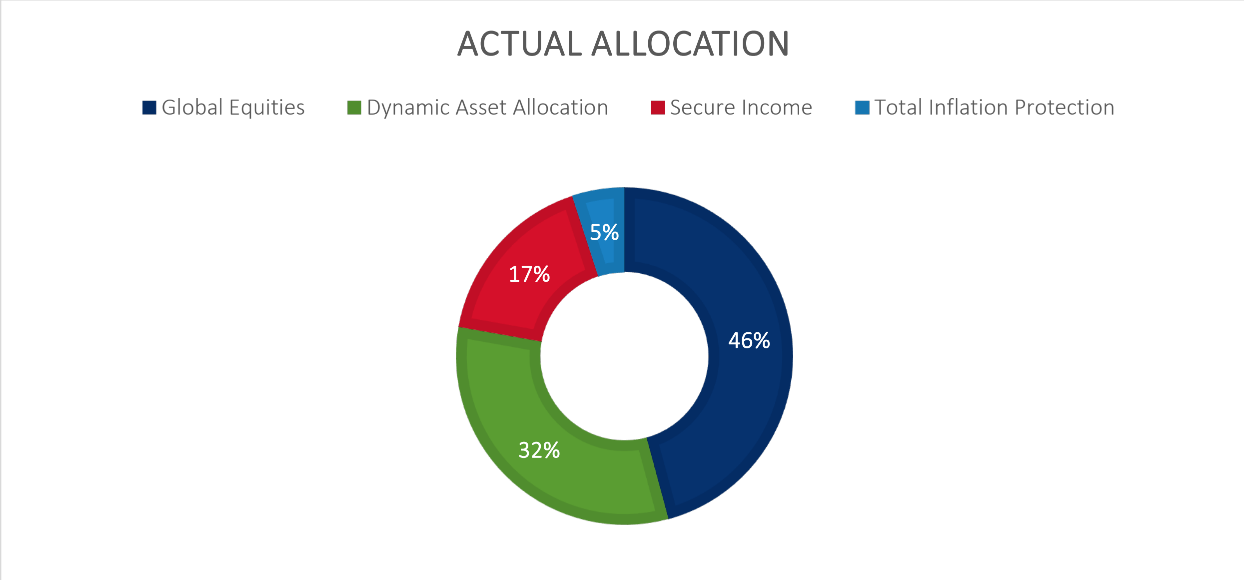
Investment portfolios are reviewed at each Committee meeting in discussion with the Investment Adviser and Officers, and Fund Managers are called to a Sub-Committee meeting if there are issues that need to be addressed. Officers meet Fund Managers regularly and advice is taken from the Investment Advisor on matters relating to fund manager arrangement and performance.

Fund managers provide a rationale for asset allocation decisions based upon their research resource to ensure that they are not simply tracking the peer group or relevant benchmark index. The Fund's asset allocation strategy can be found in the ISS.

The asset allocation of the Pension Fund at the start and end of the financial year are set out below.

These figures are based on market value and reflect the relative performance of investment markets and the impact of tactical asset allocation decisions made by the Pensions Sub-Committee.

At 31 March 2021, the fund had an overweight allocation to cash due to assets in transit. This cash is intended to be allocated to total inflation protection in 2021/22.



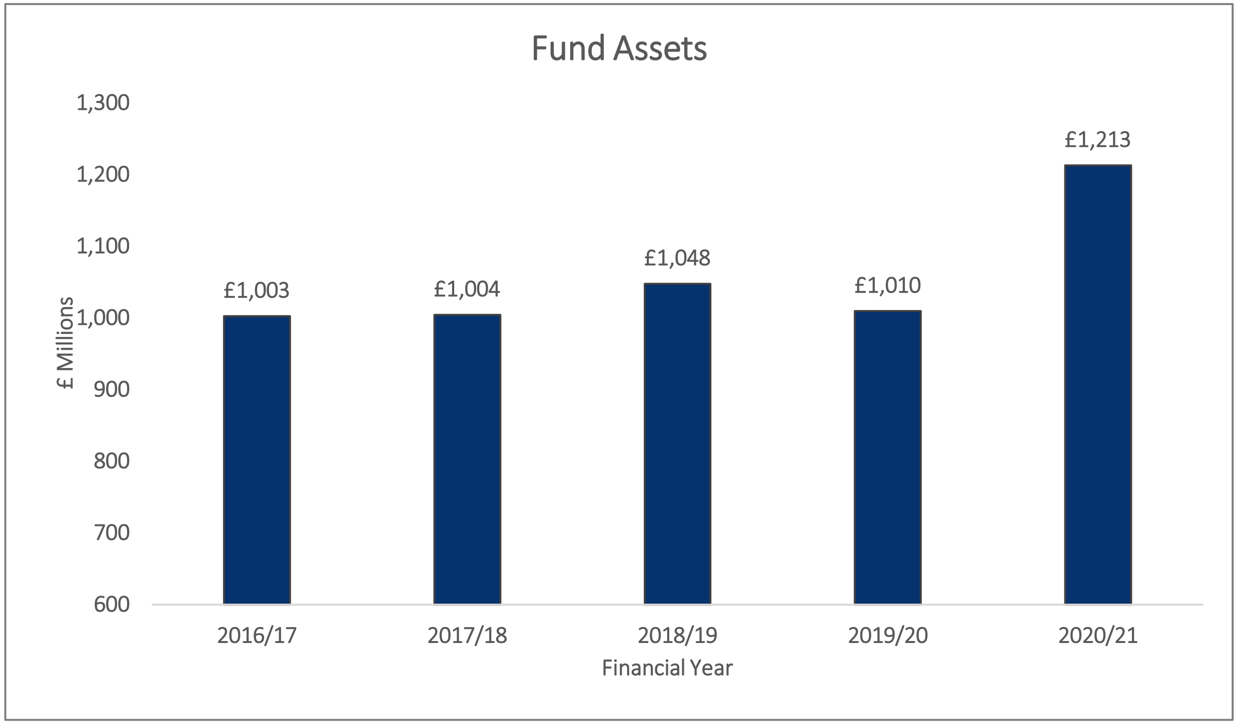
Asset Allocation (continued)

FUND VALUE

The net asset value of the Fund has more than doubled over the past ten years with 20.97% of this growth occurring over the last five years.

In 2020/21, the fund's net asset value rose by 21.86% to £1.21bn. This performance was largely due to the positive outcomes of the vaccination programme and its continued success, leading to strong positive sentiment in global markets.

The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund.

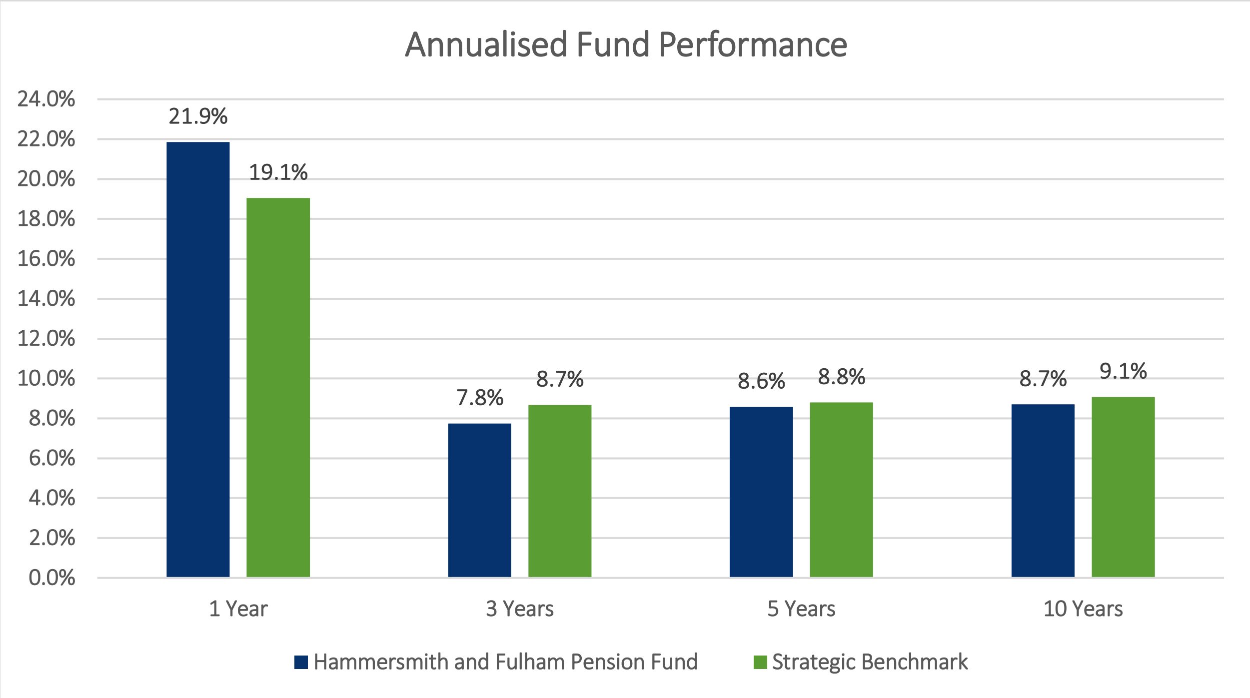


Investment Performance

In 2020/21, the Fund's investment performance was 21.86% (-2.6% in 2019/20) to £1.21bn. This was below the average LGPS return of 22.80%.

Performance of the Fund is measured against an overall strategic benchmark. Each fund manager is assigned individual performance targets which are linked to index returns for the assets they manage, e.g. FTSE All Share for UK equities. Details of these targets can be found in the Statement of Investment Principles.

The chart below shows the annualised fund performance over different time periods. Overall, the Fund has underperformed its strategic benchmark across the different periods with an overperformance of 2.82% in 2020/21.



2019/20 was a challenging year for the global markets as the response to the global outbreak of the coronavirus disease introduced volatility across various sectors. However; in 2020/21 market's rebounded strongly due to positive sentiment around the mid-term outlook and the recovery prospects of the world's economies post the worst of the coronavirus outbreak.

The Fund's one year performance was bolstered mostly by its position in equities, though returns were positive across all funds within the overall portfolio.

Investment Performance (continued)

Active	Passive
London LGPS CIV Ltd LCIV Absolute Return Fund (Ruffer) LCIV Global Bond Fund (PIMCO) LCIV Global Core (MSIM)	**Legal & General Investment Management** MSCI Low Carbon Tracker Fund
Partners Group Private Multi Asset Credit Infrastructure	
Aviva Investors Infrastructure	
Oak Hill Advisors Multi Asset Credit	
Aberdeen Standard Long Lease Property Fund	
Aberdeen Standard Multi-sector Private Credit	

The overall performance of each manager is measured over rolling three-year or five-year periods,

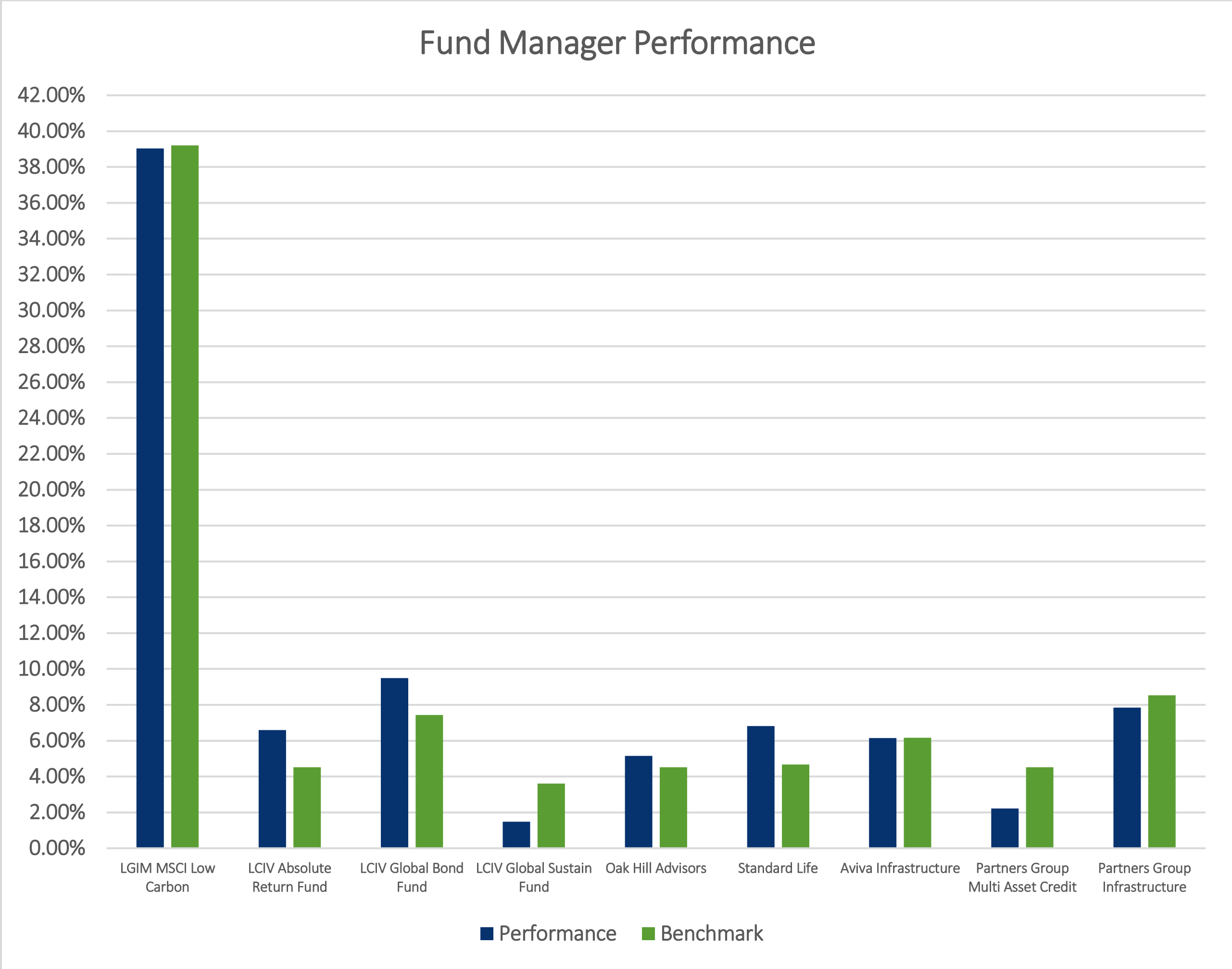
As there will inevitably there be short-term fluctuations in performance.

The Fund entered into new strategies during the year. These have been measured on their performance since inception.

The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to outperform the benchmark by a set percentage through active stock selection and asset allocation.
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio.

The table below shows the portfolio mixture of the fund:



Corporate Governance

RESPONSIBLE INVESTMENT POLICY

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. It believes that following the best practice in terms of environmental, social and ethical issues has a positive effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of environmental, social and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

In 2019/20 the Fund drafted its Responsible Investment Statement with a final version expected to be approved later in 2020.

The Fund's investment managers have adopted socially responsible investment policies which are subject to regular review both by officers and by the Council's Pensions Sub-Committee.

PROFESSIONAL BODIES

The Council is a member of the CIPFA Pensions Network which provides a central coordination point for all LGPS funds and local authority members.

CIPFA staff and the network more generally can advise subscribers on all aspects of pensions and related legislation. Relevant training and seminars are also available to officers and members of participating funds.

While the Fund is a member of the Pensions Lifetime and Savings Association (formerly the National Association of Pension Funds), it does not subscribe to nor is it a member of the Local Authority Pension Fund Forum, UK Sustainable Investment & Finance Association or the Institutional Investors Group on Climate change or any other bodies.

VOTING

Fund Managers have the delegated authority to vote at shareholder meetings in accordance with their own guidelines, which have been discussed and agreed with the Pensions Sub-Committee. The Committee keeps under close review the various voting reports that it receives from Fund managers.

COLLABORATIVE VENTURES

The Fund has been working closely with other London LGPS funds in the London Collective Investment Vehicle set up to enable greater buying power, reduced fees and enhanced governance arrangements.

The Hammersmith and Fulham Pension Fund is a shareholder in London LGPS CIV Limited and had about 77% of assets invested with the pool as at 31 March 2021.

Corporate Governance (continued)

SEPARATION OF RESPONSIBILITIES

The Fund has appointed Northern Trust as its global custodian, which is independent to the investment managers and responsible for the safekeeping of all the Fund's investments. Northern Trust are also responsible for the settlement of all investment transactions and the collection of income.

The Fund's bank account is held with NatWest Bank. This is used for the operation functions of the Fund which include receiving contributions from employers and paying out benefits to members.

The actuary is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments statement following their triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Scheme is obliged to pay over the following three years.

STEWARDSHIP CODE

The Pensions Sub-Committee believes that investor stewardship is a key component of good governance and is committed to exercising this responsibility with the support of its investment managers. In line with this approach, all the Fund's equity investment managers are signatories to the UK Stewardship Code.

The Pensions Sub-Committee believes that companies should be accountable to shareholders and should be structured with appropriate checks and balances so as to safeguard shareholders' interests and deliver long-term returns.

The Pensions Sub-Committee encourages Fund Managers to consider a range of factors before making investment decisions, such as the company's historical financial performance, governance structures, risk management approach, the degree to which strategic objectives have been met and environmental and social issues. Such considerations may also be linked to voting choices at company AGMs.

The Pensions Sub-Committee's role is not to micro-manage companies but provide perspective and share with boards and management our priorities for investment and approach to corporate governance. The aim is to work with management, shareholders and stakeholders to bring about changes that enhance long-term performance.

FUNDING STRATEGY STATEMENT

The Funding Strategy Statement (Appendix 3) sets out the aims and purpose of the pension fund and the responsibilities of the administering authority regarding funding the scheme.

Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible;
- To take a prudent longer-term view of funding those liabilities.

4.

Scheme Administration

Scheme Administration

SERVICE DELIVERY

Although the LGPS is a national scheme, it is administered locally. The London Borough of Hammersmith and Fulham Council has a statutory responsibility to administer the pension benefits payable from the Pension Fund on behalf of the participating employers and the past and present members and their dependents.

The Council administers the scheme for 83 employers (a complete list of employers is provided in section 2). These employers include not only the Council, but also academy schools within the borough and a small number of organisations linked to the Council which have been "admitted" to the pension fund under agreement with the Council.

A not-for-profit contractual arrangement is in place with Surrey County Council for the provision of pension administration services. Performance of this service against targets within the contract is reported on page 19. The Council's Human Resources provide oversight of the administration service.

COMMUNICATION POLICY STATEMENT

The Local Government Pension Scheme Regulations 2013 require Pension Funds to prepare, publish and maintain a communication policy statement, which can be found on page 87. The Communication Policy details the overall strategy for involving stakeholders in the pension fund. A key part of this strategy is a dedicated pension fund website, which includes a great deal more information about the benefits of the pension fund and this can be accessed via the following link:

www.lbhfpensionfund.org

INTERNAL DISPUTE RESOLUTION PROCEDURE

Members of pension schemes have statutory rights to ensure that complaints, queries and problems concerning pension rights are properly resolved. To facilitate this process, an Internal Disputes Resolution Procedure (IDRP) has been established. While any complaint is progressing, fund members are entitled to contact The Pensions Advisory Service (TPAS), who can provide free advice.

IDRP Stage 1 involves making a formal complaint in writing. This would normally be considered by the body that made the decision in question. If the fund member is not satisfied with actions taken at Stage 1 the complaint will progress to Stage 2.

IDRP Stage 2 involves a referral to the administering authority, Hammersmith and Fulham Council to take an independent view.

IDRP Stage 3 is a referral of the complaint to the Pension Ombudsman.

One complaint referred to the Pensions Ombudsman in 2020/21.

Both TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
Pimlico
London
SW1V 1RB

5. Actuarial Information

Report by Actuary

INTRODUCTION

The last full triennial valuation of the Hammersmith and Fulham Pension Fund ("the Fund") was carried out as at 31 March 2019 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated February 2020.

This statement gives an update on the funding position as at 31 March 2021 and comments on the main factors that have led to a change since the full valuation.

2019 VALUATION

The results for the Fund at 31 March 2019 were as follows:

- The Fund as a whole had a funding level of 97% i.e. the assets were 97% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £35m which is lower than the deficit at the previous valuation in 2016.
- To cover the cost of new benefits a total contribution rate of 17.4% of pensionable salaries would be needed.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their share of the deficit.
- Full details of all the assumptions underlying the valuations are set out in our valuation report.

UPDATED POSITION

Using assumptions consistent with those adopted at the 2019 valuation, we estimate that the funding position at 31 March 2021 is broadly the same as that calculated at 31 March 2019.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set from 1 April 2023.

Barry McKay FFA

Partner, Barnett Waddingham LLP

6. Pension Fund Accounts

Statement of Responsibilities

Responsibility for the Financial Statements, which form part of this Annual Report, is set out in the following declaration.

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In line with statute, this is the Director of Finance;
- manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

RESPONSIBILITIES OF THE DIRECTOR OF FINANCE

The Director of Finance is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Statements of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code of Practice on Local Authority Accounting.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on assumption that the functions of the authority will continue in operational existence for the foreseeable future;
- Maintained such internal control as they determine as necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

CERTIFICATE OF THE STRATEGIC DIRECTOR OF FINANCE

I certify that the Statement of Accounts (set out below) present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2021 and income and expenditure for the year for the financial year 2020/21.

Emily Hill
Director of Finance
Section 151 Officer

Date:

Independent Auditors Report

Independent auditor's report to the members of the London Borough of Hammersmith and Fulham Pension Fund on the pension fund financial statements published with the pension fund annual report

RESPECTIVE RESPONSIBILITIES OF THE STRATEGIC DIRECTOR OF FINANCE AND THE AUDITOR

Independent Auditors Report (continued)

SCOPE OF THE AUDIT OF THE PENSION FUND FINANCIAL STATEMENTS

OPINION ON THE PENSION FUND FINANCIAL STATEMENTS

OPINION ON OTHER MATTERS

[NAME]

for and on behalf of Grant Thornton, Appointed Auditor

Grant Thornton

[ADDRESS]

[DATE]

Pension Fund Accounts and Explanatory Notes

FUND ACCOUNT

2019/20		Notes	2020/21
£'000			£'000
	Dealings with members, employers and other directly involved in the fund		
	Contributions		
(26,135)	From Employers	7	(24,180)
(7,408)	From Members	7	(8,004)
(4,326)	Individual Transfers in from Other Pension Funds		(9,350)
-	Other income		-
(37,869)	Total Contributions		**(41,534)**
	Benefits		
34,916	Pensions	8	36,363
8,502	Commutation, Lump Sum Retirement and Death Benefits	8	8,164
898	Payment in respect of tax		508
	Payments to and on account of leavers		
7,225	Individual Transfers Out to Other Pension Funds		7,013
119	Refunds to Members Leaving Service		40
51,660	Total Benefits		**52,088**
13,791	Net (Additions) Withdrawals from dealings with members		**10,554**

Pension Fund Accounts and Explanatory Notes (continued)

FUND ACCOUNT

2019/20		Notes	2020/21
5,866	Management expenses	9	8,903
	Returns on Investment		
(13,911)	Investment Income	10	(12,327)
(731)	Other Income	10	(23)
36,172	(Profit) and losses disposal of investments and changes in value of investments	12	(215,444)
21,530	Net Return on Investments		**(227,794)**
41,178	Net (Increase)/Decrease in the net assets available for benefits during the year		(208,337)
(1,052,073)	Opening Net Assets of the Scheme		**(1,010,886)**
(1,010,886)	Closing Net Assets of the Scheme		**(1,219,223)**

Pension Fund Accounts and Explanatory Notes (continued)[4]

NET ASSETS STATEMENT

2019/20		Notes	2020/21
£'000			£'000
	Investment Assets		
150	Equities	11	150
58,881	Pooled Property Vehicles	11	61,161
817,356	Pooled Investment Vehicles	11	1,081,786
70,555	Private Equity/Infrastructure	11	71,863
59,524	Cash Deposits	11	8
	Other Investment Balances		
26	Investment income due	11	13
1,006,492	Net Investment Assets		**1,214,981**
3,897	Current Assets	19	3,664
(1,178)	Current Liabilities	20	(1,100)
1,675	Cash Balances (held directly by Fund)		1,678
1,010,886	**Net assets of the Fund available to fund benefits at the period end**		**1,219,223**

[4] The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 18a.

Note 1 Description of Hammersmith and Fulham Pension Fund

A. GENERAL

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Hammersmith and Fulham Council (the Council). It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the Fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. Teachers are excluded from this scheme as they are administered under the Teachers' Pension Scheme.

The benefits payable in respect of service from 1 April 2014 are based on an employee's career average revalued earnings (CARE) and the number of years of eligible service. The benefits payable in respect of service prior to 1 April 2014 are based on an employee's final salary and the number of years eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is governed by the Public Service Pensions Act 2013 and the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from investment returns on the Fund's investment assets. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employer contributions are set based on the triennial actuarial funding valuation, as detailed in Note 18.

B. PENSIONS SUB-COMMITTEE

The Council has delegated the investment arrangements of the scheme to the Audit and Pensions Committee, which in December 2014 formed a Pensions Sub-Committee (the Sub-Committee) and delegated all pensions responsibilities to it. The Sub-Committee decides on the investment strategy most suitable to meet the liabilities of the Fund and has responsibility for the investment strategy. The Sub-Committee is made up of five members, four of whom are elected representatives of the Council with voting rights and one co-opted member. Members of the admitted bodies and representatives of the Trade Unions may attend the Sub-Committee meetings but have no voting rights.

The Sub-Committee reports annually to the Audit and Pensions Committee and has full delegated authority to make investment decisions. The Sub-Committee obtains and considers advice from the Director of Finance, and as necessary from the Fund's appointed actuary, investment managers and adviser.

C. PENSION BOARD

In line with the provisions of the Public Service Pensions Act 2013, the Council has set up a Local Pension Board to oversee the governance arrangements of the Pension Fund. The Board meets twice a year and has its own Terms of Reference. Board members are independent of the Pensions Sub-Committee.

Note 1 Description of Hammersmith and Fulham Pension Fund (continued)

D. INVESTMENT PRINCIPLES

In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 the Sub-Committee approved an Investment Strategy Statement on 11 February 2020 (available on the Council's website). The Statement shows the Council's compliance with the Myner's principles of investment management.

The Sub-Committee has delegated the management of the Fund's investments to regulated investment managers (see note 11), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

E. MEMBERSHIP

Membership of the LGPS is voluntary, and whilst employees are auto enrolled into the scheme, they are free to choose whether to stay in or leave the scheme, or make their own personal arrangements outside the scheme.

Organisations participating in the Hammersmith & Fulham Pension Fund include:

- Scheduled bodies, which are local academies and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies and private contractors undertaking a local authority function following outsourcing to the private sector.

The Deferred member numbers include 890 undecided leavers, who are no longer paying contributions or in receipt of benefits.

31 March 2020		31 March 2021
50	Number of active employers	52
3,635	Contributing employees	4,467
5,081	Pensioners receiving benefit	5,425
7,112	Deferred pensioners	6,784
15,828	**Total members**	**16,676**

Details of the scheduled and admitted bodies are in Section 2 of this report.

Note 2 Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2020/21 and its position at year end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they consider the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Council has opted to disclose this information in a note to the accounts (Note 18).

The Hammersmith & Fulham Pension Fund is a statutory, state back Local Government Pension Scheme (LGPS) that is 97% funded on a conservative basis and backed by an administering authority with tax raising powers. As such, the Pension Fund Accounts have been prepared on a going concern basis.

It is recognised that the current environment gives rise to a risk of uncertainty and volatility in investment markets and the Fund has reviewed fund manager assessments and no material uncertainty has been identified. The Fund continues to monitor cashflows and invests in a diverse range of investment vehicles including availability to liquid assets.

Note 3 Summary of Significant Accounting Policies

FUND ACCOUNT – REVENUE RECOGNITION

A. CONTRIBUTION INCOME

Normal contributions, both from active members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

B. TRANSFERS TO AND FROM OTHER SCHEMES

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

C. INVESTMENT INCOME

Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as a cash dividend to support the Fund's outgoing cash flow requirements.

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Where the amount of an income distribution has not been received from an investment manager by the balance sheet date, an estimate based upon the market value of their mandate at the end of the year is used.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

Note 3 Summary of significant accounting policies (continued)

FUND ACCOUNT – EXPENSE ITEMS

D. BENEFITS PAYABLE

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

E. TAXATION

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

F. VSP, MSP AND LIFE TIME ALLOWANCE

Members are entitled to request that the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC, it is treated as an expense in the year in which the payment occurs.

G. MANAGEMENT EXPENSES

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses 2016".

- Administrative expenses – All staff costs of the pension administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
- Oversight and governance – All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. The cost of obtaining investment advice from the external advisor is included in oversight and governance costs.
- Investment management expenses – The Sub-Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage, and/or a fee based on performance.

Where an investment manager's fee note has not been received by the Balance Sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account.

Note 3 Summary of significant accounting policies (continued)

NET ASSET STATEMENT

H. FINANCIAL ASSETS

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 14a).

I. DERIVATIVES

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see Note 14a).

J. FOREIGN CURRENCY TRANSACTIONS

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

K. CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

L. FINANCIAL LIABILITIES

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The Fund recognises liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised costs are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

M. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of retirement benefits by way of a note to the Net Assets Statement (Note 18a).

N. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 21. There are also some residual policies with Equitable Life, which are disclosed in Note 21, but it is not open for new members.

O. RECHARGES FROM THE GENERAL FUND

The LGPS (Management and Investment of Funds) Regulations 2016 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund based on actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the Fund are set out separately in Note 9.

Note 4 Critical Judgements in Applying Accounting Policies

The accounts contain certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are based on best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

The items for which there is a significant risk of material adjustment are:

A. AVIVA INFRASTRUCTURE

One of the LBHF Pension Fund's infrastructure investment managers, Aviva, is facing legal challenge from a former construction contractor relating to a contractual dispute on one of their biomass infrastructure projects. The carrying value of the total infrastructure portfolio in the Pension Fund is £26m.

Within the manager's financial statements at 31 December 2019, fund management were unable to quantify the financial impact of the challenge, thus placing a degree of uncertainty on the value of the portfolio overall.

Having carefully considered this fund's financial statements, audit opinion and LBHF Pension Fund's holding in the fund, officers do not consider that this could result in any material uncertainty in the context of LBHF's total pension fund value. This is because the maximum value of the claims lodged are approximately 8% of the total portfolio value in the worst case scenario that all claims are successful and no counter claims are successful, the Pension Fund would stand to lose approximately £2m. As the estimated maximum impact on the Council's pension fund value is considered to be £2m, officers do not consider that the legal challenge/ claims could result in a material uncertainty in the LBHF pension fund accounts nor the pension related transactions contained within this particular investment and disclosures in the wider financial statements

This matter remains unresolved to date.

Note 5 Assumptions Made About the Future and Other Major Sources of Uncertainty

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year. Estimates and assumptions are made considering historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Description of asset	Uncertainties	Basis of valuation
Actuarial present value of promised retirement benefits (Note 18a)	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. Barnet- Waddingham are engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: • 0.1% increase in the discount rate assumption would result in a decrease in pension liability of £36m • 0.1% increase in assumed earnings would increase the value of the liabilities by approximated £2m • 0.1% increase in pension increases would increase the liability by about £34m • A one-year increase in life expectancy would increase the liability by about £84m

Management has agreed a reasonable set of actuarial assumptions in consultation with the actuary which derives the total pension fund liability. An allowance of £8.8m (0.6% of total liabilities) has been included in the past service cost reflecting the recent McCloud judgement.

A. PENSION FUND LIABILITY

The Pension Fund liability is calculated every three years by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 18a. The estimates of the net liability to pay pensions depends on several judgements and assumptions. In particular, those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets.

B. COVID 19 IMPACT

The COVID-19 pandemic has caused significant investment volatility throughout 2020 and 2021, causing uncertainty in property valuations due to the fall in observable transactions and subsequent complete lack of liquidity in the market. Following this, in 2020 a material uncertainty clause was provided on all pooled property as advised by the Royal Institute for Charters Surveyors (RICS). Since September however, it has been recommended by RICS to remove this clause from all UK property and as such this material uncertainty valuation clause no longer applies as at 31 March 2021, due to the gradual return to normality for the commercial property markets. As at 31 March 2021, pooled property investments for the Fund totalled £61.2m.

C. PRIVATE DEBT/INFRASTRUCTURE INVESTMENTS

The fair value of the Partners Group Multi Asset Credit fund and Infrastructure fund is also subject to some valuation uncertainty. Several of the underlying assets are traded in private markets only and therefore judgement needs to be made about value, using factors such as the enterprise value and net debt. As at 31 March 2021, the assets invested with Partners Group were valued at £45.9m (£42.3m in 2019/20).

The same applies to the Aviva Infrastructure which has a quarterly valuation cycle. As at 31 March 2021, the value of the investment was £25.5m (£26.1m in 2019/20). The impact of the uncertainty surrounding these investments has also been included in the sensitivity analysis in Note 14d.

Note 6 Events After the Balance Sheet Date

In March 2021, the Pension Fund Sub-Committee agreed to appoint Alpha Real Capital as its new ground rents income manager with a commitment of £60m, and to make a subscription into a social housing fund managed by Man Group with a commitment of £30m. As at the balance sheet date, these investments had not been completed.

Note 7 Contributions Receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The administering body, scheduled bodies and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund.

The tables on the right show a breakdown of the total amount of contributions by authority and by type.

BY AUTHORITY

2019/20 £000		2020/21 £000
(27,442)	Administering authority	(26,170)
(3,607)	Scheduled bodies	(3,789)
(2,494)	Admitted bodies	(2,225)
(33,543)	**Total Contributions Receivable**	**(32,184)**

BY TYPE

2019/20 £000		2020/21 £000
(7,408)	Employees' normal contributions	(8,004)
	Employer's contributions:	
(16,432)	Normal contributions	(20,050)
(9,703)	Deficit recovery contributions	(4,130)
(33,543)	**Total Contributions Receivable**	**(32,184)**

Note 8 Benefits Payable

The tables on the right below show a breakdown of the total amount of benefits payable.

BY AUTHORITY

2019/20 £000		2020/21 £000
39,593	Administering authority	39,553
672	Scheduled bodies	571
3,153	Admitted bodies	3158
43,418	**Total Benefits Payable**	**44,527**

BY TYPE

2019/20 £000		2020/21 £000
34,916	Pensions	36,3663
7,407	Commutation and lump sum retirement benefits	6,919
1,095	Lump sum death benefits	1,245
43,418	**Total Benefits Payable**	**44,527**

Note 9 Management Expenses

The table on the right shows a breakdown of the management expenses incurred during the year.

MANAGEMENT EXPENSES

2019/20 £000		2020/21 £000
365	Administrative costs	536
4,735	Investment management expenses	7,533
766	Oversight and governance costs	834
5,866	**Total Management Expenses**	**8,903**

The table on the right provides a breakdown of the Investment Management Expenses.

INVESTMENT MANAGEMENT EXPENSES

2019/20 £000		2020/21 £000
4,250	Management fees	5,446
36	Performance fees	257
421	Transaction costs	1,764
28	Custody fees	66
4,735	**Total Investment Management Expenses**	**7,533**

Note 10 Investment Income

The table below shows a breakdown of investment income.

2019/20 £000		2020/21 £000
(10,777)	Pooled investments – unit trusts and other managed funds	(5,930)
(3,009)	Income from Alternative Investments	(6,387)
(125)	Interest on Cash Deposits	(10)
(731)	Other Investment Income	(23)
(14,642)	**Total Investment Income**	**(12,350)**

Note 11 Investment Strategy

During 202/21, the Fund's strategy had the following developments:

- In April 2020 the Fund Transferred £55m to its new private credit mandate with Aberdeen Standard Investments (now Abrdn MSPC)
- In August 2020 the Pension Fund transferred £169m from its existing passive MSCI low carbon equity fund with LGIM to the LCIV Global Sustain Fund ran by Morgan Stanley.
- In October 2020, the Pension Fund disinvested its entire holding in the M&G inflation opportunities fund (approx £113m) and has temporarily transferred all assets to the LCIV absolute return mandate managed by Ruffer pending final allocation.

The market value and proportion of investments managed by each fund manager at 31 March 2020 was as follows:

31 March 2020 £000	%	Fund Manager	Mandate	31 March 2021 £000	%
Investment managed by the London CIV asset pool:					
411,304	40.9%	LGIM – MSCI Low Carbon	Global Equity (Passive)	381,252	31.4%
128,526	12.8%	LCIV – Ruffer	Absolute Return (Active)	280,677	23.1%
100,960	10.0%	LCIV – PIMCO	Global Bonds (Active)	107,333	8.8%
-	-	LCIV – Morgan Stanley	Global Sustain Fund	174,776	14.4%
640,790	63.7%	Total assets managed by the London CIV asset pool		944,038	77.70%
Investment managed outside of the London CIV asset pool:					
110,996	11.0%	M&G Investments	Inflation Opportunities	-	0.0%
65,570	6.5%	Oak Hill Advisors	Secured Income (Active)	80,034	6.6%
58,881	5.9%	Aberdeen Standard	Long Lease Property	61,162	5.0%
26,062	2.6%	Aviva Investors	Infrastructure	25,546	2.1%
23,142	2.2%	Partners Group	Infrastructure	31,956	2.6%
19,174	1.9%	Partners Group	Multi Asset Private Credit	13,896	1.1%
1,523	0.2%	Invesco	Private Equity	47	0.0%
653	0.1%	Unigestion	Private Equity	417	0.0%
59,551	5.9%	Inhouse Cash	Cash	21	0.0%
150	0.0%	London CIV Ltd	UK Equity	150	0.0%
-	0.0%	NT Ultra Short Bond Fund	UK Equity	1,999	0.2%
-	0.0%	Aberdeen MSPC	Private Credit	55,715	4.6%
365,702	36.3%	Total assets managed outside of the London CIV asset pool		270,943	22.30%
1,006,492	**100.0%**	**Total investments**		**1,214,981**	**100.0%**

Note 11 Investment Strategy (continued)

In August 2015, the Fund made a commitment to the Partners Group Direct Infrastructure fund. As at 31 March 2021 €19.9m (£16.9m) still remained unfunded.

As shareholders of London LGPS CIV Ltd, (the organisation set up to run pooled LGPS investments in London) the Fund has funded £150,000 of regulatory capital. This is in the form of unlisted UK equity shares. The Fund has been active in the transfer of assets under management to the London Collective Investment Vehicle (LCIV) to gain efficiencies and fee reductions. As at 31 March 2021, the Fund had £944m invested with the London CIV, which accounts for 77.6% of the fund's total assets.

The table below shows the Fund investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

31 March 2020 £000	%	Fund Manager	Mandate	31 March 2021 £000	%
411,304	40.9%	LGIM – MSCI Low Carbon	Global Equity (Passive)	381,252	31.4%
128,526	12.8%	LCIV – Ruffer	Absolute Return (Active)	280,677	23.1%
110,996	11.0%	M&G Investments	Inflation Opportunities	-	0.0%
100,960	10.0%	LCIV – PIMCO	Global Bonds (Active)	107,333	8.8%
65,570	6.5%	Oak Hill Advisors	Secured Income (Active)	80,034	6.6%
58,881	5.9%	Aberdeen Standard	Long Lease Property	61,161	5.0%
-	-	Morgan Stanley	Global Sustain Fund	174,776	0.0%

Note 12 Reconciliation of Movement in Investments

The table below shows a reconciliation of the movement in the total investment assets of the Fund by asset class during 2020/21.

Fund Manager	Value at 1 April 2020 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2021 £000
Equities	150				150
Pooled equity Investments	817,356	172,443	(122,534)	214,521	1,081,786
Pooled property investments	58,881	44	-	2,236	61,161
Private equity/infrastructure	70,555	7,659	(5,186)	(1,165)	71,863
Total	946,942	180,146	(127,720)	215,592	1,214,960
Cash deposits	59,524			(160)	8
Investment income due	26				13
Spot FX contracts	-			12	-
Net investment assets	**1,006,492**	**180,146**	**(127,720)**	**215,444**	**1,214,981**

Note 12 Reconciliation of Movement in Investments (continued)

The equivalent analysis for 2019/20 is provided below:

Fund Manager	Value at 1 April 2019 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Value at 31 March 2020 £000
Equities	150	-	-	-	150
Pooled equity Investments	902,851	107,550	(156,592)	(36,453)	817,356
Pooled property investments	55,558	39	-	3,284	58,881
Private equity/infrastructure	76,442	4,654	(7,316)	(3,225)	70,555
Total	1,035,001	112,243	(163,908)	(36,394)	946,942
Cash deposits	12,843			238	59,524
Investment income due	34			-	26
Spot FX contracts	-			(16)	-
Net investment assets	**1,047,878**	**112,243**	**(163,908)**	**(36,172)**	**1,006,492**

Note 13 Fair Value Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments – Equity Funds UK and Overseas Managed Funds	Level 2	The NAV for each share class is calculated based on the market value of the underlying equity assets	Evaluated price feeds	Not required
Unquoted Bonds and Unit Trusts	Level 2	Fixed income securities are priced based on evaluated prices provided by independent pricing services	Evaluated price feeds	Not required
Pooled Long Lease Property Fund	Level 2	The Aberdeen Standard Long Lease Property Fund is priced on a Single Swinging Price	In house evaluation of market data	Not required
Private Equity	Level 3	Comparable valuation of similar companies in accordance with International Private and Venture Capital Valuation Guidelines 2012	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple Revenue multiple	Valuations could be affected by changes to expected cashflows, cost of replacing key business assets, or by any differences between the audited and unaudited accounts
Infrastructure funds	Level 3	Valued by Fund Managers at the lower of cost and fair value	Managers use their judgement having regard to the Equity and Venture Capital Valuation Guidelines 2012 guidelines noted above	Upward valuations are only considered where there is validation of the investment objectives and such progress can be demonstrated Downward valuations are enacted where the manager considers there is an impairment to the underlying investment

Note 14a Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The definitions of the levels are detailed below.

LEVEL 1

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

LEVEL 2

Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

LEVEL 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data e.g. private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The Partners Group multi asset credit and the infrastructure funds are closed ended and therefore not tradable. The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

		31 March 2020				31 March 2021
Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs		Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs
Level 1	Level 2	Level3		Level 1	Level 2	Level3
£000	£000	£000		£000	£000	£000
			Financial Assets			
-	876,237	70,555	Designated at fair value through profit and loss	-	1,142,947	72,013
-	876,237	70,555	Net Financial Assets	-	1,142,947	72,013
		946,792				**1,214,960**

Note 14b Transfers Between Levels 1 and 2

In 2020/21, the Fund's operational activity resulted in no transfers between Levels 1 and 2.

Note 14c Reconciliation of Fair Value Measurements Within Level 3

	Market Value as at 31 March 2020 £000	Purchases £000	Sales £000	Unrealised Gains/(losses) £000	Realised Gains/(losses) £000	Market Value as at 31 March 2021 £000
Overseas infrastructure	25,319	7,659	(1,834)	294	983	32,421
UK Infrastructure	26,062	-	-	(516)	-	25,546
Private Credit	19,174	-	(3,352)	(1,926)	-	13,896
London LGPS CIV	150	-	-	-	-	150
Total	**70,705**	**7,659**	**(5,186)**	**(2,148)**	**983**	**72,013**

Note 14d Sensitivity of Assets Valued at Level 3

The Pension Fund has analysed historical data and current trends in consultation with independent investment advisors to determine the accuracy of the valuations of its Level 3 investments. Due to the uncertainty cause by the global response to the COVID-19 pandemic, the Fund's pooled property, infrastructure and private credit mandates' valuations may materially differ. The potential impact on the reported valuations as at 31 March 2020 has been estimated to be accurate within the following ranges:

	Assessed Valuation Range (+/-)	Valuation at 31 March 2021	Valuation on increase	Valuation on decrease
Aviva Infrastructure	8.50%	25,546	27,717	23,375
Partners Group Infrastructure	10.00%	31,956	35,151	28,760
Partners Group Multi Asset Credit	10.00%	13,896	15,286	12,507
Total		**71,398**	**78,154**	**64,642**

* Pooled property includes the Aberdeen Standard Long Lease property (£58.9m) and approximately 40% of the M&G Inflation Protection Fund (£43.8m).

Note 15a Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and net assets statement heading as at the balance sheet date. All investments are quoted unless stated.

		31 March 2020				31 March 2021
Designated at fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Designated at fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£000	£000	£000		£000	£000	£000
			Financial Assets			
			Pooled Investment Vehicles:			
650,817			UK equity funds	836,705		
120,144			UK fixed income funds	178,943		
58,881			UK property funds	61,162		
26,062			UK infrastructure	25,546		
65,570			Overseas fixed income funds	80,034		
23,142			Overseas infrastructure	31,956		
2,176			Overseas venture capital	464		
150			London LGPS CIV	150		
-			UK cash funds	-		
26			Investment Income Due		13	
	59,524		Cash deposits with managers		8	
	3,897		Debtors		3,664	
	1,675		Cash balances (held by fund)		1,678	
946,968	**65,096**		**Total Financial Assets**	1,214,960	5,363	
			Financial Liabilities			-
-		(1,178)	Creditors	-	-	(1,100)
946,968	**65,096**	**(1,178)**	**Total Financial Liabilities**	1,214,960	5,363	(1,100)
		1,010,886	Total Net Assets			**1,219,223**

Note 15b Net Gains and Losses on Financial Statements

This table summarises the net gains and losses on financial instruments classified by type of instrument.

31 March 2020		31 March 2021
	Financial Assets	
(36,393)	Fair value through profit and loss	215,592
238	Loans and receivables	12
	Financial Liabilities	
(17)	Fair value through profit and loss	(160)
(36,172)	**Net Gains /(losses) on Financial Instruments**	**215,444**

Note 16 Nature and Extent of Risks Arising from Financial Instruments

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields and changes in inflation.

The Pension Fund Sub-Committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

A. MARKET RISK

In order to meet the Fund's objective of being fully funded within 22 years of the 2016 actuarial valuation, the fund managers have been set differing targets appropriate to the types of assets they manage. The ongoing economic uncertainty that has been caused by the global response to COVID-19 presents an increased risk to the Fund achieving these targets. As such, the Fund continues to invest its assets in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above their benchmarks over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to maximise the opportunity for gains across the whole Fund's portfolio within a tolerable level of risk of an overall reduction in the value of the Fund. Responsibility for the Fund's investment strategy rests with the Pensions Sub-Committee and is reviewed on a regular basis.

B. PRICE RISK

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets except for cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 10.9% higher or 10.9% lower for 2020/21 and 10% higher or lower in 2019/20.

Assets exposed to price risk	Value £000	+% £000	-% £000
At 31 March 2020	946,968	1,041,665	852,271
At 31 March 2021	**1,214,960**	**1,347,392**	**1,082,530**

C. INTEREST RATE RISK

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Index linked gilts, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk	Value £000	+1% £000	-1% £000
At 31 March 2020	247,290	235,493	259,086
At 31 March 2021	**363,074**	**348,918**	**377,231**

Note 16 Nature and Extent of Risks Arising from Financial Instruments (continued)

D. CURRENCY RISK

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non-sterling transactions. In addition, several of the pooled investment vehicles partially or fully hedge the currency back into sterling. These actions reduce the overall currency risk the Fund is exposed to. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 5.18% higher or 10.9% lower for 2020/21 and 10% higher or lower in 2019/20

Assets exposed to currency risk	Value £000	+1% £000	-1% £000
At 31 March 2020	464,646	511,111	418,182
At 31 March 2021	**869,126**	**914,155**	**824,097**

E. CREDIT RISK

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

F. LIQUIDITY RISK

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs; and cash to meet investment commitments. The Fund has immediate access to its cash holdings.

The only assets in the Fund which cannot be liquidated within a month are detailed in the table below. These amounted to 8.85% of the Fund's Net Assets at 31 March 2021 (10.23 % at 31 March 2020). The remaining can all be liquidated within days.

Manager	Portfolio	31 March 2020	31 March 2021
Aberdeen Standard	Property	58,881	61,162
Partners Group	Infrastructure	25,142	31,956
Partners Group	Multi Asset Credit	19,174	13,896
Invesco	Private Equity	1,523	47
Unigestion	Private Equity	653	417
	Total	**103,373**	**107,478**

Note 17 Contingent Liabilities and Contractual Commitments

The Fund had the following commitments at the balance sheet date:

	31 March 2020 £000	31 March 2021 £000
Aberdeen Standard Multi Sector Private Credit	55,000	-
Partners Group Direct Infrastructure Fund 2015	23,623	16,936
	78,623	**16,936**

Note 18 Funding Arrangements

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2019 in accordance with the Funding Strategy Statement of the Fund and the Local Government Pension Scheme Regulations 2013. The results were published in the triennial valuation report dated 29 January 2020. This valuation set the employer contribution rates from 1 April 2020 through to 31 March 2023.

The 2019 valuation certified a common contribution rate of 17.4% of pensionable pay (15.5% as at March 2016) to be paid by each employing body participating in the Fund, based on a funding level of 97% (88% as at March 2016). In addition, each employing body must pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report..

The actuary's smoothed market value of the scheme's assets at 31 March 2019 was £1,043m (£851m 2016) and the actuary assessed the present value of the funded obligation at £1,079m indicating a net liability of £35m (£965m 2016).

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Financial Assumptions	31 March 2016 £000	31 March 2019 £000
Consumer Price Index (CPI) increases	2.40%	2.60%
Salary Increases	3.90%	3.60%
Pensions Increases	2.40%	2.40%
Discount Rate	5.40%	5.00%

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the full valuation of the scheme as at 31 March 2019. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contribution rates for the period 1 April 2023 to 31 March 2026..

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 19 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Note 18a Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2021. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

31 March 2020 £000		31 March 2021 £000
(1,527,085)	Present value of promised retirement benefits	(1,923,604)
1,013,015	Fair value of scheme assets (bid value)	1,216,634
(514,070)	**Net Liability**	**(706,970)**

Present Value of Promised Retirement Benefits comprises of £1,900.5m (£1,509.4m at 31 March 2020) and £23.1m (£17.7m at 31 March 2020) in respect of vested benefits and non-vested benefits respectively as at 31 March 2021.

The assumptions applied by the actuary are set out below:

FINANCIAL ASSUMPTIONS

	31 March 2019	31 March 2020
Salary increases	3.90%	2.90%
Pension increases	2.40%	1.90%
Discount rate	2.40%	2.35%

DEMOGRAPHIC ASSUMPTIONS

The post mortality tables adopted are the S3PA tables with multiplier of 110% for males and 105% for females. The base tables are projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a. The assumed life expectancies from age 65 are:

		31 March 2020	31 March 2021
Retiring today	Males	21.8	21.6
	Females	24.4	24.3
Retiring in 20 years	Males	23.2	22.9
	Females	25.8	25.7

OTHER ASSUMPTIONS

- 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;
- 5% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Note 19 Current Assets

DEBTORS

31 March 2020 £000		31 March 2021 £000
1,073	Contributions due – employers	1,370
486	Contributions due – employees	549
941	London Borough of Hammersmith & Fulham	941
1,397	Sundry Debtors	804
3,897	**Total Current Assets**	**3,664**

ANALYSIS OF DEBTORS

31 March 2020 £000		31 March 2021 £000
941	Local authorities	941
2,956	Other entities and individuals	2,560
-	Central Government	163
3,897	**Total Current Assets**	**3,664**

Note 20 Current Liabilities

CREDITORS

31 March 2020 £000		31 March 2021 £000
(541)	Unpaid benefits	(589)
(375)	Management expenses	(426)
(262)	Sundry creditors	(85)
(1,178)	**Total Current Liabilities**	**(1,100)**

ANALYSIS OF CREDITORS

31 March 2020 £000		31 March 2021 £000
(1,178)	Other entities and individuals	(1,100)
(1,178)	**Total Current Liabilities**	**(1,100)**

Note 21 Additional Voluntary Contributions (AVCS)

The Fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society. AVCs are invested separately from the Pension Fund and their valuations are shown in the table below. The same valuations as at 31 March 2020 have been carried forward to this year due to uncertainty in obtaining accurate valuations as at 31 March 2021.

31 March 2020 £000		31 March 2021 £000
908	Zurich Assurance	908
191	Equitable Life Assurance	191
1,099	**Total Additional Voluntary contributions**	**1,099**

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid, and the investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider

.

Note 22 Related Party Transactions

LONDON BOROUGH OF HAMMERSMITH AND FULHAM

The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £0.542m in 2020/21 (£0.447m in 2019/20) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses. The Council made £19.5m of contributions in year (£21.4m in 2019/20)..

KEY MANAGEMENT PERSONNEL

The key management personnel of the Fund are the Members of the Pensions Sub-Committee, the Strategic Director of Finance and Governance, the Tri-borough Director of Pensions and Treasury and the Director of Corporate Services. Total remuneration payable to key management personnel in respect of the pension fund is set out below:

	31 March 2020	31 March 2021
Short-term benefits	30	30
Post-employment benefits	255	95
Total	**285**	**125**

Note 25 External Audit Costs

The external audit fee payable to Fund’s external auditors, Grant Thornton LLP, was £33,000 (£25,000 in 2019/20).

7.

Glossary and Contacts

Glossary of Terms

ACCOUNTING POLICIES

The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

ACTIVE MANAGEMENT

Active management or active fund management is where the fund manager makes specific investments with the aim of outperforming an investment benchmark.

ACTIVE MEMBER

Current employee who is contributing to a pension scheme.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

ACTUARY

An independent professional who advises the Council on the financial position of the Fund. Every three years the actuary values the assets and liabilities of the Fund and determines the funding level and the employers' contribution rates.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

An option available to active scheme members to secure additional pension benefits by making regular contributions to separately held investment funds managed by the Fund's AVC provider.

ADMITTED BODY

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

ASSET ALLOCATION

The apportionment of a Fund's assets between different types of investments (or asset classes). The long-term strategic asset allocation of a Fund will reflect the Fund's investment objectives.

BENCHMARK

A measure against which the investment policy or performance of an investment manager can be compared.

BONDS

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTING)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code.

CREDITORS

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

DEBTORS

Amounts owed to the Council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED MEMBERS

Scheme members, who have left employment or ceased to be active members of the scheme whilst remaining in employment but retain an entitlement to a pension from the scheme.

DEFINED BENEFIT SCHEME

A type of pension scheme, where the pension that will ultimately be paid to the employee is fixed in advance, and not impacted by investment returns. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised.

DERIVATIVE

A derivative is a financial instrument which derives its value from the change in price (e.g. foreign exchange rate, commodity price or interest rate) of an underlying investment (e.g. equities, bonds, commodities, interest rates, exchange rates and stock market indices), which no net initial investment or minimal initial investment and is settled at a future date

EMPLOYER CONTRIBUTION RATES

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

EQUITIES

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

EXCHANGE TRADED

This describes a financial contract which is traded on a recognised exchange such as the London Stock Exchange or the London International Financial Futures Exchange.

FINANCIAL ASSETS

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

FINANCIAL INSTRUMENT

Any contract giving rise to a financial asset in one entity and a financial liability or equity in another entity.

FINANCIAL LIABILITIES

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

FORWARD FOREIGN EXCHANGE DERIVATIVE

Forward foreign exchange derivatives are over the counter contracts whereby two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

INDEX

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

OVER THE COUNTER

This describes a financial contract which is potentially unique as they are not usually traded on a recognised exchange

PASSIVE MANAGEMENT

Passive management is where the investments mirror a market index.

POOLED INVESTMENT VEHICLES

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

PROJECTED UNIT METHOD – PENSION FUND VALUATION

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Advice from CIPFA is that related parties to a local authority include Central Government, bodies precepting or levying demands on the Council Tax, members and chief officers of the authority and its pension fund.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

RETURN

The total gain from holding an investment over a given period, including income and increase or decrease in market value.

SCHEDULED BODY

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

THE CODE

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they ‘present fairly’ the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

UNREALISED GAINS/LOSSES

The increase or decrease in the market value of investments held by the fund since the date of their purchase.

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

Contact Information

FOR FURTHER DETAILS CONTACT:

FINANCE ENQUIRIES

Tri-Borough Pensions Team
16th Floor
64 Victoria Street
London
SW1E 6QP
pensionfund@lbhf.gov.uk

HR ENQUIRIES

Pensions Manager
Hammersmith & Fulham Council
The Town Hall
King Street
London
W6 9JU
pensions@lbhf.gov.uk

ADMINISTRATIVE ENQUIRIES

Pension Services
Surrey County Council
Room 243 County Hall
Penrhyn Road
Kingston upon Thames
Surrey, KT1 2DN

8. Appendices

Appendix 1. Governance Compliance Statement

BACKGROUND

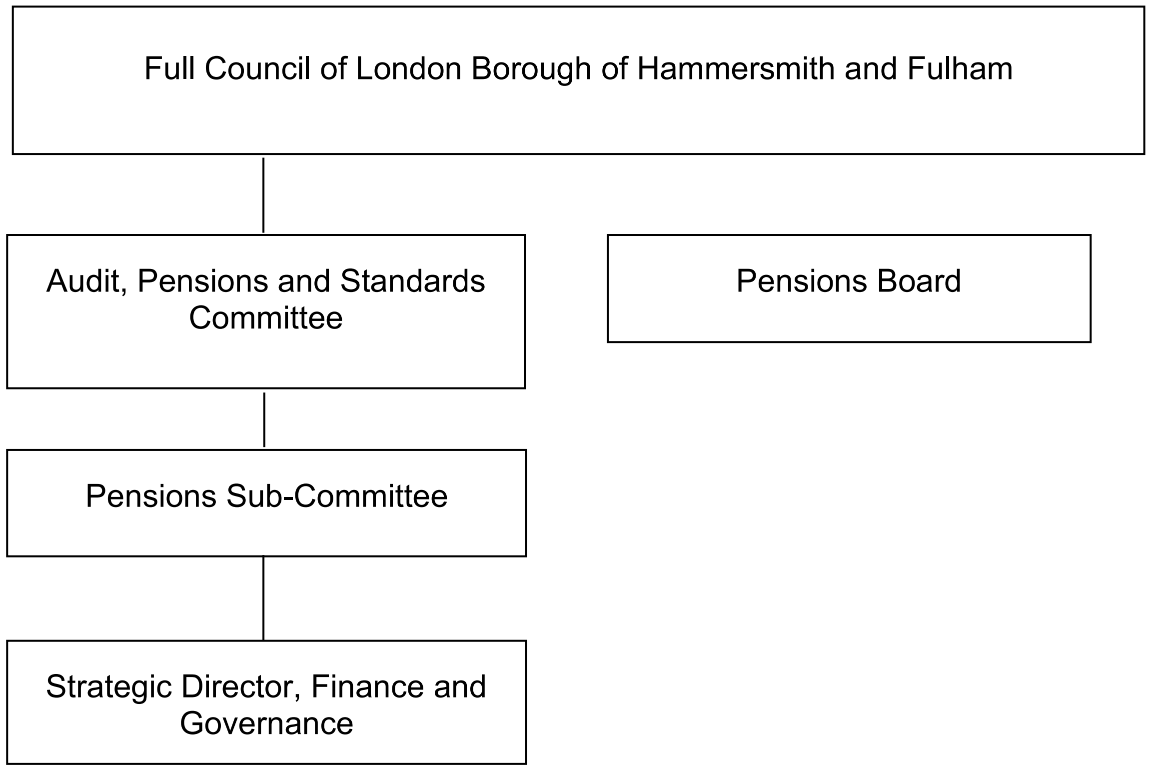
The London Borough of Hammersmith and Fulham Council is the administering authority for the London Borough of Hammersmith and Fulham ("the Fund") and it administers the Local Government Pension Scheme on behalf of the participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires all administering authorities for local government pension schemes to publish a Governance Compliance Statement setting out the Fund's governance arrangements. Information on the extent of the Fund's compliance with guidance issued by the Secretary of State for Communities and Local Government is also a requirement of this regulation.

GOVERNANCE STRUCTURE

The diagram on the right shows the governance structure in place for the Fund.

Full Council has delegated its functions in relation to the pension fund regulations, as shown in the diagram. The sections below explain the role of each party and provide the terms of reference.



AUDIT, PENSIONS AND STANDARDS COMMITTEE

Full Council has delegated all decisions in relation to the Public Service Pensions Act 2013 to the Audit, Pensions and Standards Sub-Committee. In order to manage the workload of the committee, the committee has delegated decisions in relation to all pensions' matters to the Pensions Sub-committee.

PENSIONS SUB-COMMITTEE

The role of the Pensions Sub-Committee is to have responsibility for all aspects of the investment and other management activity of the Fund.

The sub-committee is made up of four elected members of the Audit, Pensions and Standards Committee and one co-opted member. Three members of the committee are administration councillors and one member represents the opposition. The sub-committee is chaired by the Chair of the Audit, Pensions and Standards Committee. The Sub Committee may co-opt non-voting independent members, including Trade Unions and representatives from the admitted and scheduled bodies in the Pension Fund.

All Councillors on the sub-committee have voting rights. In the event of an equality of votes, the Chair of the Sub-committee shall have a second casting vote. Where the Chair is not in attendance, the Vice-Chair has the casting vote.

The Sub-committee meets four times a year and may convene additional meetings as required. Three members of the Sub-committee are required to attend for a meeting to be quorate.

The terms of reference for the sub-committee are:

1. To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
2. To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable;
3. To determine the Fund management arrangements, including the appointment and termination of the appointment of the fund managers, actuary, custodians and fund advisers.
4. To agree the Statement of Investment Principles, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and the Governance Compliance Statement and to ensure compliance with these.
5. To approve the final Statement of Accounts of the Pension Fund and to approve the Annual Report.
6. To receive actuarial valuations of the Superannuation Fund regarding the level of employers' contributions necessary to balance the Superannuation Fund.
7. To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
8. To make and review an admission policy relating to admission agreements generally with any admission body.
9. To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
10. To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
11. To receive and consider the auditor's report on the governance of the Pension Fund.
12. To determine any other investment or pension fund policies that may be required from time to time so as to comply with government regulations and to make any decisions in accordance with those policies.

PENSION BOARD

With effect from 1st April 2015, all administering authorities are required by the Public Services Pensions Act 2013 to establish a Pension Board to assist them. The London Borough of Hammersmith and Fulham Pension Board was established by full Council on 25th February 2015.

The role of the Pension Board is to assist the administering authority with securing compliance with Local Government Pension Scheme regulations and other legislation relating to the governance and administration of the scheme. The Board does not have a decision making role in relation to management of the Fund, but is able to make recommendations to the Pension Fund Committee.

The membership of the Board is as follows:

- Three employer representatives comprising one from an admitted or scheduled body and two nominated by the Council;
- Three scheme member's representatives from the Council or an admitted or scheduled body.

All Board members are entitled to vote, but it is expected that as far as possible Board members will reach a consensus. Three Board members are required to attend for a meeting to be quorate. The Board will meet a minimum of twice a year but is likely to meet on a quarterly basis to reflect the same frequency as the Pension Fund Committee.

COMPLIANCE WITH STATUTORY GUIDANCE

It is a regulatory requirement that the Fund publishes the extent to which it complies with statutory guidance issued by the Secretary of State for Communities and Local Government. The guidance and compliance levels are set out in Annex 1.

REVIEW OF STATEMENT

This statement will be kept under review and updated as required. Consultation with the admitted and scheduled bodies of the Fund will take place before the statement is finalised at each change.

Annex 1: Governance Compliance Statement

Compliance Requirement	Compliance	Notes
Structure		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	As set out in terms of reference of the Pensions Sub-Committee.
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Not fully compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pensions Sub-Committee.
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Not applicable	All Pension Fund matters are considered by the Pensions Sub-Committee
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel	Not applicable	All Pension Fund matters are considered by the Pensions Sub-Committee
Committee membership and representation		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: - i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an *ad hoc* basis).	Not fully compliant	Representatives of the employers and scheme members are Pension Board members, rather than members of the Pensions Sub-Committee. Expert advisers attend the Sub-Committee as required
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights	Not applicable	All Pension Fund matters are considered by the Pensions Sub-Committee
Selection and role		
That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Compliant	As set out in terms of reference of the Pensions Sub-Committee
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Compliant	This is a standing item on the Pensions Sub-Committee agendas
Voting		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	As set out in terms of reference of the Pensions Sub-Committee

Annex 1: Governance Compliance Statement (continued)

Compliance Requirement	Compliance	Notes
Training, facility time and expenses		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	Compliant	As set out in the Council's allowances policy and the Pension Fund Knowledge and Skills policy
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	Compliant	As set out in the Council's constitution
Meetings		
That an administering authority's main committee or committees meet at least quarterly.	Compliant	As set out in terms of reference of the Pensions Sub-Committee
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits	Not applicable	All Pension Fund matters are considered by the Pensions Sub-Committee.
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Compliant	Represented on the Pensions Board
Access		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Compliant	As set out in the Council's constitution
Scope		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Compliant	as set out in terms of reference of the Pensions Sub-Committee
Publicity		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements	Compliant	All meeting minutes, reports and Pension Fund policies are published on the Council's website

Appendix 2. Communication Policy

1. BACKGROUND

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires administering authorities to prepare, publish and maintain a policy statement setting out its communication strategy for communicating with:

- Scheme Members
- Members' representatives
- Prospective members
- Employers participating in the Fund

This is the Local Government Pension Scheme (LGPS) Communications Policy Statement for the London Borough of Hammersmith & Fulham (LBHF).

LBHF in its capacity as the Administering Authority engages with other employers (under their status as Admitted and Scheduled Bodies) and has 3,635 active members, 7,112 deferred members and 5,081 pensioners as at 31st March 2019

This policy document sets out the mechanisms that LBHF uses to meet their communication responsibilities.

2. ROLES AND RESPONSIBILITIES

Retained team within HR

The Retained Team are responsible for setting the pensions administration management strategy which includes the drafting of this document and the allocation of communication responsibilities, including those to third parties.

They are also responsible for the monitoring of the quality, timeliness and accuracy of pensions communications from third parties and for the periodic review of this document.

The Retained Team will approve significant communications prior to them being issued that have been drafted on behalf of LBHF by Surrey County Council (SCC) and Hampshire County Council (HCC).

Surrey County Council

SCC are responsible for the day to day transactional pensions administration service under a section 101 agreement with LBHF.

Under this agreement SCC are responsible for the quality, timeliness and accuracy of pensions communications within their normal business activities.

They are also responsible for communications within specific projects and tasks agreed and allocated to them by the Retained Team.

3. HOW INFORMATION IS COMMUNICATED

The table below shows the LBHF communication methods, the frequency of issue and the intended audiences.

Communication Type	Paper Based	Website	Intranet	Face to face	Electronic	Frequency of issue	Communication method	Active member	Deferred member	Pensioner	Prospective members	Employers	Union Reps	Pension fund committee	Pension Board	Residents and taxpayers	Media	Other stakeholders
Joiner information with Scheme details	✓	✓				During the recruitment process and upon request	Sent to home address/via employers				✓	✓	✓					
Newsletters	✓	✓				Annually and/or when the scheme changes	Sent to home address/via employers	✓	✓	✓	✓	✓	✓					
Fund Reports and Accounts			✓			Continually available	Link publicised	✓										
Annual Benefit Statements	✓					Annually and on request	Sent to home address and/or via employers for active members. Sent to home address for deferred members	✓	✓									
Factsheets	✓	✓				On request	On request	✓	✓	✓	✓	✓	✓					
Roadshows				✓		When major scheme changes occur	Advertised in newsletters, via posters	✓										
Personal discussions				✓		When required	Displayed in the workplace	✓	✓	✓	✓							
Posters	✓					Continually available	On request	✓			✓							
Employers Guide		✓				Annually	Annually					✓						

Communication Type	Paper Based	Website	Intranet	Face to face	Electronic	Frequency of issue	Communication method	Active member	Deferred member	Pensioner	Prospective members	Employers	Union Reps	Pension fund committee	Pension Board	Residents and taxpayers	Media	Other stakeholders
Employers meetings				✓		Annually	Notifications sent					✓						
Briefing papers	✓				✓	When required	Within Committee papers dispatch							✓	✓			
Committee Reports	✓				✓	With the committee cycle	Within Committee papers dispatch							✓	✓			
Training and Development				✓	✓	Available and/or as when requested	On request	✓			✓			✓	✓			
Press releases					✓	As required	Email										✓	
Other employers joining the fund					✓	As required	Email											✓
Pension disputes IDRP					✓	As required	Email											✓
Statutory returns and questionnaires					✓	As required	Email							✓	✓			✓

4. DETAILS OF WHAT IS COMMUNICATED

Joiner information with Scheme details

A document providing an overview of the LGPS, including who can join, the contribution rates, the retirement and death benefits and how to increase the value of benefits.

Newsletters

An annual newsletter which provides updates on changes to the LGPS as well as other related news, such as national changes to pensions regulations, forthcoming roadshows and contact details.

Fund Report and Accounts

Details of the value of the Pension Fund during the financial year, income and expenditure etc.

Annual Benefit Statements

For active members these include the value of current and projected benefits. The associated death benefits are also shown along with details of any individuals nominated to receive the lump sum death grant.

In relation to deferred members, the benefit statement includes the current value of the deferred benefits and the earliest payment date of the benefits as well as the associated death benefits.

Factsheets

Information that provides a summary in relation to specific topics, such as topping up pension rights, transfer values in and out of the scheme, death benefits and, for pensioners, annual pensions increases.

Roadshows

As required a representative from SCC and/or the Retained Team will visit a particular location to provide a presentation on a particular topic of interest.

Face to face/personal discussions.

Face to face discussions with a representative from SCC and/or the Retained Team to discuss personal circumstances.

Posters

These are to engage with staff that are not in the LGPS, to help them to understand the benefits of participating in the scheme and to provide guidance on how to join.

Employers' Guide

A detailed guide that provides guidance on the employer responsibilities including the forms and other necessary communications.

Employers meeting

A seminar style event with a number of speakers covering topical LGPS issues.

Briefing papers

Formal briefings that highlight key issues or developments relating to the LGPS and the Fund, these are used by senior managers when attending committee meetings.

Committee papers

Formal documents setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.

Training and Development.

Pension issues are included in appropriate training and development events – specific pension training and development events are run at significant times such as when the scheme changes.

Press releases

Bulletins providing briefing commentary on LBHF's opinion on various matters relating to the Pension Fund, for example. the actuarial valuation results.

Other employers joining the fund

A legal requirement to notify both organisations of the name and type of employer entered into the Fund (e.g. following the admission of third party service providers into the scheme).

Pension disputes IDRP

Formal notification of pension dispute resolutions to the complainant, together with any additional correspondence relating to the dispute.

Statutory returns and questionnaires

Statutory and various questionnaires that are received, requesting specific information in relation to the structure of the LBHF fund or the composition of the Fund.

Communication Policy (continued)

FURTHER INFORMATION

If you need more information about the Scheme you should contact Surrey County Council at the following address:

Surrey County Council

Pension Services (LBHF Team)
Surrey County Council
Room G59, County Hall
Penrhyn Road
Kingston upon Thames
Surrey KT1 2DN
Email: *myhelpdeskpensions@surreycc.gov.uk*

General enquiries and complaints:
Helpdesk: 0208 231 2802
General enquiries and complaints: 0208 541 9293

RETAINED HR TEAM

Pensions Manager
Hammersmith & Fulham Council
The Town Hall
King Street
London
W6 9JU
pensions@lbhf.gov.uk

Appendix 3. Funding Strategy Statement

INTRODUCTION

This is the Funding Strategy Statement for the London Borough of Hammersmith and Fulham Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes the London Borough of Hammersmith and Fulham's strategy, in its capacity as administering authority, for the funding of the London Borough of Hammersmith and Fulham Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (***Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition)*** issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

PURPOSE OF THE FUNDING STRATEGY STATEMENT

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as required by Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

AIMS AND PURPOSE OF THE FUND

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

FUNDING OBJECTIVES

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

KEY PARTIES

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is the London Borough of Hammersmith and Fulham. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and;
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and;
- Advise on other actuarial matters affecting the financial position of the Fund.

KEY PARTIES

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent valuation of the Fund was as at 31 March 2019. The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

FUNDING METHOD

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service).

These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

VALUATION ASSUMPTIONS AND FUNDING MODEL

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20-year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20-year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. A deduction of 1.0% p.a. is therefore made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

Funding Strategy Statement (continued)

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increase	CPI inflation + 1.0% p.a.
Discount rate	5.0% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received, and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

Further details of this can be found below in the Regulatory risks section.

At the time of drafting this FSS, it is still unclear how this will affect current and future LGPS benefits. As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than, the impact of reducing the discount rate assumption by 0.05%.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found here.

On 22 January 2018, the government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching SPA before 6 April 2021. HMT published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found here.

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

DEFICIT RECOVERY/SURPLUS AMORTISATION PERIODS

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 17 years. The adjustment will usually be set as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise a proportion of the surplus.

The deficit recovery period or amortisation period that is adopted, and the proportion of any surplus that is amortised, for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

POOLING OF INDIVIDUAL EMPLOYERS

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, academy employers are pooled for the purposes of determining contribution rates to recognise the common characteristics of these employers.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Pooling of other individual employers may be considered in exceptional circumstances if deemed appropriate by the administering authority and Fund Actuary.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

NEW EMPLOYERS JOINING THE FUND

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

ADMISSION BODIES

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically, these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

NEW ACADEMIES

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2019 valuation.

CESSATION VALUATIONS

When a Scheme employer exits the Fund and becomes an existing employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities are likely to be assessed on a "minimum risk" basis leading to a higher exit payment being required from (or lower exit credit being paid to) the employer, in order to extinguish their liabilities to the Fund and to reduce the risk of these liabilities needing to be met by other participating employers in future.

If it is agreed that another employer in the Fund will accept responsibility for the residual liabilities, then the assumptions adopted will be consistent with the current ongoing funding position, but additional prudence will be included in order to take potential uncertainties and risk into account e.g. due to market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefits obligations to the relevant members in future.

REGULATORY FACTORS

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

BULK TRANSFERS

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

LINKS WITH THE INVESTMENT STRATEGY STATEMENT (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Funding Strategy Statement (continued)

RISKS AND COUNTER MEASURES

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

FINANCIAL RISKS

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.1% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by around 2% and decrease/increase the required employer contribution by around 0.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

DEMOGRAPHIC RISKS

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase in the long-term rate of mortality improvement of 0.25% p.a. will increase the liabilities by around 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

The London Borough of Hammersmith and Fulham Council do not pay additional amounts to cover any strain costs arising from early retirements at the retirement date but instead allow for the additional liability at the next formal valuation and pay additional contributions to meet these strains as part of their secondary rate contributions. The Fund is comfortable with this approach due the strong covenant of the Council.

The administering authority is currently implementing an ill-health self-insurance pool within the Fund whereby a portion of all employers' contributions into the Fund are allocated to a segregated ill-health section of the Fund. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

MATURITY RISK

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

REGULATORY RISKS

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a predetermined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

At the time of drafting this FSS, it is not yet known what the effect on the current and future LGPS benefits will be.

CONSULTATION: LOCAL GOVERNMENT PENSION SCHEME: CHANGES TO THE LOCAL VALUATION CYCLE AND MANAGEMENT OF EMPLOYER RISK

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited. This FSS will be revisited once the outcome is known and reviewed where appropriate.

TIMING OF FUTURE ACTUARIAL VALUATIONS

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. These results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

MANAGING EMPLOYER EXITS FROM THE FUND

The consultation covers:

- Proposals for flexibility on exit payments. This includes:
  - Formally introducing into the Regulations the ability for the administering authority to allow an exiting employer to spread the required exit payment over a fixed period.
  - Allowing employers with no active employers to defer payment of an exit payment in return for an ongoing commitment to meeting their existing liabilities (deferred employer status).

- Proposals for further policy changes to exit credits. The proposed change would require the exiting employer's exposure to risk to be taken into account in calculating any exit credit due (for example a pass through employer who is not responsible for any pensions risk would likely not be due an exit credit if the amendments are made to the Regulations).

CHANGES TO EMPLOYERS REQUIRED TO OFFER LGPS MEMBERSHIP

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. This could impact on the level of maturity of the Fund and the cashflow profile for these employers. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

There are very few employers of this type currently participating in the Fund and so the risks are considered relatively low at present.

EMPLOYER RISKS

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required. In particular, the Fund regularly commissions an employer risk review from the Fund Actuary, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

GOVERNANCE RISKS

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued, then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

MONITORING AND REVIEW

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

Funding Strategy Statement (continued)

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Appendix 4. Investment Strategy Statement

PURPOSE OF THE INVESTMENT STRATEGY STATEMENT

This is the Investment Strategy Statement (ISS) adopted by the London Borough of Hammersmith & Fulham Pension Fund ("the Fund"), which is administered by the London Borough of Hammersmith & Fulham Council ("the Administering Authority").

Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the London Borough of Hammersmith & Fulham Pension Fund is required to publish this ISS. The regulations require administering authorities to outline how they meet each of the six objectives, aimed at improving the investment and governance processes of the Fund.

This statement addresses each of the objectives included in the 2016 Regulations:

a) A requirement to invest fund money in a wide range of instruments;
b) The authority's assessment of suitability of particular investments and types of investment;
c) The authority's approach to risk, including the way in which risks are to be measured and managed;
d) The authority's approach to pooling investments, including the use of collective investment vehicles;
e) The authority's policy on how environmental, social or governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The Pension Fund Sub-Committee ("the Sub-Committee") of the London Borough of Hammersmith & Fulham Pension Fund oversees the management of the Fund's assets. Although not trustees, the Members of the Sub-Committee owe a fiduciary duty similar to that of trustees to the council taxpayers, who ultimately have to meet any shortfall in the assets of the Fund, as well as to the contributors and beneficiaries of the Fund.

The relevant terms of reference for the Sub-Committee within the Council's Constitution are:

- To make all decisions under Regulations made pursuant to Sections 7, 12 or 24 of the Superannuation Act not otherwise falling to the Director of Finance to determine as set out in the officers' scheme of delegation.
- The consideration and approval of the authority statement of accounts and annual report in accordance with the relevant Accounts & Audit Regulations made from time to time.
- To receive and consider the Auditor's report on the governance of the Fund.
- To receive actuarial valuations of the Fund regarding the level of employers' contributions necessary to balance the Fund.
- To have responsibility for all aspects of the investment and other management activity of the Fund.
- To agree the investment strategy and strategic asset allocation having regard to the advice of the fund managers and the investment consultant.
- To monitor performance of the Pension Fund, individual fund managers, custodians, actuary and other external advisors to ensure that they remain suitable.
- To determine the Fund management arrangements, including the appointment and termination of the investment managers, actuary, custodians and fund advisers.
- To agree the Investment Strategy Statement, the Funding Strategy Statement, the Business Plan for the Fund, the Governance Policy Statement, the Communications Policy Statement and to ensure compliance with these.
- To oversee and approve any changes to the administrative arrangements, material contracts and policies and procedures of the Council for the payment of pensions, and allowances to beneficiaries.
- To make and review an admission policy relating to admission agreements generally with any admission body.

- To ensure compliance with all relevant statutes, regulations and best practice with both the public and private sectors.
- To review the arrangements and managers for the provision of Additional Voluntary Contributions for fund members.
- To determine any other investment or pension fund policies that may be required from time to time, so as to comply with Government regulations and to make any decisions in accordance with those policies.

The Sub-Committee has responsibility for:

- Determining an overall investment strategy and strategic asset allocation, with regard to diversification and the suitability of asset classes to the Fund.
- Appointing the investment managers, an independent custodian, the actuary, the investment advisor(s) and any other external consultants considered necessary.
- Reviewing on a regular basis the investment managers' performance against benchmarks, portfolio risk and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls.
- Monitoring compliance with the ISS & Funding Strategy Statement (FSS) and reviewing its contents.
- Reviewing social, environmental, governance (ESG) and ethical considerations policies, and the exercise of voting rights.

The Director of Finance, officers and the appointed consultants and actuaries support the Sub-Committee. The day-to-day management of the Fund's assets is delegated to the investment managers.

This ISS will be reviewed at least annually, or more frequently as required, in particular, following valuations, future asset/liability studies and performance reviews, which may indicate a need to change investment policy, or significant changes to the Funding Strategy Statement (FSS).

Under the previous Regulations the Statement of Investment Principles required administering authorities to state how they complied with the revised six investment principles as outlined within the CIPFA Pensions Panel Principles. Although not formally required under the 2016 Regulations, this information is given in Appendix A.

OBJECTIVE 7.2 (A) – A REQUIREMENT TO INVESTMENT FUND MONEY IN A WIDE RANGE OF INSTRUMENTS

Funding and investment risks are discussed in more detail later in this document. However, at this stage, it is important to state that the Sub-Committee is aware of the risks it runs within the Fund and the consequences associated with these risks.

In order to control risk, the Sub-Committee recognises that the Fund should have an investment strategy that has:

- Exposure to a diverse range of sources of return; such as the financial markets, the manager's skill and the use of alternative investments which are less liquid.
- A diverse range of investible asset classes.
- A diverse range of approaches to the management of the underlying assets.

This approach to diversification has seen the Fund dividing its assets into six broad categories as shown in the table below:

Asset Category	Asset Allocation	Review Range
Global Equities	**45.0%**	**+/- 3.0%**
Fixed Income	**22.5%**	**+/- 2.0%**
Global Bonds	10.0%	
Multi Asset Credit	7.5%	
Private Credit	5.0%	
Alternatives	**12.5%**	**+/- 0.5%**
Infrastructure	7.5%	
Illiquid Strategies	5.0%	
Inflation Protection	**10.0%**	**+/- 1.0%**
Multi-Asset	**5.0%**	**+/- 1.0%**
Property	**5.0%**	**+/- 1.0%**

It is important to note that within each category, the Fund's underlying investments are not concentrated to one particular sector, thereby providing further diversification benefits. The asset allocation is regularly reviewed and subject to change depending on the prevalent investment conditions.

The Sub-Committee is mainly concerned about ensuring the Fund's long-term ability to meet pension and other benefit obligations, as and when they fall due. To this end, the Sub-Committee places a high degree of importance on ensuring the expected return on the assets is sufficient to do so and does not have to rely on a level of risk which the Sub-Committee considers to be excessive.

The Sub-Committee regularly reviews both the performance and expected returns from the Fund's investments to measure whether it has met, and is likely to meet in the future, its return objectives. The Fund currently has a negative cash flow position. This means that the contributions paid in by active members are less than the pension obligations paid out on a monthly basis. The Sub-Committee regularly monitors the Fund's cash flow position and the impact investment income has towards mitigating this risk.

In addition to keeping its investment strategy and policy under regular review, the Sub-Committee will keep this ISS under review to ensure that it reflects the approaches being taken. At all times, the Sub-Committee takes the view that its investment decisions, including those involving diversification, are in the best long-term interest of the Fund's beneficiaries and seeks appropriate advice from investment advisors.

OBJECTIVE 7.2 (B) THE AUTHORITY'S ASSESSMENT OF THE SUITABILITY OF PARTICULAR INVESTMENTS AND TYPES OF INVESTMENT

When assessing the suitability of investments, the Fund considers several factors:

- Expected return
- Risk profile
- Market concentration
- Risk management qualities provided by the asset when the whole portfolio is considered
- Geographic and currency exposures
- The extent to which the management of the asset meet the Fund's ESG criteria

Suitability is a critical test for whether or not a particular investment should be made. Each of the Fund's investments has an individual performance benchmark, against which their reported performance is measured.

The Sub-Committee monitors the suitability of the Fund's assets on a quarterly basis. This includes the monitoring of investment returns and the volatility of the individual investments, together with the Fund's expected level of returns and acceptable risk. This latter point being to ensure that risks caused by interactions between investments within the portfolio are properly understood. When comparative statistics are available, the Sub-Committee will also compare the Fund asset performance with those of similar funds.

The Sub-Committee relies on external advice in relation to the collation of the statistics for review.

OBJECTIVE 7.2 (C) THE AUTHORITY'S APPROACH TO RISK, INCLUDING WAYS IN WHICH RISKS ARE TO BE MEASURED AND MANAGED

The Sub-Committee recognises that there are several risks involved in the investment of fund assets, which include:

Geopolitical and currency risks:

- are measured by the value assets (concentration risk) in any one market, leading to the risk of an adverse influence on investment values arising from political intervention; and
- are managed by regular reviews of the actual investments relative to policy and through regular assessment of levels of diversification.

Manager risk:

- is measured by the expected deviation of the prospective risk and return as set out in the manager(s) investment objectives, relative to the investment policy; and
- is managed by monitoring the actual deviation of returns relative to the objective and factors inherent in the manager(s) investment process.

Investment Strategy Statement (continued)

Solvency and mismatching risks:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies and;
- are managed by assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

Liquidity risk:

- is measured by the level of cash flow required over a specified period; and
- managed by assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment cash policy.

Custodial risk:

- Is measured by assessing the creditworthiness of the global custodian and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody.

Employer contributions are based upon financial and demographic assumption determined by the actuary. The main risks to the Fund are highlighted within the Funding Strategy Statement (FSS). The risks to the Fund are controlled in the following ways:

- the adoption and monitoring of asset allocation benchmarks, ranges and performance targets constrain the investment managers from deviating significantly from the intended approach while permitting the flexibility for managers to enhance returns.
- the appointment of more than one manager with different mandates and approaches provides for the diversification of manager risk.

The investment management agreements constrain the manager's actions in areas of particular risk and set out the respective responsibilities of both the manager and the Fund.

The Sub-Committee is aware that investment risk is only one aspect of the risks facing the Fund. The other key risk relates to the Fund's ability to meet the future liabilities, support the investment risk (i.e. the level of volatility of investment return) and underwrite actuarial risk, namely, the volatility in the actuarial funding position and the impact this has on contributions.

The Sub-Committee is of the view that the diversification of the Fund assets is sufficiently broad to ensure the investment risk is low and will continue to be low. When putting in place the investment strategy, the Sub-Committee carefully considers both the individual asset risk characteristics and those of the combined portfolio to ensure the risks are appropriate.

Estimating the likely volatility of future investment returns is difficult as it relies on both estimates of individual asset class returns and the correlation between them. These can be based on historic asset class information for some of the listed asset classes in which the Fund invests. However, for other private market and less liquid assets, it is much more difficult.

The Sub-Committee is mindful that correlations change over time and at time of stress, it can be significantly different from when they are in more benign market conditions.

To help manage risk, the Sub-Committee uses an external investment adviser to monitor the portfolio risk level. In addition, when carrying out their investment strategy review, the Sub-Committee can appoint different investment advisors to assess the level of risk involved.

The Fund targets a return of 5.0%, in line with the latest triennial actuarial valuation provided by the fund's actuary. This investment strategy is considered to have a low degree of volatility.

When reviewing the investment strategy on a quarterly basis, the Sub-Committee considers advice from their advisers and the need to take additional steps to protect the value of the assets that may arise or capitalise on opportunities if they are deemed suitable. In addition to this, the risk registers are also reviewed and updated on a quarterly basis.

At each review of the Investment Strategy Statement, the assumptions on risk and return, and their impact on asset allocation will be reviewed.

OBJECTIVE 7.2 (D) THE AUTHORITY'S APPROACH TO POOLING INVESTMENTS, INCLUDING THE USE OF COLLECTIVE INVESTMENT VEHICLES

The Fund recognises the Government's requirement for LGPS funds to pool their investments and is committed to pursuing a pooling solution that ensures maximum cost effectiveness for the Fund, both in terms of return and management cost. The Fund's pooling arrangements meet the criteria set out in the Local Government Pension Scheme: Investment Reform Criteria and Guidance.

The Fund is a member of the London Collective Investment Vehicle (CIV) and joined the asset pool as part of the Government's pooling agenda. The London CIV was launched in December 2015 by the 32 local authorities within London and has about £19.5 billion of assets under management, of which £8.8 billion is managed directly with 14 active funds as of 30 September 2019.

As at the 31st December 2019, the Fund had transitioned assets into the London CIV with a value of £788 million, equivalent to 71% of the fund's assets. The Fund continues to monitor the ongoing development of investment strategies available on the London CIV platform and will look to transition further assets as and when there are suitable investment strategies available on the platform that are compatible with the Fund's investment strategy and objectives.

The table below details the investment assets held by the Fund, the availability of similar mandates on the London CIV platform and how much of the assets are invested with the pool as at 31 December 2019:

Asset Category	Availability on LCIV	Investment with LCIV
Global Equities		
MSCI Low Carbon (LGIM)	Contract negotiated on behalf of LCIV Clients	£546.2m
Multi Asset		
LCIV Absolute Return (Ruffer)	Yes	£132.9m
Fixed Income		
LCIV Global Bonds (PIMCO)	Yes	£108.8m
Private Multi Asset Credit (Partners Group, Aberdeen Standard)	No	-
Multi Asset Credit (Oakhill)	No	-
Infrastructure		
Renewable Infrastructure (Aviva)	No	-
Global Infrastructure (Partners Group)	Yes	-
Inflation Strategies (M&G)	Yes	
Long Lease Property (Aberdeen Standard)	No	

The Fund has committed capital to alternative investment strategies such as property, infrastructure and illiquid debt. The cost of exiting these strategies early would present a material negative financial impact for the Fund. As such, the Fund will continue to hold these investments outside of the London CIV pooling structure to maturity, at which point, the Fund will assess the viability of making such investments within the pool, subject to availability and the Fund's asset allocation.

The Sub-Committee is aware that transitioning certain investment assets to the London CIV could incur significant costs. Whilst it is the expectation of the Fund to make use of the London CIV for the management of most of the Fund's assets in the longer term, the Sub-Committee recognises that transitioning from the current structure to the London CIV will be a protracted exercise spread over several years to ensure that unnecessary costs are not incurred.

The Fund reviews its investment strategy at least once every three years, an exercise which considers the suitability of each investment within the portfolio, including an assessment of transition and investment opportunities with the London CIV.

Governance structure of the London CIV

The London CIV is an authorised company by the Financial Conduct Authority (FCA), which was established by the London Local Authorities (LLAs) to provide a collaborative vehicle for pooling LGPS pension fund assets. The current Corporate Governance and Controls Framework was approved by London CIV shareholders in 2018. This framework details the governance arrangements for approving the London CIV's annual budget, business plan and objectives, governance structures and appointments, shareholder agreement and transparency of information and reporting.

The London CIV Company Board (the Board) comprises of an independent chair, seven non-executive directors (NEDs) of which two are nominated by the LLAs, three executive directors and the London CIV Treasurer. The Board has a duty to act in the best interests of the shareholders and have collective responsibility for:

- Strategy and oversight
- Budget and forward plans
- Performance reviews
- Major contracts and significant decisions, including decisions relating to funds
- Financial reporting and controls
- Compliance, risk and internal controls
- Governance and key policies

The London CIV has four committees responsible for investment oversight, audit and risk, remuneration and nominations and day to day operations of the company. These comprise of executive and non-executive members.

The role of the Investment Oversight Committee is to:

- Determine, maintain and monitor the company's investment strategy, investment performance and investment risks of the portfolios in accordance with the company's strategy and business plan.

The responsibilities of the Compliance, Audit and Risk Committee include:

- overseeing compliance obligations;
- developing and monitoring a risk management framework; and
- ensuring the integrity of financial statements and reporting.

The responsibilities of the Remuneration & Nomination Committee include:

- developing and monitoring a remuneration policy;
- overseeing the remuneration of key staff; and
- handling nominations and succession planning of key staff and board members.

The Executive Directors acting collectively as the Executive Committee have a number of specific delegated responsibilities for the day-to-day operations of the company, supported by the wider executive leadership team. The role of the Executive Committee in summary is to:

- execute board-approved strategic objectives and business plan in line with risk appetite and financial limits;
- identify, discuss and formulate effective solutions to address issues and opportunities facing the company;
- ensure the day-to-day operations meet the relevant legal requirements and compliance obligations of the company; and
- ensure the Board and Committee members receive timely, accurate and transparent management information and reporting to fulfil their duties and responsibilities.

The London CIV's Shareholder Committee is responsible for scrutinising the actions of the Board, reporting and transparency, consultation on the strategy and business plan, matters reserved to shareholders, responsible investment and emerging issues. The Shareholder Committee meets on a quarterly basis and comprises of 12 members, including Councillors and Treasurers from the LLAs.

The London CIV hosts an AGM on a semi-annual basis, to which all 32 members are invited. This allows members the opportunity to exercise shareholder power, approve the annual budget and hold the Board to account.

External independent oversight and assurance of the pool company is provided to the FCA, depositary, external auditors and the Ministry of Housing, Communities and Local Government (MHCLG).

OBJECTIVE 7.2 (E) HOW ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS ARE TAKEN INTO ACCOUNT IN THE SELECTION, NON-SELECTION AND RETENTION AND REALISATION OF INVESTMENTS

The Fund recognises environmental, social and governance (ESG) factors as central themes in measuring the sustainability and impact of its investment decisions. Failure to appropriately manage these factors is considered to be a key risk for the fund as this can have an adverse impact on the fund's overall investment performance, which ultimately affects the scheme members, employers and local council taxpayers.

The United Nations (UN) has established 17 Sustainable Development Goals (SDGs) as a blueprint to achieving a better and more sustainable future for all. These goals aim to address the challenges of tackling climate change, supporting industry, innovation and infrastructure, and investing in companies that are focused on playing a key role in building that sustainable future.

Whilst it might not be practical for any organisation to achieve all the SDGs solely by itself, the Fund has developed a Responsible Investment policy that targets several of the UN's SDGs that are aligned with the Fund's investment values.

The Fund, alongside its administering authority employer, has committed itself to achieving carbon neutrality by the year 2030. This commitment demonstrates the Fund's intention to act as a responsible investor and will increasingly play a fundamental role in fund's asset allocation and investment manager selection processes.

The Fund maintains a policy of engagement with all its stakeholders, including those operating in the investment industry. It is broadly recognised that in the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewables as the main source of energy production. The impact of this transition on the sustainability of investment returns will be continually assessed.

The Sub-Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that end, the Fund will continue to seek investments that match its pension liability profile, whilst having a positive impact on society. The Fund is of the view that greater impact can be achieved through active ownership and lobbying for firms to change and utilise their resources sustainably.

The Sub-Committee recognises that is has a fiduciary duty to act in the best interests of the scheme's members to ensure that their benefits are honoured in retirement. Such responsibility extends also to making a positive contribution to the long-term sustainability of the global environment. ESG integration into the Fund's investment decision processes aims to mitigate the associated investment risks, whilst enhancing investment returns for the Fund, thereby safeguarding members' futures.

Policy implementation – Selection process

The Sub-Committee delegates the individual investment selection decisions to it investment managers. In doing so, the Fund maintains a policy of non-interference with the day-to-day decision-making processes of the investment managers. However, as part of its investment manager appointment process, the Sub-Committee assesses the investment managers' abilities to integrate ESG factors into their investment selection process. This includes, but is not limited to:

- evidence of the existence of a responsible investment policy;
- evidence of ESG integration in the investment process;
- evidence of sign up to relevant responsible investment frameworks such as the United Nations Principles of Responsible Investment (UNPRI);
- commitment to addressing the challenges posed by climate change;
- a track record of actively engaging with stakeholders to influence best practice;
- an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made

As part of its investment manager selection process, the Sub-Committee will obtain proper advice from the Fund's internal and external advisers with the requisite knowledge and skills; this will be supplemented by regular training.

Investment Strategy Statement (continued)

Investment managers are expected to follow industry best practice and use their influence as major institutional investors and long-term stewards of capital to promote best practice in the companies/projects in which they invest. Investable companies will be expected to comply with all the applicable laws and regulations in their respective markets as a minimum.

Policy Implementation – Ongoing engagement

Whilst it is still quite difficult to quantify the impact of the less tangible non-financial factors on the economic performance of an organisation, this is an area that continues to see significant improvements. Several benchmarks and disclosure frameworks exist to measure the difference aspects of available ESG data which includes carbon emissions, diversity on company boards and social impact. It is apparent that poor scoring on these ESG factors can have an adverse impact on an organisation's financial performance. It is therefore important for the appointed investment managers to effectively assess the impact such factors may have on the underlying investments.

The Fund's officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including ESG considerations. This can be implemented in several forms which include but are not limited to:

- regular meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;
- reviewing reports issued by investment managers and challenging performance where appropriate;
- working with investment managers to establish appropriate ESG reporting and disclosures in line with pension fund's objectives;
- contribution to various working groups that seek to positively influence the reporting of industry standards on ESG metrics;
- actively contributing to the efforts of engagement groups such as the Local Authority Pension Fund Forum (LAPFF), of which the fund is a member.

The Fund's officers will work closely with the London CIV (through which the Fund will increasingly invest) in developing and monitoring its internal frameworks and policies on all issues which could present a material financial risk to the long-term performance of the Fund. This will include the London CIV's ESG frameworks and policies for investment analysis and decision making.

Fund officers will report on the Fund's investment performance, including an update on the ongoing ESG performance, to the Sub-Committee at least once every quarter. This will include a review into the Fund's progress towards achieving its ESG targets.

In preparing and reviewing its Investment Strategy Statement, the Fund will consult with the relevant stakeholders including, but not limited to:

- pension fund employers;
- local pension board;
- advisers/consultants to the fund;
- investment managers.

Policy Implementation - Training

The Sub-Committee and the Fund's officers will receive regular training on responsible investment. A review of training requirements and needs will be carried out at least annually. Training is intended to cover the latest updates in legislation and regulations, as well as best practice with regards to ESG integration into the Fund's investment process.

OBJECTIVE 7.2 (F) THE EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHED TO INVESTMENTS

The Fund recognises the importance of its role as good stewards of capital and the need to ensure the highest standards of governance, promoting corporate responsibility in the underlying companies in which it holds its investments. The Sub-Committee has delegated the Fund's voting rights to its investment managers who are required and expected, where practical, to make considered use of voting in the interests of the Fund.

Investment Strategy Statement (continued)

Through its participation as a member of the London CIV, the Fund continues to work closely with other LGPS funds in London to enhance the level of engagement with both the investment managers and the underlying companies in which it invests.

The Fund is a member of the LAPFF, a leading collaborative shareholder engagement group in the UK. The LAPFF regularly issues voting alerts to investment managers on behalf of its members. Investment managers are encouraged to vote in accordance with these alerts where possible or provide an explanation as to why they are unable to do so. The Fund's membership in the LAPFF and the Pensions and Lifetime Savings Association (PSLA) helps in magnifying the voice and influence of pension fund assets owners.

Feedback on this statement

Any feedback on this Investment Statement is welcomed. If you have any comments or wish to discuss any issues, please contact:

Tri-Borough Pensions Team

pensionfund@lbhf.gov.uk

COMPLIANCE WITH CIPFA PENSIONS PANELS PRINCIPLES

DECISION MAKING

Regulation 12(3) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires an administering authority to report on its compliance with the six Myners' Principles, in accordance with guidance given by the Secretary of State. The guidance for the Local Government Pension Scheme is set out in the CIPFA publication "*Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012*".

The Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is therefore important for the Fund to demonstrate how it meets principles and intends to achieve best practice.

The Secretary of State has previously highlighted the principle contained in Roberts v. Hopwood, for pension funds whose administering bodies exercise their duties and powers under regulations governing the investment and management of funds:

> "A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of others".

The Myners' Principles are widely accepted to be in support of this approach. The principles, together with the Fund's position on compliance, are set out below.

PRINCIPLE 1 – EFFECTIVE DECISION MAKING

Administrating authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge advice and resources necessary to make them effectively and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive whilst also managing any conflicts of interest.

Full compliance

The Hammersmith & Fulham Council (the Council) has delegated the management and administration of the Fund to the Pension Fund Sub-Committee (the Sub-Committee). The Sub-Committee meets at least quarterly. The responsibilities of the Sub-Committee are described in section 1 of the Investment Strategy Statement (ISS).

The Sub-Committee is made up of elected members of the Council who each have voting rights. Representatives from the admitted and scheduled bodies, as well as the trade unions may attend as observers.

The Sub-Committee obtains and considers advices from the Fund's officers, appointed actuary, investment managers and advisors. Investment managers are appointed in accordance with the scheme's regulations and the scope of their activities are specified in detailed investment management agreements and regularly monitored. Business plans are presented to the Sub-Committee annually and progress is monitored on a quarterly basis.

Several of the Sub-Committee members have extensive experience of dealing with investment matters and training is made available to new members when they are appointed to the committee.

PRINCIPLE 2 – CLEAR OBJECTIVES

The Fund should set investment objectives that consider the following factors:

- the funds overall pension liabilities
- the potential impact of investment risks on local council tax players
- the strength of the covenant for non-local authority employers
- the attitude towards risk of both the administering authority and the scheme employers

These should be clearly communicated to advisors and investment managers.

Full compliance

The aims and objectives of the Fund are set out within the Funding Strategy Statement and the Investment Strategy Statement. The main objective of the fund is to meet the cost of pension liabilities whilst minimising the fluctuations in the employer contribution rates, thereby keeping costs to taxpayers and admitted bodies at a reasonable level.

In order to ensure that the Fund's assets are sufficient to meeting its short-term and long-term pension liabilities, the Fund's investment strategy has been set to include a combination of income yielding and growth assets. The Fund's investment performance is measured against this objective on a quarterly basis. The Fund's investment strategy is also reviewed regularly.

PRINCIPLE 3 – RISK AND LIABILITIES

The Fund should consider the form and structure of its liabilities. This includes:

- the implications for local council taxpayers;
- the strength of the covenant for non-local authority employers;
- the risk of their default; and
- longevity risk.

Full compliance

The Sub-Committee, in conjunction with its advisers, agrees an investment strategy that is appropriate to meet the Fund's liabilities. A fund actuarial valuation is carried out every three years, with the most recent triennial valuation having been conducted in 2019. The investment strategy is designed to be well diversified, achieving the optimal risk adjusted return for the Fund.

An appropriate asset allocation has been agreed, which aims maximise the potential to close the funding deficit over future years. This is included as an appendix to the ISS.

PRINCIPLE 4 – PERFORMANCE ASSESSMENT

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors. Administering authorities should periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to the scheme members.

Full compliance

The Sub-Committee has appointed investment managers with clear index strategic benchmarks as a means of monitoring the investment manager's skill. Investment managers are held accountable to any under performance against the appropriate agreed upon benchmark.

Manager performance is monitored on a quarterly basis and independent detailed monitoring of the Fund's investments is carried out by the Fund's investment adviser and custodian. Portfolio risk is measured on a quarterly basis and the risk/return implications of the different strategic options are fully evaluated.

The investment adviser is assessed on the appropriateness of the quality of the advice given which include the asset allocation recommendations and the performance of the funds on their rated list. The actuary is assessed on the quality and consistency of the actuarial advice received. Both the advisor and the actuary have fixed term contracts which when expired are tendered for under the Official Journal of the European Union (OJEU) procedures.

PRINCIPLE 5 – RESPONSIBLE OWNERSHIP

Administering authorities should:

- adopt, or ensure their investment managers adopt, the Institutional Shareholders Committee Statement of Principles on the responsibilities of shareholders and agents.
- include a statement of their policy on responsible ownership in the statement of investment principles.
- report periodically to scheme members on the discharge of such responsibilities.

Full compliance

The Fund is committed to making full use of its shareholder rights. The approach used is outlined in Section 7 of the ISS. Authority has been delegated to investment managers to exercise voting rights on behalf of the Fund. Investment managers are required to report how they have voted in their quarterly reports.

The Fund intends on using its influence as a shareholder to promote corporate social responsibility and high standards of corporate governance in the companies in which it invests. The Fund's approach to this is outline in the ISS.

PRINCIPLE 6 – TRANSPARENCY AND REPORTING

Administering authorities should:

- act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks including performance against stated objectives.
- provide regular communications to scheme members in the form they consider most appropriate.

Full compliance

The Fund publishes an annual report each year which communicates the Fund's strategy and performance to stakeholders. Copies of the Investment Strategy Statement, Funding Strategy Statement and other policy documents are also made publicly available online on the Council's website.

All Pension Fund Sub-Committee meetings are open to members of the public, and agendas and minutes are also published on the Council's website.

COMPLIANCE WITH THE STEWARDSHIP CODE

The Stewardship Code is a set of principles or guidelines released in 2010 and updated in 2020 by the Financial Reporting Council (FRC), directed at institutional investors who hold rights in United Kingdom companies. Its principal aim is to make shareholders who manage other people's money actively engage in corporate governance in the interests of their beneficiaries.

The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so. The Committee has not formally adopted the latest version of the Stewardship Code, however, expects any directly appointed fund managers and the pool company (London CIV, in this Fund's case) to comply and this is monitored on an annual basis.

Investment Strategy Statement: Appendix B

London Borough of Hammersmith and Fulham Pension Fund Risk Register - Administration Risk													
Risk Group	Risk Ref.	Movement	Risk Description	Impact				Likelihood	Total risk score	Mitigation actions	Revised likelihood	Total risk score	Reviewed on
				Fund	Employers	Reputation	Total						
Admin	1	1	The Pension Fund is recruiting for a brand new retained HR and Pensions administration team, with finding candidates for all postiions likely to be a challenge. At the Same time the Pension Fund is transferring its Pension Fund Administration service from Surrey County Council, to the Local Pensions Parternship.	4	3	3	10	5	**50**	TREAT 1) A task force of key stakeholders has been assembled. Officers to feed into the internal processes necessary for the setup of an effective retained pensions team 2) Recruitment is underway for the the retained team 3) Officers to receive a handover pack from the departing RBKC retained pensions team. 4) Members have chosen the new service provider as the London Pensions Partnership, with a project team established to manage the transition.	3	**30**	22/02/2021
Admin	2		COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds.	2	4	3	9	3	**27**	**TOLERATE** 1) The Pensions Administration team have shifted to working from home 2) The administrators have prioritised death benefits, retirements including ill health and refunds. If there is any spare capacity the administrators will prioritise transfers and divorce cases. 3) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home.	3	**27**	22/02/2021
Admin	3	1	Administrators do not have sufficient staff or skills to manage the service leading to poor performance and complaints. Service may deteriorate due to the contract ending at the end of 2021.	1	3	3	7	4	**28**	**TOLERATE** 1) Officers to continue monitor the ongoing staffing changes at Surrey CC. 2) Ongoing monitoring of contract and KPIs	3	**21**	22/02/2021
Admin	4		Structural changes in an employer's membership or an employer fully/partially closing the scheme. Employer bodies transferring out of the pension fund or employer bodies closing to new membership. An employer ceases to exist with insufficient funding or adequacy of bond placement.	5	3	1	9	3	**27**	**TREAT** 1) Administering Authority actively monitors prospective changes in membership. 2) Maintain knowledge of employer future plans. 3) Contributions rates and deficit recovery periods set to reflect the strength of the employer covenant. 4) Periodic reviews of the covenant strength of employers are undertaken and indemnity applied where appropriate. 5) Risk categorisation of employers planned to be part of 2019 actuarial valuation. 6) Monitoring of gilt yields for assessment of pensions deficit on a termination basis.	2	**18**	22/02/2021
Admin	5		Failure of fund manager or other service provider without notice resulting in a period of time without the service being provided or an alternative needing to be quickly identified and put in place.	5	2	2	9	2	**18**	**TREAT** 1) Contract monitoring in place with all providers. 2) Procurement team send alerts whenever credit scoring for any provider changes for follow up action. 3). Officers to take advice from the investment advisor on fund manager ratings and monitoring investment	2	**18**	22/02/2021
Admin	6		Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	3	7	3	**21**	**TREAT** 1) Process notes are in place. 2) Development of team members and succession planning improvements to be implemented. 3) Officers and members of the Pension Fund Committee will be mindful of the proposed CIPFA Knowledge and Skills Framework when setting objectives and establishing training needs.	2	**14**	22/02/2021

Admin	7		Incorrect data due to employer error, user error or historic error leads to service disruption, inefficiency and conservative actuarial assumptions.	4	4	3	11	2	**22**	**TREAT** 1) Update and enforce admin strategy to assure employer reporting compliance. 2) Implementation and monitoring of a Data Improvement Plan as part of the Service Specification between the Fund and Orbis. **TOLERATE** 1) Northern Trust provides 3rd party validation of performance and valuation data. Admin team and members can interrogate data to ensure accuracy.	1	**11**	22/02/2021
Admin	8		Loss of funds through fraud or misappropriation leading to negative impact on reputation of the Fund as well as financial loss.	3	2	5	10	2	**20**	**TREAT** 1) Third parties regulated by the FCA and separation of duties and independent reconciliation processes are in place. 2) Review of third party internal control reports. 3) Regular reconciliations of pensions payments undertaken by Pension Finance Team. 4) Periodic internal audits of Pensions Finance and HR Teams.	1	**10**	22/02/2021
Admin	9		Non-compliance with regulation changes relating to the pension scheme or data protection leads to fines, penalties and damage to reputation.	3	3	2	8	2	**16**	**TREAT** 1) The Fund has generally good internal controls regarding the management of the Fund. These controls are assessed on an annual basis by internal and external audit as well as council officers. 2) Through strong governance arrangements and the active reporting of issues, the Fund will seek to report all breaches as soon as they occur in order to allow mitigating actions to take place to limit the impact of any breaches.	1	**8**	22/02/2021
Admin	10		Failure of financial system leading to lump sum payments to scheme members and supplier payments not being made and Fund accounting not being possible.	1	3	4	8	2	**16**	**TREAT** 1) Contract in place with HCC to provide service, enabling smooth processing of supplier payments. 2) Process in place for Surrey CC to generate lump sum payments to members as they are due. 3) Officers undertaking additional testing and reconciliation work to verify accounting transactions.	1	**8**	22/02/2021
Admin	11		Inability to respond to a significant event leads to prolonged service disruption and damage to reputation.	1	2	5	8	2	**16**	**TREAT** 1) Disaster recovery plan in place as part of the service specification between the Fund and Surrey County Council 2) Ensure system security and data security is in place 3) Business continuity plans regularly reviewed, communicated and tested 4) Internal control mechanisms ensure safe custody and security of LGPS assets. 5) Gain assurance from the Fund's custodian, Northern Trust, regarding their cyber security compliance.	1	**8**	22/02/2021
Admin	12		Poor reconciliation process leads to incorrect contributions.	2	1	1	4	3	**12**	**TREAT** 1) Reconciliation is undertaken by the pension fund team. Officers to ensure that reconciliation process notes are understood and applied correctly the team. 2) Ensure that the Pension Fund team is adequately resourced to manage the reconciliation process.	2	**8**	22/02/2021
Admin	13		Failure of pension payroll system resulting in pensioners not being paid in a timely manner.	1	2	4	7	2	14	**TREAT** 1) In the event of a pension payroll failure, we would consider submitting the previous months BACS file to pay pensioners a second time if a file could not be recovered by the pension administrators and our software suppliers.	1	**7**	22/02/2021
Admin	14		Failure to detect material errors in bank reconciliation process.	2	2	2	6	2	**12**	**TREAT** 1) Pensions team to continue to work closely with staff at HCC to smooth over any teething problems relating to the newly agreed reconciliation process.	1	**6**	22/02/2021

Admin	15		Failure to pay pension benefits accurately leading to under or over payments.	2	2	2	6	2	**12**	**TREAT** 1) There are occasional circumstances where under/over payments are identified. Where underpayments occur, arrears are paid as soon as possible, usually in the next monthly pension payment. Where an overpayment occurs, the member is contacted, and the pension corrected in the next month. Repayment is requested and sometimes this is collected over several months.	1	**6**	22/02/2021
Admin	16		Unstructured training leads to under developed workforce resulting in inefficiency.	2	2	2	6	2	**12**	**TREAT** 1) Implementation and monitoring of a Staff Training and Competency Plan as part of the Service Specification between the Fund and Surrey County Council. 2) Officers regularly attend training seminars and conferences 3) Designated officer in place to record and organise training sessions for officers and members	1	**6**	22/02/2021
Admin	17		Failure of pension administration system resulting in loss of records and incorrect pension benefits being paid or delays to payment.	1	1	1	3	3	**9**	**TREAT** 1) Pension administration records are stored on the Surrey CC servers who have a disaster recovery system in place and records should be restored within 24 hours of any issue. 2) All files are backed up daily.	2	**6**	22/02/2021
Admin	18		Failure to identify GMP liability leads to ongoing costs for the pension fund.	3	2	1	6	1	**6**	**TREAT** 1) GMP to be identified as a Project as part of the Service Specification between the Fund and Surrey County Council.	1	**6**	22/02/2021
Admin	19		Lack of guidance and process notes leads to inefficiency and errors.	2	2	1	5	2	**10**	**TREAT** 1) The team will continue to ensure process notes are updated and circulated amongst colleagues in the Pension Fund and Administration teams.	1	**5**	22/02/2021
Admin	20		Lack of productivity leads to impaired performance.	2	2	1	5	2	**10**	**TREAT** 1) Regular appraisals with focused objectives for pension fund and admin staff.	1	**5**	22/02/2021
Admin	21		Rise in ill health retirements impact employer organisations.	2	2	1	5	2	**10**	**TREAT** 1) Engage with actuary re assumptions in contribution rates.	1	**5**	22/02/2021
Admin	22		Rise in discretionary ill-health retirements claims adversely affecting self-insurance costs.	2	2	1	5	2	**10**	**TREAT** 1) Pension Fund monitors ill health retirement awards which contradict IRMP recommendations.	1	**5**	22/02/2021

London Borough of Hammersmith & Fulham Pension Fund Risk Register - Investment Risk										
Risk Group	Risk Ref.	Movement	Risk Description	Impact Total	Likelihood	Total risk score	Mitigation actions	Revised Likelihood	Net risk score	Reviewed on
Investment	1	↔	The global outbreak of COVID-19 poses economic uncertainty across the global investment markets. Valuations of illiquid assets such as property and infrastructure are increasingly difficult to determine.	11	4	44	**TREAT** 1) Officers will continue to monitor the impact lockdown measures have on the fund's underlying investments and the wider economic environment 2) The Fund will continue to review its asset allocation and make any changes when necessary 3) The Fund holds a well diversified portfolio, which should reduce the downside risks of adverse stock market movements.	3	33	10/09/2020
Investment	2	↑	Significant volatility and negative sentiment in global investment markets following disruptive geopolitical and economic uncertainty	10	4	40	**TREAT** 1) Continued dialogue with investment managers regarding management of political risk in global developed markets. 2) Investment strategy integrates portfolio diversification and risk management. 3) The Fund alongside its investment consultant continually reviews its investment strategy in different asset classes.	3	30	10/09/2020
Funding	3	↑	Price inflation is significantly more than anticipated in the actuarial assumptions: an increase in CPI inflation by 0.1% over the assumed rate will increase the liability valuation by upwards of 1.7%.	10	4	40	**TREAT** 1) The fund holds investment in index-linked bonds (RPI protection which is higher than CPI) and other real assets to mitigate CPI risk. Moreover, equities will also provide a degree of inflation protection. 2) Officers continue to monitor the increases in CPI inflation on an ongoing basis.	3	30	10/09/2020
Investment	4	↑	Volatility caused by uncertainty regarding the withdrawal of the UK from the European Union, including the failure to agree to a trade deal and the economic fallout after the transition period at the end of 2020.	9	3	27	TREAT 1) Officers to consult and engage with advisors and investment managers. 2) Possibility of hedging currency and equity index movements. 3) The UK exited the EU on 31 January 2020, there is now a transition period until the end of 2020. During this time current rules on trade, travel and business for the UK and EU will apply.	3	27	10/09/2020
Funding	5	↑	There is insufficient cash available to the Fund to meet pension payments due to reduced income generated from underlying investments, leading to investment assets being sold at sub-optimal prices to meet pension obligations.	12	3	36	**TREAT** 1) Cashflow forecast maintained and monitored. Cashflow position reported to sub-committee quarterly. 2) The Fund receives quarterly income distributions from some of its investments to help meet its short term pensions obligations. 3) The fund will review the income it receives from underlying investments and make suitable investments to meet its target income requirements.	2	24	10/09/2020

Governance	6		The London Collective Investment Vehicle (LCIV) disbands or the partnership fails to produce proposals/solutions deemed sufficiently ambitious.	12	2	**24**	**TORELATE** 1) Partners for the pool have similar expertise and like-mindedness of the officers and members involved with the fund, ensuring compliance with the pooling requirements. 2) Monitor the ongoing fund and pool proposals are comprehensive and meet government objectives. 3) The LCIV has recently bolstered its investment team with the successful recruitment of a permanent CIO, Head of Responsible Investment & Client Relations Director. 4)Fund representation on key officer groups.	2	**24**	10/09/2020
Investment	7		Investment managers fail to achieve benchmark/ outperformance targets over the longer term: a shortfall of 0.1% on the investment target will result in an annual impact of £1.1m.	11	3	**33**	**TREAT** 1) The Investment Management Agreements (IMAs)clearly state LBHF's expectations in terms of investment performance targets. 2) Investment manager performance is reviewed on a quarterly basis. 3) The Pension Fund Committee is positioned to move quickly if it is felt that targets will not be achieved. 4) Portfolio rebalancing is considered on a regular basis by the Pension Fund Committee. 5) The Fund's investment management structure is highly diversified, which lessens the impact of manager risk compared with less diversified structures.	2	**22**	10/09/2020
Funding	8		Scheme members live longer than expected leading to higher than expected liabilities.	11	2	**22**	**TOLERATE** 1)The scheme's liability is reviewed at each triennial valuation and the actuary's assumptions are challenged as required. 2)The actuary's most recent longevity analysis has shown that the rate of increase in life expectancy is slowing down.	2	**22**	10/09/2020
Funding	9		Employee pay increases are significantly more than anticipated for employers within the Fund.	10	2	**20**	**TOLERATE** 1) Fund employers continue to monitor own experience. 2) Assumptions made on pay and price inflation (for the purposes of IAS19/FRS102 and actuarial valuations) should be long term assumptions. Any employer specific assumptions above the actuary's long term assumption would lead to further review. 3) Employers to made aware of generic impact that salary increases can have upon the final salary linked elements of LGPS benefits (accrued benefits before 1 April 2014).	2	**20**	10/09/2020

Investment	10		Global investment markets fail to perform in line with expectations leading to deterioration in funding levels and increased contribution requirements from employers.	10	3	30	**TREAT** 1) Proportion of total asset allocation made up of equities, fixed income, property funds and other alternative asset funds, limiting exposure to one asset category. 2) The investment strategy is continuously monitored and periodically reviewed to ensure optimal risk asset allocation. 3) Actuarial valuation and strategy review take place every three years post the actuarial valuation. 4) IAS19 data is received annually and provides an early warning of any potential problems. 5) The actuarial assumption regarding asset outperformance is regarded as achievable over the long term when compared with historical data	2	20	10/09/2020
Governance	11		Implementation of proposed changes to the LGPS (pooling) does not conform to plan or cannot be achieved within laid down timescales	6	3	18	**TOLERATE** 1) Officers consult and engage with MHCLG, LGPS Scheme Advisory Board, advisors, consultants, peers, various seminars and conferences. 2) Officers engage in early planning for implementation against agreed deadlines. 3) Uncertainty surrounding new MHCLG guidance	3	18	10/09/2020
Governance	12		London CIV has inadequate resources to monitor the implementation of investment strategy and as a consequence are unable to address underachieving fund managers.	8	3	24	**TREAT** 1) Tri-Borough Director of Treasury & Pensions is a member of the officer Investment Advisory Committee which gives the Fund influence over the work carried out by the London CIV. 2) Officers continue to monitor the ongoing staffing issues and the quality of the performance reporting provided by the London CIV.	2	16	10/09/2020
Funding	13		Impact of economic and political decisions on the Pension Fund’s employer workforce.	8	2	16	**TOLERATE** 1) Barnet Waddingham uses prudent assumptions on future of employees within workforce. 2) Employer responsibility to flag up potential for major bulk transfers outside of the LBHF Fund. 3) Officers to monitor the potential for a significant reduction in the workforce as a result of the public sector financial pressures.	2	16	10/09/2020
Funding	14		Ill health costs may exceed “budget” allocations made by the actuary resulting in higher than expected liabilities particularly for smaller employers.	7	2	14	**TOLERATE** 1) Review “budgets” at each triennial valuation and challenge actuary as required. 2)Charge capital cost of ill health retirements to admitted bodies at the time of occurring. 3)Occupational health services provided by the Council and other large employers to address potential ill health issues early.	2	14	10/09/2020

Funding	15		Impact of increases to employer contributions following the actuarial valuation	13	2	**26**	**TREAT** 1) Officers to consult and engage with employer organisations in conjunction with the actuary. 2) Actuary will assist where appropriate with stabilisation and phasing in processes.	1	**13**	10/09/2020
Governance	16		Failure to take difficult decisions inhibits effective Fund management	12	2	**24**	**TREAT** 1) Officers ensure that governance process encourages decision making on objective empirical evidence rather than emotion. 2)Officers ensure that the basis of decision making is grounded in the Investment Strategy Statement (ISS), Funding Strategy Statement (FSS), Governance Policy statement and Committee Terms of Reference and that appropriate expert advice is sought.	1	**12**	10/09/2020
Governance	17		Changes to LGPS Regulations	6	3	**18**	**TREAT** 1) Fundamental change to LGPS Regulations implemented from 1 April 2014 (change from final salary to CARE scheme). 2) Future impacts on employer contributions and cash flows will considered during the 2019 actuarial valuation process. 3) Fund will respond to several ongoing consultation processes. 4) Impact of LGPS (Management of Funds) Regulations 2016 to be monitored. Impact of Regulations 8 (compulsory pooling) to be monitored.	2	**12**	10/09/2020
Investment	18		Failure to keep up with the pace of change regarding economic, policy, market and technology trends relating to climate change	6	3	**18**	**TREAT** 1) Officers regularly receive updates on the latest ESG policy developments from the fund managers. 2) The Pensions Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which engages with companies on a variety of ESG issues including climate change.	2	**12**	10/09/2020
Governance	19		Failure by the audit committee to perform its governance, assurance and risk management duties	6	3	**18**	**TREAT** 1) Audit Committee performs a statutory requirement for the Pension Fund with the Pension Sub-Committee being a sub-committee of the audit committee. 2) Audit Committee meets regularly where governance issues are regularly tabled.	2	**12**	10/09/2020

Operational	20		Insufficient attention paid to environmental, social and governance (ESG) issues, leading to reputational damage. The Council declared a climate emergency in July 2019, the full impact of this decision is uncertain.	6	3	**18**	**TREAT** 1) Review ISS in relation to published best practice (e.g. Stewardship Code, Responsible Investment Statement) 2) The Fund currently holds investments all it passive equities in a low carbon tracker fund, and is invested in renewable infrastructure. 3) The Fund's actively invests in companies that are contributing to global sustainability through its Global Core Equity investment 4) The Fund has updated its ESG Policy and continues to review its Responsible Investment Policy 5) The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), which raises awareness of ESG issues and facilitates engagement with fund managers and corporate company directors.	2	**12**	10/09/2020
Funding	21		Mismatching of assets and liabilities, inappropriate long-term asset allocation or investment strategy, mistiming of investment strategy	11	2	**22**	**TREAT** 1) Active investment strategy and asset allocation monitoring from Pension Fund Committee, officers and consultants. 2) Officers, alongside the Fund's advisor, set fund specific benchmarks relevant to the current position of fund liabilities. 3) Fund manager targets set and based on market benchmarks or absolute return measures.	1	**11**	10/09/2020
Investment	22		Financial loss of cash investments from fraudulent activity	11	2	**22**	**TREAT** 1) Policies and procedures are in place which are regularly reviewed to ensure risk of investment loss is minimised. 2) Strong governance arrangements and internal control are in place in respect of the Pension Fund. Internal audit assist in the implementation of strong internal controls. 3)Fund Managers have to provide annual SSAE16 and ISAE3402 or similar documentation (statement of internal controls).	1	**11**	10/09/2020
Operational	23		Failure to hold personal data securely in breach of General Data Protection Regulation (GDPR) legislation.	11	2	**22**	**TREAT** 1) Data encryption technology is in place which allow the secure transmission of data to external service providers. 2) LBHF IT data security policy adhered to. 3) Implementation of GDPR	1	**11**	10/09/2020
Governance	24		Failure to comply with legislation leads to ultra vires actions resulting in financial loss and/or reputational damage.	11	2	**22**	**TREAT** 1) Officers maintain knowledge of legal framework for routine decisions. 2)Eversheds retained for consultation on non-routine matters.	1	**11**	10/09/2020

Funding	25		Failure of an admitted or scheduled body leads to unpaid liabilities being left in the Fund to be met by others.	11	2	**22**	**TREAT** 1) Transferee admission bodies required to have bonds in place at time of signing the admission agreement. 2) Regular monitoring of employers and follow up of expiring bonds.	1	**11**	10/09/2020
Governance	26		Inadequate, inappropriate or incomplete investment or actuarial advice is actioned leading to a financial loss or breach of legislation.	10	2	**20**	**TREAT** 1) At time of appointment, the Fund ensures advisers have appropriate professional qualifications and quality assurance procedures in place. 2) Committee and officers scrutinise, and challenge advice provided routinely.	1	**10**	10/09/2020
Operational	27		Financial failure of third party supplier results in service impairment and financial loss.	10	2	**20**	**TREAT** 1) Performance of third party suppliers regularly monitored. 2) Regular meetings and conversations with global custodian (Northern Trust) take place. 3) Actuarial and investment consultancies are provided by two different providers.	1	**10**	10/09/2020
Investment	28		Failure of global custodian or counterparty.	10	2	**20**	**TREAT** 1)At time of appointment, ensure assets are separately registered and segregated by owner. 2)Review of internal control reports on an annual basis. 3)Credit rating kept under review.	1	**10**	10/09/2020
Operational	29		Financial failure of a fund manager leads to value reduction, increased costs and impairment.	10	2	**20**	**TREAT** 1) Adequate contract management and review activities are in place. 2) Fund has processes in place to appoint alternative suppliers at similar price, in the event of a failure. 3) Fund commissions the services of Legal & General Investment Management (LGIM) as transition manager. 4) Fund has the services of the London CIV.	1	**10**	10/09/2020
Governance	30		Officers do not have appropriate skills and knowledge to perform their roles resulting in the service not being provided in line with best practice and legal requirements. Succession planning is not in place leading to reduction of knowledge when an officer leaves.	10	2	**20**	**TREAT** 1) Person specifications are used at recruitment to appoint officers with relevant skills and experience. 2) Training plans are in place for all officers as part of the performance appraisal arrangements. 3) Shared service nature of the pensions team provides resilience and sharing of knowledge. 4) Officers maintain their CPD by attending training events and conferences.	1	**10**	10/09/2020

Governance	31	↔	Failure to comply with legislative requirements e.g. ISS, FSS, Governance Policy, Freedom of Information requests	10	2	**20**	**TREAT** 1) Publication of all documents on external website. 2) Officers expected to comply with ISS and investment manager agreements. 3) Local Pension Board is an independent scrutiny and assistance function. 4) Annual audit reviews.	1	**10**	10/09/2020
Operational	32	↔	Inaccurate information in public domain leads to damage to reputation and loss of confidence	5	3	**15**	**TREAT** 1) Ensure that all requests for information (Freedom of Information, member and public questions at Council, etc) are managed appropriately and that Part 2 Exempt items remain so. 2) Maintain constructive relationships with employer bodies to ensure that news is well managed.	2	**10**	10/09/2020
Funding	33	↓	Changes to LGPS Scheme moving from Defined Benefit to Defined Contribution	10	1	**10**	**TOLERATE** 1) Political power required to effect the change.	1	**10**	10/09/2020
Funding	34	↓	Transfers out of the scheme increase significantly due to members transferring their pensions to DC funds to access cash through new pension freedoms.	10	1	**10**	**TOLERATE** 1) Monitor numbers and values of transfers out being processed. If required, commission transfer value report from Fund Actuary for application to Treasury for reduction in transfer values. 2) Evidence has shown that members have not been transferring out of the CARE scheme at the previously anticipated rates.	1	**10**	10/09/2020
Funding	35	↔	Scheme matures more quickly than expected due to public sector spending cuts, resulting in contributions reducing and pension payments increasing.	9	2	**18**	**TREAT** 1) Review maturity of scheme at each triennial valuation. 2)Deficit contributions specified as lump sums, rather than percentage of payroll to maintain monetary value of contributions. 3) Cashflow position monitored monthly.	1	**9**	10/09/2020
Governance	36	↔	Committee members do not have appropriate skills or knowledge to discharge their responsibility leading to inappropriate decisions.	9	2	**18**	**TREAT** 1) External professional advice is sought where required. Knowledge and skills policy in place (subject to Committee Approval)	1	**9**	10/09/2020
Governance	37	↔	Failure to comply with recommendations from the Local Pension Board, resulting in the matter being escalated to the scheme advisory board and/or the pensions regulator	9	2	**18**	**TREAT** 1) Ensure that a cooperative, effective and transparent dialogue exists between the Pension Fund Committee and Local Pension Board.	1	**9**	10/09/2020

Regulation	38		Loss of 'Elective Professional Status' with any Fund managers and counterparties resulting in reclassification of fund from professional to retail client status impacting Fund's investment options and ongoing engagement with the Fund managers.	8	2	**16**	**TREAT** 1)Keep quantitative and qualitative requirements under review to ensure that they continue to meet the requirements. 2)Training programme and log are in place to ensure knowledge and understanding is kept up to date. 3)Existing and new Officer appointments subject to requirements for professional qualifications and CPD.	1	**8**	10/09/2020
Operational	39		Procurement processes may be challenged if seen to be non-compliant with OJEU rules. Poor specifications lead to dispute. Unsuccessful fund managers may seek compensation following non compliant process	7	2	**14**	**TREAT** 1) Ensure that assessment criteria remains robust and that full feedback is given at all stages of the procurement process.	1	**7**	10/09/2020
Funding	40		The level of inflation and interest rates assumed in the valuation may be inaccurate leading to higher than expected liabilities.	7	2	**14**	**TREAT** 1) Review at each triennial valuation and challenge actuary as required. 2) Growth assets and inflation linked assets in the portfolio should rise as inflation rises.	1	**7**	10/09/2020
Regulation	41		Pensions legislation or regulation changes resulting in an increase in the cost of the scheme or increased administration.	7	2	**14**	**TREAT** 1) Maintain links with central government and national bodies to keep abreast of national issues. 2)Respond to all consultations and lobby as appropriate to ensure consequences of changes to legislation are understood.	1	**7**	10/09/2020
Governance	42		Change in membership of Pension Fund Committee leads to dilution of member knowledge and understanding	5	2	**10**	**TREAT** 1) Succession planning processes are in place. 2) Ongoing training of Pension Fund Committee members. 3) Pension Fund Committee new member induction programme. 4) Training to be based on the requirements of CIPFA Knowledge and Skills Framework under designated officer.	1	**5**	10/09/2020

Appendix 5. Pension Administration Strategy

Contents

1. Introduction

The delivery of a high quality, cost effective pensions administration service is not just the responsibility of the Administering Authority (London Borough of Hammersmith and Fulham), it also depends upon collaborative working with all stakeholders to ensure that Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

The aim of this Pension Administration Strategy (PAS) is to ensure that the Administering Authority along with their Admitted and Scheduled body employers are aware of their responsibilities under the Local Government Pension Scheme (LGPS).

This document also shows the relationship and details the split of responsibilities between the Administering Authority and the Admitted and Scheduled body employers (Employers).

For clarity Hammersmith and Fulham acting as Administering Authority (WAA) for the pension fund will treat Hammersmith and Fulham the main fund employer (WFE) exactly the same as all the other fund employers.

It should be noted that the Administering Authority is working with Surrey County Council (SCC) to provide the main pension administration service to all fund employers under a 101 shared service arrangement.

Throughout this document contractual and best practice levels of performance are referenced with the aim of incrementally improving the provision of timely accurate data and levels of pension administrative services.

Failure to comply with the standards shown in this document could result in charges being levied by the Administering Authority to Employers in accordance with the terms set out in the schedule of charging in Section 6.

2. Pension Administration Strategy Statement

This statement sets out the aims and objectives of the PAS and references other documents which together make up the overall pensions administration management system.

Statutory background

Regulation 59 of the Local Government Pension Scheme Regulations 2013 (LGPS 2013) enables an Administering Authority to prepare a document detailing administrative standards, performance measurement, data flows and communication vehicles with Employers.

Regulation 70 of the LGPS 2013 allows an Administering Authority to recover costs from an Employer where costs have been incurred because of an Employer’s non-compliant level of performance in carrying out its functions under the Regulations.

Aims & Objectives

In creating this strategy, the aim of the Administrating Authority is to have in place a pension management system that meets the needs of the stakeholders by:

- clarifying the roles and responsibilities of all the major stakeholders
- ensuring the services provided by all the major stakeholders are accessible, equitable and transparent
- assisting Employers to provide the effective provision of timely and accurate data

To support these aims this PAS document introduces:

- the standard of expected service between the Administrating Authority and Employers
- a schedule of charges that apply when standards of service fall below expectations
- a strategy in place to develop web enabled services for Employers and employees.

Other documents which make up the overall strategy

- Local Government Pension Scheme Communications Policy

3. Roles and responsibilities

Administering Authority

The responsibilities of the Administering Authority are:

1. To decide how any previous service or employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.

2. To notify each member regarding the counting of membership in the scheme following notification from the member’s employer of the relevant service details.

3. To set up and maintain a record for each member of the scheme which contains all the information necessary to produce an accurate benefit calculation following the employer providing useable and accurate financial data.

4. To calculate and pay the appropriate benefits at the correct time, based on membership details held the termination date and the final pay details provided by the employer when an employee ceases employment, or ceases membership of the Scheme.

5. To supply beneficiaries with details of their entitlements including the method of calculation.

6. To set up and maintain a record for each pensioner member.

7. To increase pensions periodically in accordance with the provisions of Pensions Increase Acts and Orders.

8. To pay benefits to the correct beneficiaries only and to take steps to reduce the possibility of fraud taking place.

9. To ensure that sufficient information is issued to satisfy the requirements of Regulation 61 of the LGPS 2013. This relates to fund communication more details are contained within section 4 of this document or alternatively see the communications policy which is also available on the Hammersmith and Fulham Pension fund website.

10. To maintain an appointed person for the purposes of the scheme internal dispute resolution procedure (IDRP). The appointed person will in general be the Director of People Services or where the Director had previously been involved in the case an officer of equivalent level will be asked to make a determination. The appointed person will be able to access advice from the funds appointed legal advisors where necessary.

11. To appoint all necessary advisors to enable the appointed person to perform the duties required by the IDRP.

12. To appoint an actuary for the purposes of the triennial valuation of the Pension Fund and provide periodical actuarial advice when required.

13. To arrange and manage the triennial valuation of the pension fund.

14. To ensure compliance with the Data Protection Act 1998.

15. The Administering Authority and it's agents will respond to queries from employers external or internal auditors within 5 working days or advise when a full response can be sent if not possible within that time frame.

16. The Administering Authority and it's agents will respond to relevant Freedom of Information requests within 14 working days if possible or advise when a full response can be sent if not possible within that time frame.

17. The Administering Authority will reply to any Pension Ombudsman query within 30 days of receipt or advise of reason for further delay.

Employers

The main duties of the Employer are:

1. To decide who is eligible to become a member of the Scheme. The employer must abide by any admission agreement entered into with the administering authority if applicable. If there is a closed admission agreement only the named employees can be entered into the LGPS

2. To decide whether that person is employed in a full time, part time, variable time or casual capacity. If the employee is part time the employer must determine the proportion which the employees' contractual hours relate to the hours of a comparable full time, employee.

3. To determine the pay of employees for the purposes of calculating the pension contributions.

4. To determine final pay for the purposes of calculating benefits due from the Scheme.

5. To issue a notification to any employees who cannot become members of the Scheme explaining the reason(s) why.

6. Where, after reasonable efforts, an employee fails to provide information relating to previous service, provide basic information to the Administrating Authority.

7. At cessation of membership of the Scheme, to determine the reason for leaving and entitlement to benefit and notify the Administrating Authority and the Scheme member of the decision.

8. To supply timely and accurate information to the Administrating Authority to ensure the correct calculation of benefits payable from the Scheme.

9. To deduct Additional Voluntary Contributions (AVCs) from a member's pay and pay over to the provider within the statutory deadlines.

10. To be responsible for exercising the discretionary powers given to Employers by the regulations. These regulations also require the Employer to publish its policy in respect of these key discretions.

11. To provide a notice, drawing the employee's attention to their right of appeal under the LGPS, with any statement issued to an employee relating to any decision made about the Scheme.

12. To use an Independent Registered Medical Practitioner qualified in Occupational Health medicine that has been approved by the Administrating Authority in determining ill health retirement.

13. To repay to the Scheme member any incorrectly deducted employee's contributions.

14. To provide the Administrating Authority with Monthly and Year-end information as at 31 March each year in an approved format.

15. To provide the Administrating Authority with an audited copy of the final statement which shall also contain the name and pensionable pay of each employee who is an active member, the amounts which represent pension deductions from pay for each of those employees and the periods covered by the deductions and any other information requested. The information should also distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.

16. To be responsible for complying with the requirements for funding early retirement for whatever reason as required by the Administering Authority using actuary factors.

17. To cover any professional costs for legal or actuarial services that are incurred by the administering authority on behalf of any employer investigating any amendment in relation to its members of the scheme. An example of this would be where an (transferee) employer wishes to tupe eligible staff to another employer (transferor) and the transferor wishes to become an admitted body within our fund. The transferee employer would be expected to meet the actuarial and legal costs associated with the process and will be invoiced for this. Costs may occur in other circumstances where employers require an individual response on either a legal or actuarial matter.

18. Pay the Administrating Authority interest on payments due from the Employer which are overdue by more than one month.

19. Where a member leaves the Scheme and full contributions have not been deducted for whatever reason, immediately make payment of outstanding member's and Employer's contributions to the Administrating Authority.

20. To ensure compliance with Data Protection Act 1998.

21. The employer and it's agents will respond to queries from the Administering Authorities external or internal auditors within 5 working days or advise when a full response can be sent if not possible within that time frame.

22. The employer will reply to the Administering Authority on any query relating to a Pension Ombudsman issue with 14 days of request to allow the Administering Authority to respond to the Pension Ombudsman.

23. The employer must advise the Administering Authority of any change of contact details for the payroll or finance functions for communication purposes.

24. The employer is responsible for all Auto enrolment functions and must advise the Administering Authority of anyone auto enrolled as per the normal new starter process. Employers are advised to contact the pension regulator directly if they have any queries see link to website. http://www.thepensionsregulator.gov.uk/

4. Liaison, engagement and communication strategy

The Administrating Authority will issue and annually review their Local Government Pension Scheme Communications Policy

The policy will include a strategy for communicating with:

- Scheme Members
- Members' Representatives
- Prospective members
- Employers participating in the Fund

This policy document will set out the mechanisms that the Administrating Authority will use to meet their communication responsibilities it will also include details of what is communicated and the frequency.

Annually the Administrating Authority will issue an engagement plan that will include events for employers, members of the scheme and perspective members of the scheme.

The Communications policy will be updated on the Hammersmith and Fulham Pension Fund where it can be found under the Forms and Publications sub heading under the About us main tab.

See link to the pension fund website below.

http://www.wccpensionfund.co.uk/

5. Standard of expected service between the Administrating Authority and the employers

Who*	Administration Description	Performance Targets
	New Starters and Transfers In	
E	**New starter:** The Employer must advise all eligible employees of their membership of the scheme. Members should be given the details of the Pension Fund website http://www.wccpensionfund.co.uk/ Members must be advised that transfers into the scheme must be requested in the first year of joining or thereafter at their employer's discretion. Members must be advised that all necessary forms and contact details are available on the Pension Fund website.	On the first day of the members employment if not provided prior to the start.
E	**New scheme member:** Employer to send to the Administrating Authority the details of the new member. Completing the new starter form available on the website or by sending a file in an approved format by WAA to SCC.	Details to be provided to SCC by the last working day of the month following the first payroll deduction of pension.
AA	**New scheme member** Administrating Authority to create a new pensions record from the completed notification from the Employer.	By the last working day of the month following the data submission by the employer.
AA	**New scheme member:** Administrating Authority to request a transfer quote from the new member's previous scheme.	Within 30 days of receipt of authorisation from the employee. If transfer factors are currently available. If not the member is to be advised of the delay within the same timescale.
AA	**New scheme member:** Administrating Authority to credit member record with membership due from transfer of previous pension benefits.	Within 30 days of receipt of payment from previous scheme.
AA	**New Scheme member:**	
	Notification of service purchased by an incoming transfer to be provided to the scheme new member.	Within 30 days of receipt of the all the information
	Existing members and schemes	
AA	Changes to data which materially affect actual or potential benefit calculations to be processed and provided to the member concerned.	Within 30 days of occurrence or receipt of all necessary information, whichever is later.
AA	Admissions and Inter Fund Adjustment (IFA) in to be notified to the members concerned.	Within 30 days of receipt of all necessary information.
AA	Transfers and Inter Fund Adjustment IFA out to be notified to the receiving scheme.	Within 30 days of receipt of all necessary information
AA	The terms of purchasing additional pension to be notified to the member concerned.	Within 15 days of receipt of all necessary information.
AA	Refund of contributions, where due under the Regulations, to be calculated and paid.	Within 14 days of receipt of all necessary information
AA	Upon notification of a death notification of a pensioner; arrangements put in place for pension payments to cease immediately.	Within 1 working day of receipt of all necessary information
AA	Letters will be sent to next of kin or other relevant party. Setting up of any dependents pension.	Within 5 days of receipt of notification of a death or within 5 days of receipt of all relevant information. Within 14 days of receipt of all necessary information.

6. Pensions Administration Strategy – Schedule of Charging

Hammersmith and Fulham acting as Administering Authority (WAA) wishes to support it's fund employers to enable them to provide all relevant data to both members and to WAA as per the requirements of the PAS set out above. Any employer who is unclear on the requirements of the PAS or is struggling with any aspect of the requirements should inform WAA of any concern as soon as possible, WAA will provide support where it can. WAA's first priority is to ensure compliance for the benefit of members and employers, ensuring that accurate data is stored for members. That pension can be processed quickly and accurately when required and that WAA and it's employers all meet their statutory obligations.

Where additional costs have been incurred by the Administrating Authority as a direct result of an Employer's poor performance these costs will be recovered from the Employer.

The Administrating Authority will give the reasons for doing so in accordance with the regulations.

In addition to the schedule below other circumstances could generate a charge:

- Instances where the performance of the Employing Authority has resulted in fines being levied against the Administering Authority by the Pension Regulator, Pensions Ombudsman, HMRC or other regulatory body.
- Additional cost incurred in providing specialist third party advice in administering the Scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.
- Persistent failure to resolve issues in a timely and satisfactory fashion.

In these circumstances the Administrating Authority will set out the calculations of any loss or additional cost incurred, in writing, stating the reason for the cost(s) and the basis for the calculation.

WAA will monitor aspects of the PAS on a quarterly basis, the aspect monitored may change and not all employers data will necessarily be reviewed on each occasion. WAA will be reviewing data from SCC to ensure it's own compliance which will be reported on to the Pension fund Committee and the Pension board. WAA will also seek evidence from SCC of employer compliance with the PAS but may also request data directly from the employer who will be expected to respond with relevant evidence or assurance of compliance where relevant. If an employer does not respond to any request for information within **30 days** of request then this will also be chargeable at **£200** an occasion.

Administration Description	Performance Targets	Charge
New Starters and Transfers In		
New scheme member: Employer to send to the Administrating Authority the details of the new member.	Within 25 working days after the start date.	£50 per case
Leavers and Transfers out		
Scheme Leaver: Employer to send the Administrating Authority a completed leaver notification.	Within 25 working days from the employee's last day in the Scheme.	£50 per case
Retirements: Employer to send the Administrating Authority a completed notification.	At least 15 working days before their final paid day of work.	£50 per case
Deductions		
Monthly deductions: Employer to send funds and schedule of deductions from salary to the Administering Authority. **Payment of Other Sums Due:** Employers should make payment of any invoiced sums as set out within this PAS within 30 days of invoice date.	By the 19th day of the month following the month in which contributions were deducted.	£100 per instance of late payment.

7. Strategy to develop web enabled services for employers and employees.

In 2016/17 the Administrating Authority will implement, develop and engage employers in an on line portal. Initially, the portal will be used for data sharing with employers and information communication with employees.

Whilst forms will be restricted to being downloaded completed and resent, it is anticipated that the portal will be developed to allow members of the scheme to self-serve e-forms direct to the scheme administrators.

8. Further Information

Eleanor Dennis
Pensions Manager
Hammersmith & Fulham Council
The Town Hall
King Street
London
W6 9JU
pensions@lbhf.gov.uk

Appendix 6. Annual Report of the Pension Board

The role of the Local Pension Board is to assist the scheme manager (the administering authority) in securing compliance with:

- The LGPS scheme regulations
- Other governance and administration legislation
- The requirements of the Pensions Regulator (tPR)
- Additional matters, if specified by scheme regulations

The Local Pension Board is required to have an equal number of representatives from employers and scheme members. They may also have other types of members, such as independent experts, but such members will not have a vote.

The law requires Local Pension Board members to have knowledge and understanding of relevant pension laws, and to have a working knowledge of the LGPS, its governance and documentation. Whereas the role of the Pension Fund Committee usually involves carrying out a decision-making function, members of the Local Pension Board should focus on the processes involved in the governance of the Fund. For example, are policies and procedures up-to-date, are the requirements of the Pensions Regulator being met and is the Fund following recognised best practice?

At a national level, the LGPS Scheme Advisory Board (SAB) consists of representatives from a broad spectrum of LGPS stakeholders. Its purpose is to encourage best practice, increase transparency and coordinate technical and standards issues by being reactive and proactive. Separate SABs exist for the schemes in England and Wales, Scotland and Northern Ireland.

Elected Members

- Councillor Rory Vaughan (Chair)
- Councillor Bora Kwon

Appointees

- Mr Neil Newton
- William O’Connell
- Khadija Sekhon

During the year 2020/21 the Local Pension Board met twice:

- 19 November 2020
- 10 February 2021

During the year, the Local Pension Board had a varied and extensive work programme covering the following areas:

- The monitoring of quarterly fund investment performance, including an environmental, social and governance (ESG) issues report of the Fund’s underlying investments
- Reports detailing the Fund’s financial management, including cash flow and scrutiny of the fund risk register
- Pensions administration key performance indicators

The Board also reviewed the following work during the year:

- The recent organisational decision to appoint a new pensions administration provider and the associated ongoing project work needed to transition across
- The recent Pension Fund Committee review of the fund’s investment consultant’s performance against desired aims and objectives.

The Board underwent the following training in the year:

The Board attended three half-day bespoke training events that took place in November 2020, December 2020 and February 2021 and covered the following topics:

- 2020 from an actuarial perspective and funding updates
- The Macro-Economic outlook
- Asset allocation and portfolio construction
- Diversity in the asset management industry
- Investing in renewable energy
- LGPS current developments
- Physical climate risk management
- Impact investing
- Responsible investment
- Behavioural finance
- How asset managers approach risk management
- Fixed income update
- Risk and compliance perspective from an asset pool
- Environmental risk

Councillor Rory Vaughan

Chair, LBHF Local Pension Board

June 2021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Agenda Item 10

London Borough of Hammersmith and Fulham

Report to: Pension Fund Committee

Date: 23 November 2021

Subject: Governance Review Recommendations

Report of: Phil Triggs, Director of Treasury and Pensions

Executive Summary

1.1 The 32 recommendations from the report of an independent consultant commissioned by officers to carry out an independent review of the governance arrangements for the pension fund was recently presented to the Pension Fund Committee.

1.2 This paper provides the Pension Fund Committee with a progress log of the recommendations that came from that review, and results achieved to date on them.

Recommendations

1. The Pension Fund Committee is recommended to note the log.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

- None

Legal Implications

- None

Contact Officers:

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6308
Email: prowe@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Name: Eleanor Dennis
Position: Pensions Manager
Telephone: 07551 680552
Email: edennis@lbhf.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

Consultant’s governance report

DETAILED ANALYSIS

1. Background

1.1. A Treasury and Pensions review of Tri-Borough arrangements was commissioned in 2019 and a report published early in 2020. The review concluded that the Tri-Borough arrangement for Treasury and Pensions should continue and a further recommendation determined that officers should commission an independent governance review of the LBHF Pension Fund.

1.2. An experienced LGPS practitioner was appointed, John Raisin, ex S151 officer of LB Waltham Forest.

1.3. Mr Raisin completed his governance report in November 2020 and the report was presented to the committee on 3 March 2021.

1.4. The report made 32 recommendations, which have been recorded in a progress log to demonstrate the various stages of completion of the recommendations.

1.5. The log shows that good progress has been made, with 15 recommendations implemented, and 8 commenced.

List of Appendices:

Appendix 1: Log of Recommendations

Recommendations Log					
Recommendation number	Recommendation	Timeline immediancy	Timeline date	Status	Comments
1	The Council give consideration to the removal of all reference to the Pensions function from the Terms of Reference of the Audit and Pensions Committee and that this Committee be renamed the Audit Committee.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
2	The Council give consideration to revising the Constitution to place all responsibility for the LGPS pensions function with the Pension Fund Sub-Committee and that this be renamed "The Pension Fund Committee" and that its elected member membership be 6 voting councillors.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
3	To amend the Responsibilities of the Pension Fund Sub-Committee (The Pension Fund Committee) as set out in Appendix 2 of this report.	Immediate	03-Mar-21	Complete	Agreed at Annual Council on 28 April 2021
4	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt one or two non-administering authority non-voting members in order that Employers beyond the LBHF may participate in the decision making forum of the LBHF Pension Fund.	Immediate	2022/2023	Progress Started	The Pensions Manager has already actioned the appointment of employee representative, Peter Parkin. The recruitment of future employer representatives will be actioned after the new service with admin provider, LPPA, has been established.
5	The Pension Fund Sub-Committee (The Pension Fund Committee) actively seek to co-opt a non-voting Employee representative.	Immediate	2022/2023	Not Started	This will be actioned after the new service with LPPA is established to ensure resources, due diligence and focus are directed at key priorities and high risk areas.
6	The Officers involved in preparing future LBHF Pension Fund Annual Reports specifically ensure both the inclusion and consideration of the Pension Administration Strategy as required by the LGPS Regulations and relevant Statutory Guidance.	Immediate		Complete	Included in 20/21 annual report
7	The Pensions Sub-Committee seek assurance from the Officers that the Annual Report and Statement of Accounts for 2019/20 have been prepared taking careful account of relevant Statutory Guidance (particularly that relating to preparing the Annual Report) and that in future years the Officers confirm this in the covering report presenting the draft Annual Report and Accounts.	Immediate		Complete	Included in 20/21 annual report
8	A Training Needs Assessment is urgently completed in respect of all Pension Board Members and that a comprehensive programme of training to address identified needs (including coverage of recent and current developments in the LGPS) be provided as soon as practical.	Immediate		Progress Started	Initial report was considered at the 21 July 2021 committee
9	That consideration be given to paying an allowance to Local Pension Board Members for actual attendance at Board Meetings (including any training held before a Board meeting).	Immediate		Progress Started	
10	A report and procedure relating to reporting Breaches of the Law, which is in accordance with the relevant guidance in The Pension Regulator's Code of Practice No 14, is urgently prepared for consideration and approval by the Pension Fund Sub-Committee.	Not Immediate	31-Mar-22	Complete	Approved by committee on 21 July 2021
11	Training on reporting Breaches of the Law is provided jointly for both Members of the Pension Fund Sub-Committee and the Local Pension Board as a matter of urgency.	Not Immediate	31-Mar-22	Complete	This will be provided by Clifford Sims of Squire Patton Bogg prior to 23 November 2021 committee meeting.
12	A Breaches of the Law Log be maintained and is presented on a quarterly basis to the Pension Fund Sub-Committee and to each meeting of the Pension Board.	Immediate		Complete	Part of the quarterly update pack
13	The LBHF Knowledge and Skills Self-Assessment form (for Sub-Committee and Pension Board Members) be expanded to include a specific new section on Pensions Administration.	Not Immediate	31-Mar-22	Progress Started	
14	Appropriate training in respect of Pensions Administration be provided to both Sub-Committee and Local Pension Board Members as soon as practical.	Not Immediate	31-Mar-22	Not Started	Scheduled for later in 21/22
15	That consideration is given to scheduling regular training sessions, immediately before Pension Fund Sub-Committee meetings.			Complete	Training prior to meetings is ongoing
16	A comprehensive LBHF Pension Fund Medium Term Business Plan incorporating an Annual Plan and a detailed Annual Budget, is developed and approved annually by the Pension Fund Sub-Committee and formally monitored on a quarterly basis.	Immediate	03-Mar-21	Complete	Business plan and budget for 21/22 approved
17	The LBHF Pension Fund annual budget should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and Employers.	Immediate	03-Mar-21	Complete	Budget conforms to required standards
18	That a Pensions risk policy be prepared for approval by the Pension Fund Sub-Committee which sets out the Pension Funds approach to risk. This should include a clear statement on the responsibilities of Officers in relation to Risk Management.	Not Immediate	31-Mar-22	Not Started	Scheduled for later in 21/22
19	Officers review the Risk Management process to seek to ensure that any revised process results in the effective implementation and utilisation of a Risk Management Cycle.	Not Immediate	31-Mar-22	Not Started	Scheduled for later in 21/22
20	The Risk Register is redesigned with risks listed under each of the seven headings in the CIPFA Guidance on managing risks in the Local Government Pension Scheme, issued in 2018.	Not Immediate	31-Mar-22	Complete	Risk register complies with CIPFA layout
21	The LBHF Pension Fund have a separate and specific Annual Internal Audit Plan, approved by the Pension Fund Sub-Committee which includes a focus on Pension Administration issues in their broadest sense, both those carried out by the LBHF Pension Fund directly and those delegated to a third-party Pensions Administrator.	Not Immediate	2022/2023	Not Started	Recent independent investigations on instruction from the LBHF Pensions Taskforce have highlighted key areas for improvement and risk mitigation, which are being implemented. Both the establishment of an in house team and move to an alternative pension administration provider were considered.
22	The Annual Internal Audit Plan should include Audits undertaken/Assurance reports commissioned by the LBHF Pension Fund from the Internal Audit service of the external Pensions Administration provider.	Unassigned		Not Started	
23	A report to the Pension Fund Sub-Committee be prepared in respect of any "Community Admission Body" in the LBHF Pension Fund which specifically identifies the current position regarding their covenant with the Fund and which makes proposals for the ongoing monitoring and, as appropriate, strengthening of these covenant arrangements.	Not Immediate	2022/2023	Not Started	The admitted bodies will be reviewed after the Fund has completed its transfer of pension administration service to LPPA, as this is a priority for both the Fund and the employers for this high risk project. It will also allow full consideration to be given to the inhouse team function in its monitoring of employers' compliance.
24	Given the Communications Policy has not been updated since 2016 it should be reviewed and updated as a matter of urgency and a new version presented to the Pension Fund Sub-Committee for their consideration and approval.	Not Immediate	2022/2023	Not Started	This policy will be updated after the Fund's transfer of its administration service to LPPA, so that it can be brought fully up to date, in line with LPPA services, which are not all known yet.
25	As the Pensions Administration Strategy dates from 2016, it should be thoroughly and comprehensively reviewed as soon as practical including meaningful consultation with all Scheme Employers and Members of the Pension Board.	Not Immediate	2022/2023	Not Started	This Strategy will be reviewed and updated after the Fund has completed its transfer of pension administration service to LPPA, as this is a priority for both the Fund and the employers. It will also allow full consideration to be given to the inhouse team function in its monitoring of employers compliance.
26	As a matter of urgency the Pension Fund Sub-Committee, and the Pension Board, receive a report and briefing from Officers on the requirements of The Pension Regulators Code of Practice No 14 "Governance and administration of public service pension schemes" of April 2015 and the implications and requirements of subsequent statements, surveys and reports issued by The Pensions Regulator applicable to the LGPS since 2015.	Not Immediate	31-Mar-22	Progress Started	Conflicts with onerous current workload, however, progress has begun where possible.
27	As a matter of urgency, a review of compliance with the requirements of Code of Practice No 14, and any subsequent requirements of The Pensions Regulator, be commissioned and recommendations agreed to address areas of limited or non-compliance.	Not Immediate	31-Mar-22	Progress Started	Conflicts with onerous current workload, however, progress has begun where possible.
28	That the Fund Actuary should be fully appraised of the situation relating to the state and quality of the data/records of LBHF Pension Fund members as held by the Pensions Administration service provided by Surrey County Council and be asked for their comments, observations and suggestions with regard to this issue.	Not Immediate	31-Mar-22	Progress Started	Discussions have already commenced with the actuary and an outline plan confirmed. This includes analyses of the Pension Fund data at points in time , including post migration to LPPA. The results of which will be shared with the committee in scheme year 2022/2023 but work will be ongoing throughout 2021/2022.
29	That appropriate expertise specifically relating to the LGPS, including as necessary, external support should be available in the formulation of the contract/tender documentation, actual contract award process and subsequent monitoring arrangements for the new external Pensions Administration service provider. Cognisance should also be taken of relevant CIPFA Guidance including "Administration in the LGPS A guide for pensions authorities" (November 2018) and "Managing Risk in the LGPS" (December 2018).	Immediate		Complete	The Director of Audit, Fraud, Risk and Insurance, as chair of the Pensions Taskforce, confirms that appropriate internal and external specialist advice and support have been engaged to support the implementation of a delegation agreement for the service to be provided by Local Pensions Partnership (LPP), an experienced LGPS pensions administration provider
30	The LBHF Pension Fund carefully and seriously consider combining all activity of the Fund under a single senior officer.	Closed and not to be progressed.		Complete	This recommendation has implications for the structure of the whole Tri-borough pension arrangement and is not a decision that can be taken forward at this point or a decision for the Pension Fund committee.
31	Should the scope of the role of an existing officer be expanded to cover all the activity of the Pension Fund proper consideration be given to reviewing and consequently enhancing their terms and conditions of service including remuneration.	Closed and not to be progressed.		Complete	This recommendation has implications for the structure of the whole Tri-borough pension arrangement and is not a decision that can be taken forward at this point or a decision for the Pension Fund committee.
32	The Pension Fund Sub-Committee consider the appointment of an Independent Advisor with a remit across the Governance, Investment, Funding, Pensions Administration and Training activity of the LBHF Pension Fund.	Unassigned		Progress Started	Recruitment process is underway. A report will be tabled for the 23 Nov 2021 meeting.

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23 November 2021

Subject: Independent Investment Advisor Appointment

Report of: Phil Triggs, Director of Treasury and Pensions

Executive Summary

1.1 The Pension Fund Committee agreed at the meeting of 21 March 2021 that it would be beneficial to appoint an independent investment consultant to support the Committee's decision-making process. Officers were tasked with procuring a suitable shortlist of candidates for members to interview.

1.2 Officers have completed the process and provide members with a shortlist of candidates that were interviewed on 22 November 2021.

Recommendations

1. The Pension Fund Committee is recommended approve the appointment of a new independent consultant following the outcome of the recruitment process conducted on 22 November 2021.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

- None

Legal Implications

- None

Contact Officers:

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6159
Email: tmpofu@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. Background

1.1. The Pension Fund Committee has a longstanding relationship with Deloitte as its fund investment consultant. This relationship is a crucial one that enables strategic level planning and support to the Pensions Fund Committee in delivering the long-term funding objectives as set out in the Funding Strategy Statement and Investment Strategy Statement.

1.2. It is the view of officers that the appointment of an individual independent advisor would offer a further, enhanced layer of best ideas, investment strategy direction and governance that would further improve the Pension Fund Committee's decision-making processes. It would further enhance the existing relationship with the fund investment consultant and fund actuary. Numerous other LGPS Funds use the services of an independent investment advisor.

1.3. An independent advisor will offer impartial professional advice which will offer challenge and scrutiny and the role of a devil's advocate to the fund's investment consultant, fund officers, current and future investment managers and the London CIV (LCIV) asset pool.

2. Role Profile

2.1. An independent advisor to the fund would be expected to cover the following areas:

a. Work alongside other stakeholders to ensure an appropriate long-term strategic asset allocation that meets the pension fund's obligations and funding requirements.
b. Challenge and scrutinise proposals and reports from the fund's investment consultant and investment managers.
c. Contribute to the future fund manager selection processes, both within the LCIV and other appropriate external asset manager appointments.
d. Provide support to the Pension Fund Committee reference the overall investment process, rebalancing, or divesting from particular asset classes/investment managers.
e. Lead on smaller projects where it is more cost or time effective to use the advice of the independent advisor rather than the fund investment consultant.
f. Act as an important voice in the pension fund's approach to its commitment to being a responsible investor.
g. Support officers in other governance exercises such as global custodianship, transition management, investment fee structures, and pension fund governance in general.

3. Work Programme and Cost

3.1. The work programme for the proposed independent advisor is anticipated to be as follows:

a. Attend each Pension Fund Committee meeting, whether in person or remotely. Occasional attendance at Local Pension Board meetings may also be required, depending on the agenda.
b. Participation in member/officer training events.
c. Capacity to advise/assist on projects/report implementations, following recommendations approved by the Pension Fund Committee.
d. Expectation that each stakeholder will be able to contact the advisor at short notice.

4. Recruitment Process

4.1. Officers created a role profile for candidates and this was advertised through several investment networks that would be seen by many prominent independent advisors in the LGPS.

4.2 The role was advertised for a duration of three years with an annual fee of £15,000, for a total value of £45,000. The contract was granted a waiver by the Head of Procurement to allow members to formally interview short listed candidates.

4.3 Officers received several applications and shortlisted down to three candidates for members to interview on 22 November 2021.

London Borough of Hammersmith & Fulham

Report to: Pension Fund Committee

Date: 23/11/2021

Subject: Darwin Leisure Development Fund Update

Report of: Phil Triggs, Director of Treasury and Pensions
Matt Hopson, Strategic Investment Manager

Summary

At the committee meeting of 20 September 2021, Darwin Alternative Investment Management were interviewed reference a 2.5% investment allocation to the Darwin Leisure Development Fund. Several areas for clarification arose out of this interview on which the Committee asked for further information. This report and its appendices details Darwin's response.

Recommendations

The Pension Fund Committee is requested to:

1. Note the report.
2. Approve the Pension Fund's 2.5% allocation to the Darwin Leisure Development Fund to be funded from the existing secure income allocation with Oak Hill.

Wards Affected: None

LBHF Priorities

Our Priorities	Summary of how this report aligns to the LBHF priorities
• Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

Financial Impact

Legal Implications

The Council's obligations as the administering authority of the Pension Fund are to comply with the requirements of the Local Government Pension Fund Regulations 2013 and the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016, and the Funding Strategy Statement and Investment

Strategy made in accordance with these regulations. There is no obligation to comply with the public procurement rules which have no application in relation to investment decisions.
Implications prepared by John Sharland, Senior solicitor (Contracts and procurement) Telephone: 07979 907148, Email: john.sharland@lbhf.gov.uk

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Contact Officer(s):

Name: Patrick Rowe
Position: Pension Fund Manager
Telephone: 020 7641 6308
Email: prowe@westminster.gov.uk

Name: Matt Hopson
Position: Strategic Investment Manager
Telephone: 020 7641 4126
Email: mhopson@westminster.gov.uk

Name: Phil Triggs
Position: Director of Treasury and Pensions
Telephone: 020 7641 4136
Email: ptriggs@westminster.gov.uk

Verified by Phil Triggs

Background Papers Used in Preparing This Report

None

Overview

1. Background

1.1. At the committee meeting of 20 September 2021, members requested that Darwin Alternative Investment Management should provide;

- three sets of financial statements up to 31 Oct 2019, 2020 and 2021 for each of the two funds.
- Occupancy rates pre and post pandemic for each of the two funds in respect of the 36 months from 1 November 2018 to 31 October 2021.

- Confirmation of the proposed fees, assuming that LBHF opts for maximum lockdown period.
- Assessment of when approximately the income distribution for LBHF's choice fund will commence.

2. Financial Statements

2.1. Please see attached Appendices 1 to 4 for the 2019 and 2020 Annual Report and Financial Statement for both funds: DLPF and DLDF.

2.2. The draft accounts for 2021 are currently being prepared by the Fund's Administrator. This is quite a lengthy process as it involves consolidating all UK subsidiaries and Guernsey based entities, but Darwin will provide these as soon as they are available (likely to be mid to late December).

2.3. In the absence of the 2021 draft accounts, Darwin has provided detailed bookings data for the last financial year and a forecast outlook of bookings for the next financial year, which provides a good indication of the underlying trading performance in the last financial year and anticipated performance looking forward (Appendix 5).

2.4. This level of data is not information Darwin would normally provide and, as such, they have asked that it should be treated as highly sensitive commercially and remain in confidence.

3. Occupancy Rates

3.1. Please see attached Appendix 5 for rates for all parks in DLPF and DLDF for the last three financial years together with the average net hire (yield) figures. Occupancy has remained strong since the parks reopened from the Covid-19 lockdown, with significant improvement seen in rates over the last three years set to continue into the next financial year.

4. Proposed Fees

4.1. The Tri-Borough Director of Treasury and Pensions has been in consultation with Darwin over fees and the agreed rate can be found in Appendix 5.

5. Income Distribution

5.1. Darwin anticipates that for DLDF income distributions will commence in 2023.

List of Appendices:

Appendix 1: DLDF Report & Accounts 2019
Appendix 2: DLPF Report & Accounts 2019
Appendix 3: DLDF Report & Accounts 2020
Appendix 4: DLPF Report & Accounts 2020

Appendix 5 (EXEMPT): Occupancy, net hire rates and fee proposal

DARWIN LEISURE DEVELOPMENT FUND

Report & Audited Consolidated Financial Statements

For the year ended 30 September 2019

TABLE OF CONTENTS

For the year ended 30 September 2019

GENERAL INFORMATION

TRUSTEE:	Butterfield Bank (Guernsey) Limited PO Box 25 Regency Court Glategny Esplanade St Peter Port Guernsey GY1 3AP
ADMINISTRATOR, SECRETARY AND REGISTRAR	Vistra Fund Services (Guernsey) Limited PO Box 91 11 New Street St Peter Port Guernsey GY1 3EG
MANAGER	Darwin Alternative Investment Management (Guernsey) Limited 11 New Street St Peter Port Guernsey GY1 2PF
DIRECTORS OF THE MANAGER	Anthony Geoffrey David Esse Christopher James Affleck Penney Ian Michael Burns Martin Paul Tolcher Robin Haake Smith
INVESTMENT ADVISER	Darwin Alternative Investment Management Limited Empire House 175 Piccadilly London W1J 9EN
INDEPENDENT AUDITOR	Grant Thornton Limited PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF

GENERAL INFORMATION (CONTINUED)

BUSINESS VALUERS	Smith and Williamson Ltd 25 Moorgate London EC2R 6AY
PROPERTY VALUERS	Jones Lang LaSalle LLP 30 Warwick Street London W1B 5NH
BANKERS & LENDERS	Lloyds Banking Group plc 25 Gresham Street London EC2V 7HN Butterfield Bank (Guernsey) Limited Glategny Esplanade St. Peter Port Guernsey GY1 3AP
LEGAL ADVISERS TO THE FUND	*As to Guernsey law:* Collas Crill Glategny Court PO Box 140 Glategny Esplanade St Peter Port Guernsey GY1 4EW As to United Kingdom law: Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX

MANAGER'S REPORT
For the year ended 30 September 2019

The Manager of the Darwin Leisure Development Fund (the "Fund") is pleased to submit its Report and Audited Consolidated Financial Statements for the year ended 30 September 2019.

THE FUND

The Fund was licenced in Guernsey on 6 January 2017 as an open-ended unit trust authorised by the Guernsey Financial Services Commission as an authorised Class B open-ended Collective Investment Scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, (as amended) on 6th January 2017. The Fund was established in Guernsey as a Qualifying Investor Fund.

INVESTMENT SUMMARY

The investment policy of the Fund is to invest primarily in a portfolio of interests in holiday parks based in the British Isles with latent development potential, which includes land, buildings and static caravans, acquiring and owning such parks with a view to enhancing value through strategic selection and interventionist asset management, as well as greenfield sites with extant planning permission as yet undeveloped. It is intended that development of such sites would be done with a view to increasing income derived from, and/or enhancing the long-term value of, such sites.

The Fund may invest in such property, directly, or indirectly, through one or more Property Holding Vehicles or other Intermediate Vehicles which may also be domiciled in Guernsey.

The Fund has acquired and intends to expand a portfolio of holiday parks so that unitholders can participate in the attractive income available in those markets as well as any future capital value growth.

The Fund may also invest in other collective investment schemes, listed and unlisted securities, joint ventures and partnerships, where the Manager considers there is a link with the leisure industry. Due to the nature of the Fund's assets and lead times to complete purchases, there may be periods where liquidity levels are relatively high. During such periods, uninvested liquidity will be held in cash deposits, Treasury Bills and other government and public securities, money market instruments, or investment funds or any combination of these at the discretion of the investment manager provided that any such assets shall hold a AA or better rating.

Investment decisions made by Darwin Alternative Investment Management (Guernsey) Limited (the "Manager") reflect the long term objective to maximise total return through a combination of growth and income. The Manager has appointed Darwin Alternative Investment Management Limited ("DAIM") as its Investment Adviser. DAIM will provide advice to the Manager on property matters in relation to the Fund.

The value of the Fund's investments is reflected in the value of the units which is dependent upon an independent valuation of the land and buildings undertaken by the property and business valuers.

MANAGER'S REPORT (CONTINUED)
For the year ended 30 September 2019

DISTRIBUTIONS
The Manager does not recommend that any distributions be made for the year ended 30 September 2019 (2018: Nil).

STATEMENT OF MANAGER'S RESPONSIBILITIES
The Manager is responsible for preparing consolidated financial statements for each financial year which give a true and fair view, in accordance with applicable Law and United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice (SORP) "Financial Statements of Authorised Funds" issued by the Investment Management Association in May 2014, of the state of affairs of the Fund as at the end of the financial period and of the profit or loss of the fund for that period. In preparing these consolidated financial statements, the Manager is required to:

- select suitable accounting policies then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable it to ensure that the consolidated financial statements comply with the terms of the trust instrument, The Protection of Investors (Bailiwick of Guernsey) Law 1987 as amended, The Authorised Collective Investment Schemes (Class B) Rules, 2013 and the applicable accounting standards. It is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN
The Directors of the Manager have, at the time of approving the audited consolidated financial statements, a reasonable expectation that the Fund together with its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

AUDITOR
The Auditor, Grant Thornton Limited, has indicated its willingness to continue in office.

Signed for and on behalf of the Manager by:

Robin Smith **Martin Tolcher**
19 December 2019

INVESTMENT ADVISER'S REPORT
For the year ended 30 September 2019

Investment Advisors Report

During the year ended 30th September 2019, the C Accumulation units increased in value by 9.35% per Unit.

Since the Brexit referendum in 2016, the UK has been constrained by a political hiatus which was only exacerbated by the snap June 2017 election, where the Conservative Party could only achieve a working majority through the 'confidence-and-supply' from the DUP of Northern Ireland. The devaluing of Pound Sterling against all major currencies created an environment where the UK has become a much more attractive destination for overseas visitors and overseas holidays became more expensive for UK residents. Overseas tour operators reacted to this aggressively, offering all-inclusive package holidays and thereby, to a great extent, protecting customers from Sterling weakness. Thomas Cook were the most aggressive and their demise in October was no shock to the Industry as their desperate attempt to bring in cash to satisfy the huge debt mountain resulted in their demise. We foresee a scenario, due to concerns about global warming and climate change, where increasingly UK citizens will shun the overseas holiday market for UK breaks instead.

The UK holiday park market consists of approximately 4,000 parks and is dominated by small family-run operations, which are restricted by a lack of available capital and/or a lack of motivation to attain the standards which today's holiday customers require and demand. At the opposite end of the scale, there are a relatively small number of group operators, the largest five of which hold less than 5% of the market share by volume. Most of these have business models that rely on a low margin but high volumes of sales. Their parks tend to offer a more traditional caravan holiday with a focus on value rather than quality. The cash generated by the Fund has enabled Darwin to develop a portfolio of parks which offer a higher standard that most others in the industry and higher margins as a result. This increased quality of accommodation and facilities has attracted higher spending customers and has ensured high levels of customer retention.

The Darwin business model, which combines holiday rentals and holiday home sales, ensures diversification in our income streams. Holiday rentals generate sizeable income through accommodation bookings and the quality of our product enables a premium to be charged. Holiday home sales provide stable cash flows through annual site licence fees and large capital receipts when caravans or lodges are sold. Holiday home owners will purchase caravans or lodges on a long-term licence, and it is commonplace for them to upgrade to bigger and newer units, which generates further income for the Fund through commission on the sale of old units, and profit margin in the selling of new units. These two areas of income are further supported by revenues generated through ancillary spend within our restaurant, bar and spa operations as well as onsite leisure activities.

The Fund focuses on acquiring parks, and other land housing leisure assets, which require complete redevelopment.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2019

Investors will therefore benefit from capital gains to the value of each site as well as returns generated by ongoing operations. We continue to undertake a sophisticated and detailed review of the market and are constantly looking at a number of potential acquisitions which would drive the portfolio to maximise cash generation. These potential acquisitions undergo rigorous due diligence as well as market analysis and demand factor analysis. There continues to be a healthy pipeline of potential acquisitions

The Portfolio

Norfolk Woods Resort and Spa
Norfolk Woods (previously Pentney Park) was the first park in the Fund portfolio to undergo a complete redevelopment. The 15 acre site, around 10 miles from King's Lynn in Norfolk, was purchased in June 2017 when it was a family orientated touring and tenting site. Already on site was a site office/reception, café, indoor and outdoor pool as well as fitness facilities and there was planning for a total of 201 units.

The new park opened in January 2019 and features a brand-new facilities building which includes a restaurant and bar, swimming pool and spa complex. There are 120 lodges consisting of 40 owner units and 80 rental units. Norfolk Woods has been our booking partner Hoseasons' best performing new park, and has traded solidly since opening. Despite having only been open for a few months, Norfolk Woods won the "Best Relax and Explore for East of England" category at the 2019 Hoseasons Diamond Awards.

The Springs Country Club
The Springs, located near Wallingford in Oxfordshire, was acquired by the Fund in July 2017. Situated alongside the Thames, the site comprised a fully functioning 18 hole golf course and clubhouse with healthy membership and mothballed 32 bedroom hotel. Since its acquisition, we have improved the quality of the golf course and made improvements to the Club House. The Springs hosted the Sky Sports William Hunt Trilby Tour for a second time this summer and has seen an increase in active members.

We are planning to return accommodation to The Springs with the addition of lodges alongside a high quality central facilities building, complete with some hotel bedrooms and a spa. The site is in a very affluent area of the UK, with easy reach from Reading, Oxford, London and Henley. The planning process is ongoing.

Rivendale Caravan Park
Rivendale was purchased in January 2018. The Park is a 34 acre site in the Peak District near the market town of Ashbourne and incorporates around 170 pitches including lodge, static caravan, touring and tenting. As well as this, there is a central facilities building Redevelopment work began at Rivendale in November 2019 which will see the site transformed into a lodge resort with 72 lodges and 2 treehouses along with a new central facilities building, a new maintenance and housekeeping building and a children's play area.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2019

The Portfolio (continued)

Rivendale Caravan Park (continued)
There is a great deal of ecological work being carried out on the site to protect the wildlife which inhabits it and building work is being planned around this. Construction of the main facilities building began in late November 2019 and the site is due to be completed by Q3 2020. The Peak District itself continues to be a highly popular destination for domestic holiday makers.

Stratford Armouries
Stratford Armouries was purchased in June 2017 and is situated on the outskirts of the historically popular Stratford-Upon-Avon. This is a greenfield site with existing planning for 40 units. Terms have been agreed to buy the adjacent Stratford Armouries Museum and surrounding land and our aim is to seek approval to adapt the current planning permission in order to allow us to best develop the full site. Stratford Armouries will be transformed into a premium self-catering lodge resort with a "meet and greet" reception, but no central facilities. Stratford is an area which needs high quality accommodation due to its significant tourist trade, and a site such as this fulfills a very lucrative gap in the market.

Dundonald Links
Dundonald Links Golf Club in Scotland was acquired in March 2019, and we intend to develop the site into a golf resort, adding a new state-of-the-art clubhouse and lodges which will offer a variety of styles of accommodation to suit different groups. Our planning application was approved in December 2019 with strong support from the local authority. The plans for the site include building a 2 storey clubhouse, replacing the current temporary structure. The clubhouse will feature a bar and lounge as well as a state-of-the-art gym and extensive changing facilities. We plan to add 18 luxury lodges ranging from 2 to 6 bedrooms in size and 11 hotel style modules with 22 bedrooms. This mix of self-catering and hotel style accommodation is designed to suit both individuals and groups of golfers.

Dundonald Links in 2017 hosted the Scottish Open and the Ladies Scottish Open, to huge acclaim, and we are hopeful that with this redevelopment the course will be considered as a suitable venue to host major golf championships again and on a regular basis.

Having received planning permission earlier than expected, we are now reviewing the timeframe for the development process but we would expect work will take around 1 year to complete and this will be carried out in a phased process.

Darwin Alternative Investment Management Limited
19 December 2019

COMPARATIVE TABLE

A Accumulation units	2019 Pence per unit	2018 Pence per unit
Change in net assets per unit		
Opening net asset value per unit	1.0962	1.0155
Return before operating expenses	0.1217	0.0936
Operating charges	(0.0168)	(0.0129)
Return after operating charges	0.1049	0.0807
Closing net asset value per unit	1.2011	1.0962
Retained distributions on accumulation units	-	-
Performance		
Return after charges	9.57%	7.95%
Other information		
Closing net asset value	44,043,936	39,217,664
Closing number of units	36,669,666.5195	35,776,011.4703
Operating charges	(1.53%)	(1.27%)
Prices		
Highest unit price	1.1903	1.0962
Lowest unit price	1.0962	1.0155

B Accumulation units	2019	2018
Change in net assets per unit		
Opening net asset value per unit	1.0984	1.0166
Return before operating expenses	0.1220	0.0938
Operating charges	(0.0159)	(0.0120)
Return after operating charges	0.1061	0.0818
Closing net asset value per unit	1.2045	1.0984
Retained distributions on accumulation units	-	-
Performance		
Return after charges	9.66%	8.05%
Other information		
Closing net asset value	84,313,600	76,888,000
Closing number of units	70,000,000.0000	70,000,000.0000
Operating charges	(1.44%)	(1.18%)
Prices		
Highest unit price	1.2045	1.0984
Lowest unit price	1.0984	1.0166

COMPARATIVE TABLE (Continued)

C Accumulation units	2019 Pence per unit	2018 Pence per unit
Change in net assets per unit		
Opening net asset value per unit	1.0952	1.0174
Return before operating expenses	0.1214	0.0936
Operating charges	(0.0190)	(0.0158)
Return after operating charges	0.1024	0.0778
Closing net asset value per unit	1.1976	1.0952
Retained distributions on accumulation units	-	-
Performance		
Return after charges	9.35%	7.65%
Other information		
Closing net asset value	2,177,063	1,262,054
Closing number of units	1,817,818.6869	1,152,350.2108
Operating charges	(1.73%)	(1.55%)
Prices		
Highest unit price	1.1976	1.0952
Lowest unit price	1.1025	1.0174
	1.0952	

D Accumulation units	2019 Pence per unit	2018 Pence per unit
Change in net assets per unit		
Opening net asset value per unit	1.0000	-
Return before operating expenses	0.0851	-
Operating charges	(0.0127)	-
Return after operating charges	0.0724	-
Closing net asset value per unit	1.0724	-
Retained distributions on accumulation units	-	-
Performance		
Return after charges	7.24%	-
Other information		
Closing net asset value	16,086,135	-
Closing number of units	15,000,000.0000	-
Operating charges	(1.27%)	-
Prices		
Highest unit price	1.0725	-
Lowest unit price	1.0000	-

COMPARATIVE TABLE (Continued)

E Accumulation units	2019 Pence per unit	2018 Pence per unit
Change in net assets per unit		
Opening net asset value per unit	1.0000	-
Return before operating expenses	0.0142	-
Operating charges	(0.0032)	-
Return after operating charges	0.0110	-
Closing net asset value per unit	1.0110	-
Retained distributions on accumulation units	-	-
Performance		
Return after charges	1.10%	-
Other information		
Closing net asset value	202,207	-
Closing number of units	200,000.0000	-
Operating charges	(0.32%)	-
Prices		
Highest unit price	1.0110	-
Lowest unit price	1.0000	-

PORTFOLIO STATEMENT

As at 30 September 2019

	Nominal Holding	Fair Value £	% of net assets
Operating assets held at valuation (note 8)		64,420,820	43.06
Tangible fixed assets at depreciated cost (note 9)		8,980,458	6.00
Financial assets at fair value through profit or loss (note 14)	14,000,000	15,149,111	10.13
Fixed deposit account		25,000,000	16.71
Cash and cash equivalents		46,127,183	30.83
Net other liabilities		(10,080,940)	(6.74)
Net assets		**149,596,632**	**100.00**

As at 30 September 2018

	Nominal Holding	Fair Value £	% of net assets
Operating assets held at valuation (note 8)		37,896,792	31.87
Tangible fixed assets at depreciated cost (note 9)		7,893,779	6.64
Financial assets at fair value through profit or loss (note 14)	5,000,000	5,458,332	4.59
Fixed deposit account		40,482,234	34.04
Cash and cash equivalents		27,591,815	23.20
Net other liabilities		(409,960)	(0.34)
Net assets		**118,912,992**	**100.00**

TRUSTEE'S REPORT TO THE UNITHOLDERS OF DARWIN LEISURE DEVELOPMENT FUND

In our capacity as Trustee to the Fund we confirm that, in our opinion, the Manager has managed the scheme for the year ended 30 September 2019 in accordance with the provisions of the principal documents of the Fund and with The Authorised Collective Investment Schemes (Class B) Rules, 2013 and no material breaches have occurred.

Butterfield Bank (Guernsey) Limited
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3AP

Sandra Sarre
19 December 2019

Grant Thornton

Independent auditor's report
To the unitholders of Darwin Leisure Development Fund

Opinion
We have audited the consolidated financial statements of Darwin Leisure Development Fund (the 'Fund') for the period ended 30 September 2019 which comprise the Consolidated Statement of Total Return, the Consolidated Statement of Changes in Net Assets Attributable to Unitholders, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice (SORP) "Financial Statements of Authorised Funds" issued by the Investment Management Association in May 2014.

In our opinion, the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 30 September 2019 and of its total return for the year then ended;
- are in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with requirements of The Trust Instrument, The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, The Authorised Collective Investment Schemes (Class B) Rules, 2013 and other applicable laws.

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 consolidated financial statements' section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Guernsey, 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.

Who we are reporting to
This report is made solely to the Fund's unitholders, as a body. Our audit work has been undertaken so that we might state to the Fund's unitholders 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 Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Independent auditor's report
To the unitholders of Darwin Leisure Development Fund (continued)

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Manager's use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the Manager has not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Fund'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 consolidated financial statements are authorised for issue.

Other information
The Manager is responsible for the other information. The other information comprises the information included in the Manager's report and the Investment Adviser's report set out on pages 5 to 6 and 6 to 8, respectively, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated 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 this regard.

Matter on which we are required to report under Authorised Collective Investment Schemes (Class B) Rules 2013
Under the Authorised Collective Investment Schemes (Class B) Rules 2013, we are required to report to you, if in our opinion, the information given in the Manager's report is inconsistent with the consolidated financial statements.

We have nothing to report in respect of the above.

Responsibilities of the manager for the consolidated financial statements
As explained more fully in the Manager's report set out on pages 5 to 6, the Manager is responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with UK GAAP, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Fund'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 Fund or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report
To the unitholders of Darwin Leisure Development Fund (continued)

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

Cyril Swale
Grant Thornton Limited
Chartered Accountants
PO Box 313
Lefebvre House
Lefebvre Street
St Peter Port
Guernsey
GY1 3TF

19 December 2019

CONSOLIDATED STATEMENT OF TOTAL RETURN
For the year ended 30 September 2019

	Notes	**2019** £	**2018** £
INCOME			
Net capital gains			
Unrealised gain on operating assets held at valuation	*8*	16,245,449	11,490,866
Unrealised gain on financial assets at fair value through profit or loss	*14*	690,779	376,972
		16,936,228	11,867,838
Revenue	*5*	5,175,785	1,609,659
EXPENSES			
Other expenses	*6*	(6,733,162)	(2,279,540)
Management fees	*17*	(691,388)	(561,039)
Performance fees	*17*	(961,823)	(517,303)
Net expense		(8,386,373)	(3,357,882)
Increase in net assets attributable to unitholders		**13,725,640**	**10,119,615**

The results of the year relate to continuing operations. There are no recognised gains or losses for the year other than the total return.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 30 September 2019

	2019	2018
	£	£
Opening net assets attributable to unitholders	118,912,992	104,214,377
Movement due to issue of units	16,958,000	4,579,000
Increase in net assets attributable to unitholders	13,725,640	10,119,615
Closing net assets attributable to unitholders	**149,596,632**	**118,912,992**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	2019 £	2018 £
ASSETS			
Non - current assets			
Operating assets held at valuation	*8*	64,420,820	37,896,792
Tangible fixed assets	*9*	8,980,458	7,893,779
		73,401,278	45,790,571
Current assets			
Pre-acquisition costs		139,185	20,968
Financial assets at fair value through profit or loss	*14*	15,149,111	5,458,332
Inventories		546,764	109,136
Debtors and prepayments	*11*	751,541	2,018,903
Fixed deposit account		25,000,000	40,482,234
Cash and cash equivalents		46,127,183	27,591,815
		87,713,784	75,681,388
TOTAL ASSETS		**161,115,062**	**121,471,959**
LIABILITIES			
Current liabilities			
Amounts falling due within one year	*12*	1,518,430	2,558,967
Loan payable	*13*	10,000,000	-
Total liabilities excluding net assets attributable to unitholders		**11,518,430**	**2,558,967**
Net assets attributable to unitholders		**149,596,632**	**118,912,992**
Number of units in issue	*16*	**123,687,486**	**106,928,361**
Fund net asset value per unit		**1.2095**	**1.1121**

The consolidated financial statements on pages 17 to 43 were approved and authorised for issue by the Board of Directors of the Manager on 19 December 2019 and are signed on its behalf by

Robin Smith **Martin Tolcher**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Total return before distributions		13,725,640	10,119,615
Movement in unrealised gain on operating assets held at valuation	*8*	(16,245,449)	(11,490,866)
Disposal of tangible fixed assets		-	6,781
Unrealised gain on financial assets at fair value through profit and loss	*14*	(690,779)	(376,972)
Bank interest income	*5*	(377,617)	(500,043)
Depreciation	*6*	1,153,793	99,694
Movement in inventories		(437,628)	(71,233)
Movement in debtors and prepayments		1,283,640	(1,370,476)
Movement in creditors		(1,040,537)	1,770,535
Net cash flows used in operating activities		**(2,628,937)**	**(1,812,965)**
Cash flows from investing activities			
Purchase of operating assets held at valuation		(10,805,510)	(16,706,912)
Purchase of tangible fixed assets	*9*	(1,713,542)	(7,896,765)
Pre-acquisition costs incurred		(118,217)	(20,968)
Purchase of financial assets at fair value through profit loss	*14*	(9,000,000)	-
Movement of fixed deposit account		15,482,234	24,637,513
Net cash flows (used in)/generated from investing activities		**(6,155,035)**	**12,868**
Cash flows from financing activities			
Net proceeds from issue of units		16,958,000	4,579,000
Bank loan drawn	*13*	10,000,000	-
Bank interest received		361,340	466,773
Net cash flows generated from financing activities		**27,319,340**	**5,045,773**
Net cash inflow for the year		**18,535,368**	**3,245,676**
Net cash and cash equivalents at the beginning of the year		27,591,815	24,346,139
Net cash and cash equivalents at the end of the year		**46,127,183**	**27,591,815**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2019

1. GENERAL INFORMATION

The Fund was established in Guernsey on 6 January 2017 as an open ended unit trust authorised by the Guernsey Financial Services Commission as an authorised Class B open-ended Collective Investment Scheme. The address of the registered office of its Manager, Darwin Alternative Investment Management (Guernsey) Limited is 11 New Street, St Peter Port, Guernsey, GY1 2PF.

The Fund's principal activity is to invest primarily in a portfolio of interests in holiday parks based in the British Isles with latent development potential, which includes land, buildings and static caravans, acquiring and owning such parks with a view to enhancing value through strategic selection and interventionist asset management, as well as greenfield sites with extant planning permission as yet undeveloped. It is intended that development of such sites would be done with a view to increasing income derived from, and/or enhancing the long-term value of, such sites.

The Fund may invest in such property, directly, or indirectly, through one or more Property Holding Vehicles or other Intermediate Vehicles.

The Fund may also invest in other collective investment schemes, listed and unlisted securities, joint ventures and partnerships, where the Manager considers there is a link with the leisure industry. Due to the nature of the Fund's assets and lead times to complete purchases, there may be periods where liquidity levels are relatively high. During such periods, uninvested liquidity will be held in cash deposits, Treasury Bills and other government and public securities, money market instruments, or investment funds or any combination of these at the discretion of the investment manager provided that any such assets shall hold a AA or better rating.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102").

New Interpretations and amendments in issue
As a result of the 2017 Triennial review a number of sections of FRS 102 have been amended effective for periods commencing on or after 1 January 2019.

The Directors have considered the amendments and do not expect these amendments to have a material effect on the future financial statements of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements of the Fund and its subsidiaries.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of land and buildings, and in accordance with FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice “Financial Statements of Authorised Funds” issued by the Investment Management Association in May 2014.

The preparation of consolidated financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements include the results of the Fund drawn up to 30 September each year. The subsidiaries have been included in the consolidated financial statements using the acquisition method of accounting. Accordingly, the Consolidated Statement of Total Return, Consolidated Changes in Net Assets Attributable to Unitholders, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows and associated notes include the results of the subsidiaries from acquisition date.

All of the Fund companies have 30 September as their year end.

Consolidated financial statements are prepared using uniform accounting policies for like transactions. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Fund.

Intercompany transactions, balances and unrealised gains on transactions between Fund companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Directors of the Manager have examined significant areas of possible financial risk.

After due consideration the Directors of the Manager believe that the Fund will have adequate resources to continue in operational existence for a period of not less than twelve months from the date of the approval of the consolidated financial statements, and as such it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Revenue

Sales revenue consists of golf fees and memberships, fees received for hire fleet rental and sales at the on-site facilities and is recognised net of VAT.

Deposit interest is accounted for on an accruals basis.

Provision is made when there is objective evidence that the Fund will not be able to recover balances in full. Outstanding rental income balances are written off when the probability of recovery is assessed as being remote.

Expenses

Expenses are accounted for on an accruals basis.

Operating assets held at valuation

Operating assets are carried in the statement of financial position on the basis of a valuation based upon their existing use value.

Operating assets are initially measured at cost, being the fair value for the consideration given, including related transaction costs. After initial recognition, operating assets are carried at fair value at the date of the valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land is not depreciated. Gains and losses arising from changes in fair value are included in the Consolidated Statement of Total Return. The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The estimation of fair value does not assume that either the underlying business is saleable at the reporting date or that their owners have the intention to sell in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Operating assets held at valuation (continued)

The objective is to estimate the exchange price at which hypothetical market participants would agree to transact.

The fair value of the land and buildings is largely based on estimates using property appraisal techniques and other valuation methods as outlined in Note 4. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

Operating Assets held at valuation are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Consolidated Statement of Total Return.

Tangible fixed assets

Tangible fixed assets held for use in the operation of the caravan parks are stated at historical cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Tangible fixed assets are depreciated on a straight line basis as follows:

Plant and machinery	4 years straight line
Office equipment	4 years straight line
Furniture and fittings	4 years straight line
Computer hardware	4 years straight line
Lodges	20 years straight line
Static caravans	7 years straight line
Motor vehicles	4 years straight line
Building improvements	25 years straight line

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Fund and the cost can be measured reliably. Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Consolidated Statement of Total Return and included in ‘Park operating expenses’ within ‘Expenses’.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Fund has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including debtors, fixed deposit account and cash and cash equivalents are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at market rate of interest.

Such assets are subsequently carried at amortised cost less any impairment using the effective interest method, unless the assets are due within one year, then are measured at the undiscounted amount of cash or other consideration expected to be received.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Consolidated Statement of Total Return.

Other financial assets, including financial assets at fair value through profit or loss, which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is usually the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Consolidated Statement of Total Return.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price. Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Creditors are subsequently measured at amortised cost using the effective interest method, unless payment is due within one year or less, then are measured at the undiscounted amount of cash or other consideration expected to be paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents, includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Fixed deposit account

Fixed deposit account is cash held at banks with original maturities of three months or more.

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is calculated using the first in, first out method. At each reporting date inventories are assessed for impairment.

Distributions

The net distributable income of the Fund will be available to be allocated at the end of each calendar quarter ending on 31 December, 31 March, 30 June and 30 September based on the returns of the Fund. In the case of Income Units, the income allocated will be available to be distributed within 50 Business Days of the relevant quarter date. Distributions for Accumulation Units are reinvested in the fund. All units have equal rights to distributions.

Functional and reporting currency

The Fund's functional and reporting currency is the Pound Sterling.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Fund's accounting policies, which are described in Note 3, the Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 both currents and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The most significant estimates and judgements made in preparing these consolidated financial statements, under FRS 102, are as follows:

Valuation of operating assets held at valuation
In accordance with the Fund's accounting policies, operating assets held at valuation are stated at fair value as at the balance sheet date. This is determined by the investment adviser and independent valuation experts using recognised valuation techniques.

-Operating assets used for operating activities

These are stated at fair value as determined by the investment adviser using the Discounted Cash Flow ("DCF") method. Caravan parks are commercial businesses and, from time to time, the Manager will be purchasing non-transferable securities. The Manager has determined that it is appropriate and prudent to have the operating assets reviewed by independent business valuers. Smith & Williamson, who have been appointed as the independent business valuer, is the eighth largest firm of accountants in the UK. The business has 11 principal offices in the UK, Ireland and Jersey and an international capability in 120 countries through membership of Nexia International (the tenth largest international accounting and consulting network).

Management accounts, which are the basis of the parks' audited annual financial statements, are the inputs for the ten year DCF models for each park which incorporate management projections based on these accounts. The forecast projections are discussed with the independent business valuer. The independent business valuer provides the key technical components for setting the Weighted Average Cost of Capital (WACC) and in quarterly reviews of the DCFs together with the Investment Adviser helps ensure that the WACC and the terminal growth rates are commensurate with investment and industry norms. At 30 September 2019, the date of valuation the WACC was determined at 10.50% (2018: 10.50%).

The determination of the fair value of investment properties requires the use of estimates such as future cash flows for assets and discount rate applicable to those assets.

At acquisition, all parks are valued at cost for at least a month. Parks are continually valued at cost until planning permission is obtained. Depending on whether the park has been acquired with planning permission determines when there can be uplift to the DCF. Parks with permission but no operations should introduce the uplift over the time of development. Those with operations can move to operating DCF after 3 months. Those with existing operations and planning permission for further development should move from operating DCF to post development DCF when the development works have been carried out.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended September 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Valuation of operating assets held at valuation (continued)

The Directors of the Manager are confident that the valuation included in the consolidated financial statements has been incorporated on a consistent basis using sensible and supportable assumptions.

5. REVENUE

	2019	2018
	£	£
Sales revenue	4,798,168	1,109,616
Bank interest income	377,617	500,043
Total Income	**5,175,785**	**1,609,659**

6. OTHER EXPENSES

	2019	2018
	£	£
Park cost of sales	1,013,503	311,950
Park operating expenses	3,908,477	1,330,173
Depreciation	1,153,793	99,694
Administrator’s fees	209,901	175,640
Legal and professional	119,944	227,761
Bank charges	1,802	6,040
Regulatory fees	6,104	5,574
Trustee’s fees	84,925	60,809
Audit and accounting fees	33,020	36,440
Interest Expense	173,520	-
Other expenses	28,173	25,459
Total Expenses	**6,733,162**	**2,279,540**

7. TAXATION

The Fund is exempt from Income Tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Fund pays an annual fee to the States of Guernsey Income Tax Office, presently set at £1,200 (2018: £1,200)

The Fund is liable to United Kingdom income tax on its net rental income. No such tax is due in the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

8. OPERATING ASSETS HELD AT VALUATION

	2019	2018
	£	£
Cost or valuation		
At start of year	37,911,090	9,691,307
Additions	10,805,510	16,728,917
Unrealised gain on revaluation	16,245,449	11,490,866
At end of year	**64,962,049**	**37,911,090**
Depreciation and impairment		
At start of year	14,298	85
Provided during the year	526,931	14,213
At end of year	**541,229**	**14,298**
Carrying amount at end of year	**64,420,820**	**37,896,792**

Included in operating asset additions above are incidental costs incurred in acquiring property during the year.

Operating assets	**2019** £	**% of net assets**	**2018** £	**% of net assets**
Springs Country Club	6,692,320	4%	4,692,213	4%
Norfolk Woods	37,823,483	25%	22,482,980	19%
Stratford Armouries Limited	11,141,019	7%	7,139,827	6%
Alsop Rivendale Limited	4,603,239	3%	3,581,772	3%
Dundonald Links	4,160,759	3%	-	0%
	64,420,820	**43%**	**37,896,792**	**32%**

To see the valuation methods used to value operating assets held at valuation please refer to Note 4.

During the year £118,217 (2018: £20,968) has been paid in pre-acquisition costs relating to a potential future investment in an additional parks. As at the period end, there was no agreement in place for the acquisition of this investment which has resulted in the amounts incurred being shown as pre-acquisition costs

Under the terms of the contracts for the development of operating assets an amount of £nil (2018: £1,378,441) has been committed but not yet incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

9. TANGIBLE FIXED ASSETS

	Static caravans and lodges	Plant & Machinery	Office Equipment	Fixtures & fittings	Motor Vehicles	Total
	£	£	£	£	£	£
At 30 September 2018	7,487,088	216,142	40,020	213,573	24,988	7,981,811
Additions	457,520	419,861	199,550	605,216	31,395	1,713,542
At 30 September 2019	**7,944,608**	**636,003**	**239,570**	**818,789**	**56,383**	**9,695,353**
Depreciation						
At 30 September 2018	-	53,880	7,293	22,569	4,290	88,032
Charge for the year	298,745	133,194	34,564	148,538	11,822	626,863
At 30 September 2019	**298,745**	**187,074**	**41,857**	**171,107**	**16,112**	**714,895**
Carrying amount						
At 30 September 2018	**7,487,088**	**162,262**	**32,727**	**191,004**	**20,698**	**7,893,779**
At 30 September 2019	**7,645,863**	**448,929**	**197,713**	**647,682**	**40,271**	**8,980,458**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

10. INVESTMENT IN SUBSIDIARIES

The Fund holds and operates its property portfolio through subsidiary companies. The financial statements consolidate the results of the Fund and its subsidiaries drawn up to 30 September each year. The subsidiaries have been included in the Fund's consolidated financial statements using the acquisition method of accounting. The Consolidated Statement of Total Return and Consolidated Statement of Cash Flows include the results of the subsidiaries and the Consolidated Statement of Financial Position includes the position of the subsidiaries.

Name	Place of registration	Group ownership	Principal activity
Immediate parent - Darwin Leisure Development Fund			
Darwin Leisure Development Properties (Guernsey) Limited	Guernsey	100%	Property holding
Darwin Leisure Development Finance (Guernsey) Limited	Guernsey	100%	Property finance
Immediate parent - Darwin Leisure Development Properties (Guernsey) Limited			
Darwin Leisure Development Management Limited	UK	100%	Park operation
Darwin (Norfolk Woods) Limited	UK	100%	Park operation
Darwin (Springs Country Club) Limited	UK	100%	Park operation
Darwin (Stratford Armouries) Limited	UK	100%	Park operation
Alsop Rivendale Limited	UK	100%	Park operation
Darwin (Dundonald) Limited	UK	100%	Park operation

11. DEBTORS AND PREPAYMENTS

	2019	2018
	£	£
VAT refundable	8,885	1,435,791
Other debtors and prepayments	292,341	278,664
Trade debtors	400,768	271,178
Interest receivable	49,547	33,270
	751,541	**2,018,903**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

12. CREDITORS: AMOUNTS FALLING DUE WITIN ONE YEAR

	2019	2018
	£	£
Trade creditors	788,070	2,338,769
Trustee fee payable	7,093	5,276
Administration fee payable	18,794	14,148
Accrued expenses	704,473	200,774
	1,518,430	**2,558,967**

13. LOAN PAYABLE

	2019	2018
	£	£
Lloyds Bank Plc.		
Loan liability at beginning of year	-	-
Loan obtained during the year	10,000,000	-
Total net loan liability due within 1 year	**10,000,000**	**-**

During the year the fund entered into a revolving loan facility with Lloyds Bank Plc.

Interest is charged at 0.95% per annum over 3-month LIBOR.

A commitment interest charge of 0.35% per annum was charged on the daily available undrawn balance of the facility limit in between the drawdowns of the loan.

The loan is repayable in full on the facility expiry date of 20 September 2020.

The loan is secured against the Sterling Current account or any account opened with the Bank in replacement of or in substitution for such account.

Lloyds Bank PLC has security by way of debentures in place with the operating entities of the fund.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Given relatively high levels of liquidity in the Fund and prevailing low bank interest rates, the Manager has sought to generate income in excess of prevailing short term interest rates whilst maintaining an overriding focus on preserving liquidity by investing a portion of the Fund’s available cash into Darwin Leisure Property Fund C Class accumulation units, a fund under common control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The following table presents information concerning the investment in the open-ended investment unit trust for the year.

Investments

The net movement on investment during the year comprises:

	2019	2018
	£	£
Opening investment cost	5,000,000	5,000,000
Additions at cost	9,000,000	-
Closing portfolio cost	**14,000,000**	**5,000,000**
Opening unrealised gain	458,332	81,360
Unrealised gain on investment	690,779	376,972
Closing unrealised gain	**1,149,111**	**458,332**
Closing valuation	**15,149,111**	**5,458,332**

Unrealised gains recognised in the Consolidated Statement of Total Return during the year amounted to £670,779 (2018: £376,972).

15. FINANCIAL INSTRUMENTS

FRS 102 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) for identical instruments in active markets

Level 2 – Inputs other than quoted prices that are directly or indirectly observable

Level 3 - Valuation techniques using unobservable data

The Fund has the following financial instruments:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

15. FINANCIAL INSTRUMENTS (continued)

	2019	2018
Financial assets	**£**	**£**
Measured at fair value through profit or loss		
Financial asset at fair value through profit or loss	15,149,111	5,458,332
Measured at amortised cost		
Debtors	494,976	1,923,214
Fixed deposit account	25,000,000	40,482,234
Cash and cash equivalents	46,127,183	27,591,815
	71,622,159	69,997,263
Total financial assets	86,771,270	75,455,595
Financial liabilities		
Measured at amortised cost		
Creditors	(1,518,430)	(2,558,967)
Loan Payable	(10,000,000)	-
Total financial liabilities	(11,518,430)	(2,558,967)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following table analyses within the fair value hierarchy the Fund's financial assets and financial liabilities measured at fair value as at 30 September:

	2019	2018
	£	**£**
Level 1		
Financial assets at fair value through profit or loss	15,149,111	5,458,332
	15,149,111	5,458,332

There have been no movements between levels during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

16. UNITHOLDERS' CAPITAL

In accordance with the Trust Instrument, distributions may be made to the unitholders of the Fund. Distributions are to be made rateably in accordance with the number of units held or deemed to be held on the relevant distribution date. The unitholders are only entitled to vote at meetings of the unitholders on specific resolutions as detailed in the trust instrument. At meetings of the unitholders, on a poll, every holder is entitled to one vote in respect of each unit held.

In a winding-up the unitholders have the right to receive all surplus assets available for distribution after settlement of the Class units' liabilities.

There is no upper or lower number of units that may be issued in the Fund.

Reconciliation of movement in units in issue	**2019 Units**	**2018 Units**
A Accumulation units		
Opening balance	35,776,011	31,605,000
Issued	893,656	4,171,011
Closing balance	36,669,667	35,776,011
B Accumulation units		
Opening balance	70,000,000	70,000,000
Issued	-	-
Closing balance	70,000,000	70,000,000
C Accumulation units		
Opening balance	1,152,350	979,114
Issued	665,469	173,236
Closing balance	1,817,819	1,152,350
D Accumulation Units		
Opening balance	-	-
Issued	15,000,000	-
Closing balance	15,000,000	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

16. UNITHOLDERS' CAPITAL (continued)

Reconciliation of movement in units in issue (continued)

E Accumulation Units

Opening balance	-	-
Issued	200,000	-
Closing balance	200,000	-
Total units in issue	**123,687,486**	**106,928,361**

The terms of each share class are as set out in the Fund prospectus.

17. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Fees Payable to the Manager

The Management fee is charged at 0.6% p.a of the NAV of the Fund for the Class "A" units, 0.5% p.a. of the NAV of the Fund for the Class "B" units and 0.85% p.a. of the NAV of the Fund for the Class "C" units .

For units D and E the management fee is charged at 0.75% p.a for the NAV of the Fund and 1.5% p.a of the NAV of the Fund, respectively.

These fees are calculated by reference to the Net Asset Value of the Fund attributable to the relevant Units and shall be calculated and accrued at each Dealing Day.

Fees charged during the year by the Manager were £691,388 (2018: £561,039) of which £63,167 (2018: £46,189) remained unpaid at 30 September 2019.

In addition, the Manager shall be entitled to receive a performance fee set at 15% of the outperformance of the Fund when measured against a benchmark set at 5% annual increase in the NAV of the Fund.

An amount of £961,823 (2018: £517,303) was charged for the year of which £112,428 (2018: £112,759) remained unpaid at 30 September 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

17. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS (continued)

Fees payable to the Trustee

The Trustee is entitled to an amount of £10,000 per annum, plus a percentage of the Gross Asset Value of the fund based on the below scale:

Up to £150 million	0.05% per annum
Between £150 million and £300 million	0.03% per annum
Above £300 million	0.02% per annum

The Trustee is also entitled to additional, transactional fees of £500 per third party bank account set up with a £20 fee incurred for each transaction processed.

They are also due £2,000 per property transaction and £100 for any non-real estate type assets.

The fee is subject to a minimum annual amount of £25,000. Fees charged by the Trustee during the year, including fees capitalised, were £84,925 (2018: £60,809), of which £7,093 (2018: £5,276) remains unpaid at 30 September 2019.

Fees Payable to the Administrator

The Administration fee is charged at a rate dependent on the NAV of the Fund, as detailed below, with an annual minimum fee of £40,000.

Up to £50 million	0.2% per annum
Between £50 million and £350 million	0.125% per annum
Above £350 million	0.05% per annum

Fees charged by the Administrator during the year were £209,901 (2018: £175,640), of which £18,794 (2018: £14,148) remained unpaid at 30 September 2019.

Investment in related Fund

The Fund has an investment in Darwin Leisure Property Fund, C Accumulation units, a fund with common management, see Note 14.

Directors

I Burns, A Esse, J Penney, R Smith and M Tolcher are Directors of Darwin Alternative Investment Management (Guernsey) Limited, Darwin Leisure Development Properties (Guernsey) Limited and Darwin Leisure Development Finance (Guernsey) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

17. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS (CONTINUED)

Directors (continued)

The Directors of the Manager were remunerated by Darwin Alternative Investment Management (Guernsey) Limited except, for A Esse and J Penney who have waived their fees.

At 30 September 2019, A Esse owned 327,117 units (2018: 150,000) of the C Accumulation class. J Penney owned 150,000 units (2018: 150,000) of the A Accumulation class. R Smith had an interest in 19,908 units (2018: 19,908) of the C Accumulation Class. Smoke Rise Holdings Limited, a company controlled by I Burns held 20,000 units (2018: 20,000) of the C Accumulation class. M Tolcher owned 15,000 units (2018: 15,000) of the C Accumulation class. C Esse, son of A Esse, owned 20,000 units (2018: 20,000) of the A Accumulation Class. P White, Managing Director of the Administrator, Vistra Fund Services (Guernsey) Limited, owned 25,000 units (2018: 25,000) of the A Accumulation class.

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

Market risk: Other price risk

The Fund is exposed to market price risk as it holds an investment in the Darwin Leisure Property Fund (“DLPF”).

Market price risk associated with the investment in DLPF is not considered to be significant due to the nature of the investment. The investment is also open ended and shares can be redeemed on demand. As this risk is not considered significant sensitivity analysis has not been presented.

Market Risk

The Fund is exposed to risk associated with the effects of fluctuation in the prevailing levels of market interest rates on its cash position.

Interest Rate Risk

The interest rate profile of the financial assets and liabilities as at the consolidated balance sheet date is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Market risk: Interest rate risk (continued)

As at 30 September 2019	Floating rate	Non-interest bearing	Total
	£	£	£
Assets			
Cash and cash equivalents	46,127,183	-	46,127,183
Fixed deposit account	25,000,000	-	25,000,000
Debtors	-	494,976	494,976
Total assets	**71,127,183**	**494,976**	**71,622,159**
Liabilities			
Creditors	(10,000,000)	(1,518,430)	(11,518,430)
Net assets attributable to unitholders	-	(149,596,632)	(149,596,632)
Total liabilities	**(10,000,000)**	**(151,115,062)**	**(161,115,062)**

As at 30 September 2018	Floating rate	Non-interest bearing	Total
	£	£	£
Assets			
Cash and cash equivalents	27,591,815	-	27,591,815
Fixed deposit account	40,482,234	-	40,482,234
Debtors	-	1,923,214	1,923,214
Total assets	**68,074,049**	**1,923,214**	**69,997,263**
Liabilities			
Creditors	-	(2,558,967)	(2,558,967)
Net assets attributable to unitholders	-	(118,912,992)	(118,912,992)
Total liabilities	**-**	**(121,471,959)**	**(121,471,959)**

Considering the effect on cash balances, an increase in 50 basis points in interest rates as at reporting date would have increased net assets and income for the year by £355,636 (2018: £340,370). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the balances at the reporting date and are not representative of the year as a whole. A 50 basis point increase/decrease represents the Managers assessment of the possible changes in interest rates within the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Market risk: Interest rate risk (continued)

Considering the effect on creditors of the loan balance payable, an increase in 50 basis points in interest rates as at reporting date would have decreased net assets and income for the year by £50,000 (2018: £nil). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the balances at the reporting date and are not representative of the year as a whole. A 50 basis point increase/decrease represents the Managers assessment of the possible changes in interest rates within the next 12 months.

Operational risks

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as changes in gross domestic product, employment trends, inflation, the availability of banking finance and changes in interest rates, which in turn may impact the demand for caravan rental.

Both rental income and property values may also be affected by other factors specific to the real estate and leisure markets, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

The Directors of the Manager monitor the operating assets monthly using the DCF model received from the investment adviser, The Directors of the Manager have engaged Smith and Williamson, Business Valuers, to review the DCF model on a quarterly basis .

Liquidity risk

The Fund's constitution provides for the monthly creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time and the repayment of the loan. The Fund's main assets are property assets which are traded in an environment where deal timescales can take place over months. As a result, the Fund may not be able to liquidate quickly some of its properties at an amount close to its fair value in order to meet liquidity requirements.

Cash balances are maintained to ensure that the Fund is able to meet expenses, distributions and requests for redemption of units. Where redemption requests exceed cash available to the Fund, the Manager is entitled to suspend the redemption process until the Fund has been able to realise sufficient funds from the orderly disposal of property. To date no such suspension was necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Liquidity risk (continued)

As at 30 September 2019

	Due within 30 days	Due between 30 days and 60 days	Due between 60 days and 1 year	Due after 1 year	Total
	£	£	£	£	£
Financial assets at FVTPL	15,149,111	-	-	-	15,149,111
Debtors	494,976	-	-	-	494,976
Fixed deposit account	-	-	25,000,000	-	25,000,000
Cash and cash equivalents	46,127,183	-	-	-	46,127,183
	61,771,270	**-**	**25,000,000**	**-**	**86,771,270**
Net assets due to unitholders	-	-	(39,280,466)	(110,316,166)	(149,596,632)
Creditors	(1,518,430)	-	-	-	(1,518,430)
	(1,518,430)	**-**	**(39,280,466)**	**(110,316,166)**	**(151,115,062)**
Total liquidity sensitivity gap	**60,252,840**	**-**	**(14,280,466)**	**(110,316,166)**	**(64,343,792)**

As at 30 September 2018

	Due within 30 days	Due between 30 days and 60 days	Due between 60 days and 1 year	Due after 1 year	Total
	£	£	£	£	£
Financial assets at FVTPL	5,458,332	-	-	-	5,458,332
Debtors	1,923,214	-	-	-	1,923,214
Fixed deposit account	-	-	40,482,234	-	40,482,234
Cash and cash equivalents	27,591,815	-	-	-	27,591,815
	34,973,361	**-**	**40,482,234**	**-**	**75,455,595**
Net assets due to unitholders	-	-	(31,223,683)	(87,689,309)	(118,912,992)
Creditors	(2,558,967)	-	-	-	(2,558,967)
					-
	(2,558,967)	**-**	**(31,223,683)**	**(87,689,309)**	**(121,471,959)**
Total liquidity sensitivity gap	**32,414,394**	**-**	**9,258,551**	**(87,689,309)**	**(46,016,364)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. In the event of a default by a tenant, the Fund will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. There are no significant concentrations of credit risk within the Fund other than the concentration of balances held with Lloyds Bank and with Butterfield Bank which amount to £71,127,183 (2018: £68,074,049).

Credit risk in respect of other financial assets and is reflected in the carrying value of these assets being set to their fair value, as they represent cash and financial instruments held with the Fund's bankers. The Manager regularly reviews the credit ratings of the Fund's bankers.

Credit risk in relation to banking is managed by the Board monitoring the risk ratings of the counter parties (Lloyds Bank Plc and Butterfield Bank). Their current ratings according to Moody's are Aa3 and A3 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

19. NET ASSET VALUE PER UNIT

	2019	2018
	£	£
Fund net asset value per September valuation	146,825,008	117,366,571
Adjustment to asset valuation on consolidation	2,771,624	1,546,421
Group net asset value per financial statements	**149,596,632**	**118,912,992**

	2019	2018
	£	£
Units in issue	123,687,486	106,928,361
Net asset value per unit (valuation)	1.1871	1.0976
Net asset value per unit (financial statements)	1.2095	1.1121
Individual Fund class value per unit		
A accumulation value per unit (Valuation)	1.2011	1.0962
A accumulation value per unit (Financial Statements)	1.2238	1.1107
B accumulation value per unit (Valuation)	1.2045	1.0984
B accumulation value per unit (Financial Statements)	1.2272	1.1128
C accumulation value per unit (Valuation)	1.2148	1.0952
C accumulation value per unit (Financial Statements)	1.2202	1.1097
D accumulation value per unit (Valuation)	1.0725	-
D accumulation value per unit (Financial Statements)	1.0927	-
E accumulation value per unit (Valuation)	1.0110	-
E accumulation value per unit (Financial Statements)	1.0300	-

20. CONTROLLING PARTY

Darwin Alternative Investment Management (Guernsey) Limited ("the Manager") together with Butterfield Bank (Guernsey) Limited ("the Trustee") are regarded as the controlling parties of the Fund by virtue of them acting in concert under the terms of the Trust Instrument.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

The loan payable amount with Lloyds Bank Plc was subsequently settled on the 9th of November 2019.

DARWIN LEISURE PROPERTY FUND

Report & Audited Consolidated Financial Statements

For the year ended 30 September 2019

TABLE OF CONTENTS

For the year ended 30 September 2019

GENERAL INFORMATION

TRUSTEE:	Butterfield Bank (Guernsey) Limited PO Box 25 Regency Court Glategny Esplanade St Peter Port Guernsey GY1 3AP
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Vistra Fund Services (Guernsey) Limited PO Box 91 11 New Street St Peter Port Guernsey GY1 3EG
MANAGER:	Darwin Property Investment Management (Guernsey) Limited 11 New Street St Peter Port Guernsey GY1 2PF
DIRECTORS OF THE MANAGER:	Ian Michael Burns Anthony Geoffrey David Esse Christopher James Affleck Penney Robin Haake Smith Martin Paul Tolcher
INVESTMENT ADVISER:	Darwin Property Investment Management Limited Empire House 175 Piccadilly London W1J 9EN
THE INTERNATIONAL STOCK EXCHANGE SPONSOR:	Vistra Fund Services (Guernsey) Limited PO Box 91 11 New Street St Peter Port Guernsey GY1 3EG

GENERAL INFORMATION (CONTINUED)

INDEPENDENT AUDITOR:	Grant Thornton Limited PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF
PROPERTY VALUERS:	Jones Lang LaSalle LLP 30 Warwick Street London W1B 5NH
BUSINESS VALUERS:	Smith and Williamson Ltd 25 Moorgate London EC2R 6AY
LEGAL ADVISERS TO THE FUND:	*In Guernsey:* Collas Crill Glategny Court PO Box 140 Glategny Esplanade St Peter Port Guernsey GY1 4EW *In United Kingdom:* Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2AA

MANAGER'S REPORT
For the year ended 30 September 2019

The Manager of the Darwin Leisure Property Fund (the "Fund") is pleased to submit its Report and Audited Consolidated Financial Statements for the year ended 30 September 2019.

THE FUND

The Fund was established in Guernsey on 5 December 2007 as an open-ended unit trust authorised by the Guernsey Financial Services Commission as an authorised Class B open-ended Collective Investment Scheme.

The Fund is listed on the Official List of The International Stock Exchange Authority Limited ("TISEAL").

ACTIVITIES

The Fund's principal activity is to invest primarily in a portfolio of interests in UK and Irish based holiday caravan parks, which includes land, buildings and static caravans, acquiring and owning such parks with a view to enhancing value through strategic selection and interventionist asset management. Static caravans are moveable as defined in the Caravan Sites and Control of Developments Act 1960 (United Kingdom).

The Fund may invest in such property, directly or indirectly, through one or more Property Holding Vehicles or other Intermediate Vehicles.

The Fund may also invest in other collective investment schemes, listed and unlisted securities, joint ventures and partnerships, where the Manager considers there is a link with the leisure industry. Due to the nature of the Fund's assets and lead times to complete purchases, there may be short periods where liquidity levels are relatively high. During such periods, uninvested liquidity will be held in cash deposits, public securities, including treasury bills, bonds and other government securities, money market instruments, debt instruments or similar investments, as the Manager determines from time to time.

DISTRIBUTIONS

The Manager recommended that distributions be made for the year ended 30 September 2019 of 11.31 pence per unit on the A Accumulation class, 19.08 pence per unit on the C Accumulation class and 10.64 pence per unit on the C Income class, 19.30 pence per unit on the D Accumulation class, 11.84 pence per unit on the E Exit class, 12.44 pence per unit on the E initial class, 9.96 pence per unit on the F Exit class, 9.21 pence per unit on the G exit class, 2.00 pence per unit on the G initial class, 6.11 pence per unit on the I exit class, 8.34 pence per unit on the J Income class, 19.18 pence per unit on the M Accumulation class and 10.71 pence per unit on the M Income class (see Note 7).

MANAGER'S REPORT (CONTINUED)
For the year ended 30 September 2019

STATEMENT OF MANAGER'S RESPONSIBILITIES

The Manager is responsible for preparing consolidated financial statements for each financial year which give a true and fair view, in accordance with applicable Law and United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Statement of Recommended Practice (SORP) "Financial Statements of Authorised Funds" issued by the Investment Management Association in May 2014, of the state of affairs of the Fund as at the end of the financial year and of the profit or loss of the Fund for that year. In preparing these consolidated financial statements, the Manager is required to:

- select suitable accounting policies then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable it to ensure that the consolidated financial statements comply with the terms of the Trust Instrument, The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, The Authorised Collective Investment Schemes (Class B) Rules, 2013 and the applicable accounting standards. It is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The Directors have, at the time of approving the audited consolidated financial statements, a reasonable expectation that the Fund together with its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

AUDITOR

The Auditor, Grant Thornton Limited, has indicated its willingness to continue in office.

Signed for and on behalf of the Manager by:

Director **Director**
19 December 2019

INVESTMENT ADVISER'S REPORT
For the year ended 30 September 2019

During the year ended September 2019, the C Accumulation units increased in value by 7.34%.

Since the Brexit referendum in 2016, the UK has been constrained by a political hiatus which was only exacerbated by the snap June 2017 election, where the Conservative Party could only achieve a working majority through the 'confidence-and-supply' from the DUP of Northern Ireland. The devaluing of Pound Sterling against all major currencies created an environment where the UK has become a much more attractive destination for overseas visitors and overseas holidays became more expensive for UK residents. Overseas tour operators reacted to this aggressively, offering all-inclusive package holidays and thereby, to a great extent, protecting customers from Sterling weakness. Thomas Cook were the most aggressive and their demise in October was no shock to the Industry as their desperate attempt to bring in cash to satisfy the huge debt mountain resulted in their demise. We foresee a scenario, due to concerns about global warming and climate change, where increasingly UK citizens will shun the overseas holiday market for UK breaks instead.

The UK holiday park market consists of approximately 4,000 parks and is dominated by small family-run operations, which are restricted by a lack of available capital and/or a lack of motivation to attain the standards which today's holiday customers require and demand. At the opposite end of the scale, there are a relatively small number of group operators, the largest five of which hold less than 5% of the market share by volume. Most of these have business models that rely on a low margin but high volumes of sales. Their parks tend to offer a more traditional caravan holiday with a focus on value rather than quality. The cash generated by the Fund has enabled Darwin to develop a portfolio of parks which offer a higher standard that most others in the industry and higher margins as a result. This increased quality of accommodation and facilities has attracted higher spending customers and has ensured high levels of customer retention.

The Darwin business model, which combines holiday rentals and holiday home sales, ensures diversification in our income streams. Holiday rentals generate sizeable income through accommodation bookings and the quality of our product enables a premium to be charged. Holiday home sales provide stable cash flows through annual site licence fees and large capital receipts when caravans or lodges are sold. Holiday home owners will purchase caravans or lodges on a long-term licence, and it is commonplace for them to upgrade to bigger and newer units, which generates further income for the Fund through commission on the sale of old units, and profit margin in the selling of new units. These two areas of income are further supported by revenues generated through ancillary spend within our restaurant, bar and spa operations as well as onsite leisure activities.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2019

Our redevelopment programme for this phase is now, to all intents and purposes, completed. We have completely transformed the premium sector of the holiday park market, with the conversion of tenting and touring parks into state-of-the-art lodge developments. This is proving to be extremely popular with existing holiday park guests as well as customers new to this style of holiday, attracted by the superior offering that we provide. The facilities that our parks now offer have enabled us to engage with a wider audience. Companies have been increasingly using our parks as accommodation around the UK, along with our facilities for corporate events, meetings and workshops, and some of our parks are now being used as venues for weddings and other social events. Our increasing range of activities and amenities as well as quality of food and beverage offering have aided in delivering substantial added value returns for the long-term investor.

Going forward, the Fund will start to generate substantial free cashflows which, after dividends, will enable the Fund to continue to purchase and upgrade parks without the need for additional capital. This will underpin performance growth going forward.

Holiday Parks

Swanage Bay View in Dorset was sold on 23 May 2019. The decision to sell was taken by the Board of the investment manager, who felt that the 283-pitch traditional holiday park was no longer a suitable fit with the rest of the portfolio. The park no longer met the same quality standards as the rest of the portfolio and opportunities for growth were limited, as there was little or no scope to introduce rental fleet, whilst a refurbishment to bring it to the same standard as other Darwin parks would be prohibitively expensive, due to the large number of owners with open-ended licences. Swanage Bay View was sold to Aria Resorts for £14.75m having been purchased in June 2009 for £7.25m.

Aberconwy Holiday Home Park (Conwy, North Wales)

Aberconwy, based at Conwy Morfa beach in North Wales was purchased in May 2015 as a premium edition to our three existing parks in North Wales. The park continues to trade exceptionally well, enabling us to achieve excellent selling prices for our lodges. Last year we took the management of the on-site spa in-house, and this has led to improved profitability for the park.

Bath Mill Lodge Retreat (Bath, Somerset)

Bath Mill continues to excel offering outstanding accommodation within the City of Bath and, unsurprisingly, is incredibly popular with a wide variety of visitors, many of whom might not normally choose a lodge holiday. We continue to command high tariffs because of the lack of supply of equivalent accommodation whilst the restaurant and the conference and event facilities continue to be extremely popular. Bath Mill won a 2019 Hoseasons Diamond Award for the 'Best Lodge Escape' in Devon, Somerset & Dorset and continues to hold a Tripadvisor Certificate of Excellence and a Visit England 5 Star Award.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2019

Beach Cove Coastal Retreat (Ilfracombe, Devon)

Beach Cove is a high quality lodge retreat in Hele Bay, Ilfracombe. The retreat offers 26 beach hut style lodges and 3 holiday apartments with sublime views around the coastline. The park has been growing in popularity, due to the quirky nature and quality of the lodges and the growing trend of 'staycations' amongst couples. Since its transformation, Beach Cove has won numerous awards and this year was no exception winning again at the 2019 Hoseasons Diamond Awards in the 'Best Relax & Explore Lodges' (Small Park Category) for Devon Somerset & Dorset. Beach Cove also holds a Tripadvisor Certificate of Excellence.

Canterbury Reach Lodge Retreat (Canterbury, Kent)

Canterbury Reach, which opened in April 2017, was our first purchase in Kent and is located on the outskirts of the historic tourism town of Canterbury. The lodges at the retreat continue to be popular, especially for those customers looking for a short break, which we see is an increasing trend in the UK market. Canterbury Reach was a finalist at the 2019 Hoseasons Diamond Awards and holds a Tripadvisor Certificate of Excellence.

Cheddar Woods Resort and Spa (Cheddar, Somerset)

Cheddar Woods was re-developed from a touring and tenting park into our first large luxury holiday resort, opening in 2013. The format has proved successful and has set new standards in the holiday park industry. The site, set in the foothills of Cheddar Gorge, has gone from strength to strength with sales and holiday rentals at an all-time high.

In 2016 an additional 6.5 acres of land adjacent to the park was purchased and over the 2018 winter period we added an additional 20 lodges to this land. This phase of Cheddar Woods opened at Easter in 2019 and the lodges, which are of a strikingly modern design, were an immediate success. Cheddar Woods continues to be extremely popular all year round, and like many of the resorts in the portfolio, has won numerous awards. This this year was no exception as it won the 2019 Hoseasons Diamond Award for 'Best Relax & Explore Lodges' in Devon, Somerset & Dorset and the resort continues to hold a Tripadvisor Certificate of Excellence.

Hawkchurch Resort and Spa (Axminster, Devon)

Based in the glorious countryside near Axminster, Hawkchurch continues to perform strongly since it reopened following redevelopment in December 2015. The Hawkchurch experience is aimed at a discerning market looking for an exceptional spa experience combined with a luxurious lodge offering. Hawkchurch was a finalist at the 2019 Hoseasons Diamond Awards in the 'Best Lodge Escape' in Devon, Dorset and Somerset category but was beaten by Bath Mill. It is the holder of a Tripadvisor Certificate of Excellence.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2019

Keswick Reach Lodge Retreat (Bassenthwaite, Lake District)

Keswick Reach is located in the stunning area of the North Lake District and has proven, since opening in December2016, to be one of the most popular destination in the portfolio. Keswick Reach broke Hoseasons' records for bookings for a new park and has proved popular year-round ever since. Keswick Reach was voted the Best Resort in the UK at the 2017 and 2018 Hoseasons Diamond Awards and in 2019 won the much coveted 'Best in Britain Food Award'. Keswick Reach holds a Tripadvisor Certificate of Excellence.

Kilnwick Percy Resort and Spa (Pocklington, East Yorkshire)

Purchased in April 2017, Kilnwick Percy offers the most comprehensive offering in the portfolio and features a popular wedding venue, a challenging golf course and a selection of luxury lodge accommodation alongside a restaurant, bar, gym and spa. Since our purchase, we have upgraded the offering substantially and invested widely in the site, with the results illustrating that this investment was needed as profitability and popularity have improved dramatically.

Mullion Cove Coastal Retreat (Lizard Peninsula, Cornwall)

Mullion Cove opened in September 2013 following redevelopment to transform the site from a derelict chalet park to a five star lodge retreat. The park is located two minutes walk from Mullion Cove itself, one of the UK's coastal wonders, and features 28 lodges. Mullion Cove has won many awards since 2013 and in 2019 won the Hoseasons Diamond Award for the 'Best Lodge Escape' in Cornwall as well as a Tripadvisor Certificate of Excellence.

New Pines Holiday Home Park (Rhyl, Denbighshire, North Wales)

New Pines is one of four parks in North Wales owned by the Fund, and was initially open to just holiday home owners. However, in 2016, we added holiday rental units, in order to bring the park more in-line with our business model and more importantly to satisfy customer demand. This proved to be very successful, transforming in particular the profitability of the food and beverage offering. The park continues to be very popular and profitable.

Piran Meadows Resort and Spa (Newquay, Cornwall)

Piran Meadows was re-developed in 2014, and is designed to cater for families in the popular holiday destination of Newquay. The park's facilities include high quality caravans and lodges, a bar and restaurant, swimming pool and a wide range of activities for all ages along with a Spa facility. Piran Meadows combines both holiday rentals with owner occupier sales. Piran Meadows holds a Tripadvisor Certificate of Excellence.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2019

Sandymouth Holiday Home Park (Bude, Cornwall)

Sandymouth specifically caters for families who are looking for a more traditional caravan park holiday. However, given the dynamics of this market we decided to make a substantial upgrade and expand the current facilities including a new reception area, a restaurant and bar and a self-contained function room as well as the swimming pool and changing areas. This work was completed in 2017. Sandymouth became an overnight success, proving that our original customers were prepared to pay more for a better holiday experience and we have enticed an increasing number of new customers who we do not believe would previously have considered a holiday park for their holidays. Given the rapidly accelerating climate change awareness, Sandymouth could be a major beneficiary of a reduction in holiday makers travelling overseas. The restaurant at Sandymouth won a Diamond Award for 'Best F&B in Cornwall (large location) at the 2019 Hoseasons Diamond Awards whilst the park holds a Tripadvisor Certificate of Excellence.

Seaview Holiday Home Park (Gwespyr, Flintshire, North Wales)

As another park in our North Wales hub, Seaview has gone from strength to strength, maximising its stunning views of the local coastline. Whilst Seaview was previously an owners-only park, in 2018 we added a small number of holiday rental units with both owners and guests able to use the facilities at Talacre Beach. The size and setting of Seaview allows customers to enjoy tranquil exclusivity, whilst still enjoying the highest standards of the Darwin Parks.

Talacre Beach Holiday Home Park (Talacre, Flintshire, North Wales)

Talacre Beach is the largest park in the portfolio with over 600 units. The park performs well each year, with sales and rental bookings very healthy all year round. Talacre hasn't been subject to a single large re-development. Instead, we have carried out phased upgrades to already existing infrastructure, which have been well received by owners and holiday makers on the park. Last winter we refurbished the central facilities building, making it a more inclusive offering. This innovation was extremely well received by both owners and guests. Talacre Beach was a finalist at the 2019 Hoseasons Diamond Awards.

Thanet Well Lodge Retreat (Lake District, North Cumbria)

Thanet Well is a popular destination on the edge of the Lake District National Park overlooking Greystoke Forest. In 2016 we added 26 new units to the park and carried out further work to upgrade 19 bases, replacing the existing units with larger lodges which provided greater options to accommodate a wider variety of guests. The park provides a genuine self-catering experience in a luxurious lodge amongst some spectacular scenery. Thanet Well holds a Tripadvisor Certificate of Excellence.

Tilford Woods Lodge Retreat (Tilford, Surrey)

Tilford Woods is a small luxury log cabin park, located in the Surrey countryside, adjacent to the award-winning Hankley Common Golf Course. Being in Surrey, the park is extremely popular with visitors from London, offering the opportunity to escape the city within an hour. Tilford Woods provides guests with a place where they can fully relax and unwind in excellent accommodation, some of which include hot tubs and saunas. The park continues to be successful for midweek bookings with travelling professionals as well as short breaks for couples who look for more space and better facilities than can be provided by a B&B or hotel. Tilford Woods has been a perennial winner at the Hoseasons Diamond Awards and 2019 was no exception with the park winning the 'Best Lodge Escape in the South of England' category.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2019

Wareham Forest Lodge Retreat (Wareham, Dorset)

Wareham Forest (previously Pear Tree) opened in December 2016 following development work to upgrade it from a tenting and touring site into a luxury lodge retreat. Wareham Forest was an immediate success, attracting holiday makers throughout the year and the park was a finalist at the 2019 Hoseasons Diamond awards, losing out to Bath Mill in the 'Best Lodge Escape' in Devon, Somerset & Dorset category. Wareham Forest holds a Tripadvisor Certificate of Excellence.

Woodside Coastal Retreat (Wootton Bridge, Isle of Wight)

Woodside Coastal Retreat is a small lodge retreat, located on the north coast of the Isle of Wight, overlooking the Solent. High quality accommodation on the island is limited, and Woodside Coastal Retreat has benefited from providing something well above the normal offering. Guests are able to use the facilities at the adjacent Woodside Bay Lodge Retreat which enhances the overall experience. Woodside Coastal retreat retains the Tripadvisor Certificate of Excellence.

Woodside Bay Lodge Retreat (Wootton Bridge, Isle of Wight)

Woodside Bay offers premium lodge accommodation in a tranquil setting on the north coast of the Isle of Wight, overlooking the Solent and adjacent to Woodside Coastal Retreat. Converted in 2016 from the derelict site of a former holiday camp, it has become a popular destination throughout the year for short break holiday makers. The Isle of Wight has, in recent years, significantly increased its advertising and promoted the Island as a year-round destination which has benefitted Woodside Bay and the profitability of the park. Woodside Bay was the first to feature newly designed bespoke tree houses, in addition to our more traditional luxury lodges, which has been extremely popular with customers looking for an extra wow factor. The park features a small bistro restaurant and bar as well as a gym.

Darwin Property Investment Management Limited
19 December 2019

COMPARATIVE TABLE

	2019 Pence per unit	2018 Pence per unit
A Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	183.5900	171.6323
Return before operating expenses	23.2217	19.6017
Operating charges	-10.5817	-7.6440
Return after operating charges	12.6400	11.9577
Distributions on income units	N/A	N/A
Closing net asset value per unit	196.2300	183.5900
Retained distributions on accumulation units	11.3076	10.5824
Performance		
Return after charges	6.88%	6.97%
Other information		
Closing net asset value (£,000)	10,141	20,406
Closing number of units	5,167,703	11,115,034
Operating charges	-5.76%	-4.45%
Prices		
Highest unit price	196.2300	183.5900
Lowest unit price	183.5900	172.9640
C Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	309.2800	287.9140
Return before operating expenses	38.8490	32.9422
Operating charges	-16.1390	-11.5762
Return after operating charges	22.7100	21.3660
Distributions on income units	N/A	N/A
Closing net asset value per unit	331.9900	309.2800
Retained distributions on accumulation units	19.0806	17.7812
Performance		
Return after charges	7.34%	7.42%
Other information		
Closing net asset value (£,000)	74,944	64,738
Closing number of units	22,574,092	20,931,710
Operating charges	-5.22%	-4.02%
Prices		
Highest offer unit price	331.9900	309.2800
Lowest bid unit price	309.2800	287.9140

COMPARATIVE TABLE (Continued)

	2019	2018
	Pence per unit	Pence per unit
C Income units		
Change in net assets per unit		
Opening net asset value per unit	176.1098	173.4588
Return before operating expenses	21.6869	19.2702
Operating charges	-8.6360	-6.1231
Return after operating charges	13.0509	13.1471
Distributions on income units	-10.6407	-10.4961
Closing net asset value per unit	178.5200	176.1098
Retained distributions on accumulation units	N/A	N/A
Performance		
Return after charges	7.41%	7.58%
Other information		
Closing net asset value (£,000)	29,936	29,788
Closing number of units	16,768,723	16,914,583
Operating charges	-4.90%	-3.53%
Prices		
Highest offer unit price	179.1800	176.4700
Lowest bid unit price	173.6800	171.6184
D Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	312.6700	290.5749
Return before operating expenses	39.6439	33.2763
Operating charges	-16.1139	-11.1812
Return after operating charges	23.5300	22.0951
Distributions on income units	N/A	N/A
Closing net asset value per unit	336.2000	312.6700
Retained distributions on accumulation units	19.3018	17.9567
Performance		
Return after charges	7.53%	7.60%
Other information		
Closing net asset value (£,000)	185,453	172,474
Closing number of units	55,161,520	55,161,520
Operating charges	-5.15%	-3.85%
Prices		
Highest offer unit price	336.2000	312.6700
Lowest bid unit price	312.6700	290.5749

COMPARATIVE TABLE (Continued)

	2019 Pence per unit	2018 Pence per unit
E Exit Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	192.7300	181.6164
Return before operating expenses	21.6620	20.6518
Operating charges	-9.9820	-9.5382
return after operating charges	11.6800	11.1136
Distributions on income units	N/A	N/A
Closing net asset value per unit	204.4100	192.7300
Retained distributions on accumulation units	11.8362	11.1643
Performance		
Return after charges	6.06%	6.12%
Other information		
Closing net asset value (£,000)	82,270	82,447
Closing number of units	40,247,484	42,778,302
Operating charges	-5.18%	-5.25%
Prices		
Highest offer unit price	204.4100	192.7300
Lowest bid unit price	192.7300	181.6164
E Initial Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	202.0600	189.2593
Return before operating expenses	25.8705	20.6088
Operating charges	-12.3505	-7.8081
return after operating charges	13.5200	12.8007
Distributions on income units	N/A	N/A
Closing net asset value per unit	215.5800	202.0600
Retained distributions on accumulation units	12.4368	11.6609
Performance		
Return after charges	6.69%	6.76%
Other information		
Closing net asset value (£,000)	19,573	18,756
Closing number of units	9,079,291	9,282,284
Operating charges	-6.11%	-4.13%
Prices		
Highest offer unit price	215.5800	202.0600
Lowest bid unit price	202.0600	188.2393

COMPARATIVE TABLE (Continued)

	2019 Pence per unit	2018 Pence per unit
F Exit Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	164.8232	153.5028
Return before operating expenses	23.1253	25.5493
Operating charges	-20.0812	-14.2289
Return after operating charges	3.0441	11.3204
Distributions on income units	N/A	N/A
Closing net asset value per unit	167.8673	164.8232
Retained distributions on accumulation units	9.9586	9.4598
Performance		
Return after charges	1.85%	7.37%
Other information		
Closing net asset value (£,000)	7,952	10,824
Closing number of units	4,737,033	6,566,874
Operating charges	-12.18%	-9.27%
Prices		
Highest offer unit price	168.7691	164.8232
Lowest bid unit price	162.8314	153.5028
F Initial Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	90.3342	-
Return before operating expenses	2.1998	-
Operating charges	-0.8999	-
Return after operating charges	1.2999	-
Distributions on income units	N/A	N/A
Closing net asset value per unit	91.6341	-
Retained distributions on accumulation units	-	-
Performance		
Return after charges	1.44%	-
Other information		
Closing net asset value (£,000)	15	-
Closing number of units	16,255	-
Operating charges	-1.00%	-
Prices		
Highest offer unit price	91.6341	-
Lowest bid unit price	90.3342	-

COMPARATIVE TABLE (Continued)

	2019 Pence per unit	2018 Pence per unit
G Exit Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	149.3252	136.9816
Return before operating expenses	27.4060	24.1931
Operating charges	-18.7247	-11.8495
Return after operating charges	8.6813	12.3436
Distributions on income units	N/A	N/A
Closing net asset value per unit	158.0065	149.3252
Retained distributions on accumulation units	9.2070	8.3898
Performance		
Return after charges	5.81%	9.01%
Other information		
Closing net asset value (£,000)	42,791	43,674
Closing number of units	27,082,092	29,247,569
Operating charges	-12.54%	-8.65%
Prices		
Highest offer unit price	158.0065	149.5100
Lowest bid unit price	149.3252	135.4998

	2019 Pence per unit	2018 Pence per unit
G Initial Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	78.7712	-
Return before operating expenses	3.1298	-
Operating charges	-1.6162	-
Return after operating charges	1.5136	-
Distributions on income units	N/A	N/A
Closing net asset value per unit	80.2848	-
Retained distributions on accumulation units	2.0000	-
Performance		
Return after charges	1.92%	-
Other information		
Closing net asset value (£,000)	83	-
Closing number of units	103,503	-
Operating charges	-2.05%	-
Prices		
Highest offer unit price	80.2848	-
Lowest bid unit price	78.7712	-

COMPARATIVE TABLE (Continued)

	2019 Pence per unit	2018 Pence per unit
I Exit Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	98.6043	91.0689
Return before operating expenses	17.2500	14.4732
Operating charges	-10.5198	-6.9378
Return after operating charges	6.7302	7.5354
Distributions on income units	N/A	N/A
Closing net asset value per unit	105.3345	98.6043
Retained distributions on accumulation units	6.1125	5.6161
Performance		
Return after charges	6.83%	8.27%
Other information		
Closing net asset value (£,000)	6,923	7,160
Closing number of units	6,571,937	7,261,443
Operating charges	-10.67%	-7.62%
Prices		
Highest offer unit price	105.3344	96.6043
Lowest bid unit price	98.6043	91.0689
J Income units		
Change in net assets per unit		
Opening net asset value per unit	138.0300	135.9534
Return before operating expenses	17.0098	15.0966
Operating charges	-6.7693	-4.7931
Return after operating charges	10.2405	10.3035
Distributions on income units	-8.3405	-8.2269
Closing net asset value per unit	139.9300	138.0300
Retained distributions on accumulation units	N/A	N/A
Performance		
Return after charges	7.42%	7.58%
Other information		
Closing net asset value (£,000)	1,439	1,471
Closing number of units	1,028,074	1,065,509
Operating charges	-4.90%	-3.53%
Prices		
Highest offer unit price	140.4500	138.3200
Lowest bid unit price	136.1300	134.5130

COMPARATIVE TABLE (Continued)

	2019 Pence per unit	2018 Pence per unit
M Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	310.8000	288.9619
Return before operating expenses	39.4062	33.0053
Operating charges	-16.1562	-11.1672
Return after operating charges	23.2500	21.8381
Distributions on income units	N/A	N/A
Closing net asset value per unit	334.0500	310.8000
Retained distributions on accumulation units	19.1835	17.8542
Performance		
Return after charges	7.48%	7.56%
Other information		
Closing net asset value (£,000)	52,850	49,171
Closing number of units	15,820,884	15,820,884
Operating charges	-5.20%	-3.86%
Prices		
Highest offer unit price	334.0500	310.8000
Lowest bid unit price	310.8000	288.9619
M Income units		
Change in net assets per unit		
Opening net asset value per unit	177.0899	174.1812
Return before operating expenses	21.7788	19.3443
Operating charges	-8.4033	-5.8903
Return after operating charges	13.3755	13.4540
Distributions on income units	-10.7054	-10.5453
Closing net asset value per unit	179.7600	177.0899
Retained distributions on accumulation units	N/A	N/A
Performance		
Return after charges	7.55%	7.72%
Other information		
Closing net asset value (£,000)	79,520	74,826
Closing number of units	44,236,958	42,253,168
Operating charges	-4.75%	-3.38%
Prices		
Highest offer unit price	180.3600	177.4000
Lowest bid unit price	174.6700	172.3578

PORTFOLIO STATEMENT
As at 30 September 2019

	Fair Value £	Percent of net assets %
Properties held at valuation (note 9)	547,185,955	93.69
Tangible fixed assets at depreciated cost	60,367,452	10.33
Cash and cash equivalents	6,983,983	1.20
Net other liabilities	(30,506,682)	(5.22)
Total net assets	584,030,708	100.00

As at 30 September 2018

	Fair Value £	Percent of net assets %
Operating assets held at valuation (note 9)	506,220,149	89.31
Tangible fixed assets at depreciated cost	65,192,257	11.50
Cash and cash equivalents	8,445,199	1.49
Unsettled forward currency contracts	(533,616)	(0.09)
Net other liabilities	(12,541,407)	(2.21)
Total net assets	566,782,382	100.00

TRUSTEE'S REPORT TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND

For the year ended 30 September 2019

In our opinion the Manager has managed the Fund during the year in accordance with the provisions of its Principal Documents and Scheme Particulars, and The Authorised Collective Investment Schemes (Class B) Rules, 2013 ("the Class B Rules") made under The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended).

Butterfield Bank (Guernsey) Limited
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3AP

19 December 2019

Grant Thornton

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Opinion
We have audited the consolidated financial statements of Darwin Leisure Property Fund for the year ended 30 September 2019 which comprise the Consolidated Statement of Total Return, the Consolidated Statement of Changes in Net Assets Attributable to Unitholders, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland" and the Statement of Recommended Practice (SORP) "Financial Statements of Authorised Funds" issued by the Investment Management Association in May 2014.

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Fund's affairs as at 30 September 2019 and of the Fund's net return for the year then ended;
- are in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice);
- are in accordance with the requirements of The Trust Instrument, The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, The Authorised Collective Investment Schemes (Class B) Rules, 2013 and other applicable laws; and

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 consolidated financial statements' section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the FRC's Ethical Standard as applied to listed entities, 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.

Who we are reporting to
This report is made solely to the Fund's Unitholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Unitholders 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 Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Conclusions relating to going concern

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you where:

- the Manager's use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the Manager has not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Fund'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 consolidated financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter - Fund	**How the matter was addressed in the audit - Fund**
Risk 1 Improper revenue recognition Revenue for the year was £55,764,318 and includes sales revenue on caravans, fees received for caravan rental and on-site sales. Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The Fund has an investment objective to maximise total return through a combination of growth and income and as such, revenue could be open to manipulation and overstatement by management..	Our audit work included, but was not restricted to: • Understanding and evaluating management's processes to recognise revenue streams at the underlying subsidiary levels; • Inspecting supporting documents, such as sales contracts and invoices, third-party statements and performing an analytical review; and • Performing substantive analytical review over individual revenue streams and cut-off testing around the year end. The Fund's accounting policy on revenue recognition is shown in Note 3 to the consolidated financial statements and related disclosures are included in Note 5. **Key observations** We did not note any material issues from our procedures performed.

GrantThornton

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Key Audit Matter - Fund	How the matter was addressed in the audit - Fund
Risk 2 Operating assets held at valuation Operating assets held at valuation of £547,185,955 are held at fair value using the discounted cash flow ("DCF") method and the inputs to the models used are subject to judgement and estimation. The judgements exercised in determining fair value could significantly impact the net asset value of the Fund and this is considered to be a key source of estimation uncertainty as described in Note 4 of the consolidated financial statements. The specific areas of judgement include the calculation of the equity discount rate and determination of the terminal growth.	Our audit work included, but was not restricted to: • Detailed testing of the DCF models used by management to compute the fair value of the properties; • Validating the inputs and testing the reasonableness of assumptions used by valuation experts such as the equity discount rate and terminal growth rates; • Obtaining an understanding of the significant changes to the inputs used in the valuation such as the decrease in the equity discount rate, and assessing their reasonableness; • Reviewing the asset sale agreement to ensure that the disposal has been properly authorised and accurately recorded; and • Reviewing the reconciliation of operating assets held at valuation movements and agreeing acquisitions and disposals to supporting documents. The Fund's accounting policy on operating assets held at valuation is shown in Note 3 to the consolidated financial statements and related disclosures are included in Note 9. **Key observations** We did not note any material issues from our procedures performed.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Key Audit Matter - Fund	How the matter was addressed in the audit - Fund
Risk 3 Tangible fixed assets may include fictitious additions The underlying subsidiaries hold significant tangible fixed asset balances. There is a risk that tangible assets activity is not valid and that the related allowances for impairment are not adequate.	Our audit work included, but was not restricted to: • Review the work done by component team on tangible fixed assets of the individual subsidiaries to ascertain the balance as at the year end; • Review reconciliation of fixed assets; and • Agree material purchases to supporting invoices and proof of payments The Fund's accounting policy on tangible fixed assets is shown in Note 3 to the consolidated financial statements and related disclosures are included in Note 10. **Key observations** We did not note any material issues from our procedures performed.
Risk 4 Equity transactions not accounted for properly The Fund has in issue a number of classes of units and the volume of redemptions and subscriptions of units increases the risk that the units are allocated incorrectly.	Our audit work included, but was not restricted to: • Understanding and evaluating controls in place over redemptions and subscriptions;; • Performing the detailed substantive testing over current year subscriptions/redemptions to contract notes and proof of payment. The Fund's disclosure on unitholders' capital is shown in Note 18 to the consolidated financial statements. **Key observations** We did not note any material issues from our procedures performed.

GrantThornton

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Our application of materiality
We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work. Materiality was determined as follows:

Materiality measure	Group
Financial statements as a whole	£11,681,000 which is 2% of the Fund's net assets (2018: 2%) The same basis was used for the significant components of the Fund. We believe this benchmark is the most appropriate for a fund whose investment objective is to maximise the return to its unit holders.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality for the audit of the consolidated financial statements (2018: 60%). The same basis was used for the Components of the Fund.
Communication of misstatements to the Board.	Amounts greater than £584,000 (5% of financial statement materiality) (2018: 5%) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the Fund's business and is risk based, and in particular included:

- evaluation by the group audit team ("Primary team") of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality;
- understanding and evaluation of the Fund's internal control environment including its IT systems and controls;
- for components determined to be significant a full scope approach was taken based on their relative materiality to the group and assessment of audit risk;
- Significant components audited using a full scope approach by the Primary team included Darwin Leisure Property Fund, Darwin West Country (Guernsey) Limited and Darwin Finance (Guernsey) Limited representing 82% of the Fund's total assets;
- A full scope approach by the Component team based in the United Kingdom (Grant Thornton UK LLP) was used for other significant components representing 18% of the Fund's total assets. The Primary audit team were responsible for the scope and direction of these audits and conducted a comprehensive and detailed analytical review of the work performed by the Component team; and
- communication between the group audit team and the component auditor, Grant Thornton UK LLP, was continuous via e-mails and regular conference calls throughout the planning, substantive and completion stages of the group audit.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Manager's and Investment Advisor's reports set out on pages 4 to 11 other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 of the consolidated 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 this regard.

Matter on which we are required to report under Authorised Collective Investment Schemes (Class B) Rules 2013

Under the Authorised Collective Investment Schemes (Class B) Rules 2013, we are required to report to you, if in our opinion, the information given in the Manager's report is inconsistent with the consolidated financial statements.

We have nothing to report in respect of the above.

Responsibilities of manager for the consolidated financial statements

As explained more fully in the Manager's Report set out on page 4 to 5, the Manager is responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and for such internal control as the Manager determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Fund'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 Fund or to cease operations, or have no realistic alternative but to do so.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

Cyril Swale
For and on behalf of Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

19 **December 2019**

CONSOLIDATED STATEMENT OF TOTAL RETURN

For the year ended 30 September 2019

	Notes	2019 £	2018 £
Income			
Net capital gains			
Unrealised gain on operating assets held at valuation	*9*	60,967,819	54,448,470
Realised loss on disposal of operating assets held at valuation	*9*	(4,548,286)	-
Foreign exchange (loss)/gain		(744,545)	2,309,701
		55,674,988	56,758,171
Revenue	*5*	55,764,318	54,490,298
Expenses:			
Other expenses	*6*	(60,277,471)	(58,203,685)
Management fees	*19*	(6,651,852)	(6,329,406)
Performance fees	*19*	(4,993,871)	(4,925,602)
Net expense		(16,158,876)	(14,968,395)
Total return before taxation		**39,516,112**	**41,789,776**
Taxation	*8*	(706,531)	(1,017,842)
Total return before distributions		**38,809,581**	**40,771,934**
Finance costs: distributions	*7*	(35,011,083)	(33,078,955)
Increase in net assets attributable to unitholders		**3,798,498**	**7,692,979**

The results of the year relate to continuing operations. There are no recognised gains or losses for the year other than the total return.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 30 September 2019

	Notes	2019 £	2018 £
Opening net assets attributable to unitholders		**566,782,382**	**526,691,909**
Movement due to issues and redemptions of units		(15,257,685)	5,767,413
Reinvested accumulation distribution	7	28,496,575	27,167,957
		580,021,272	559,627,279
Gain/(loss) on foreign currency revaluation		210,938	(537,876)
Increase in net assets attributable to unitholders		3,798,498	7,692,979
Closing net assets attributable to unitholders		**584,030,708**	**566,782,382**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	2019 £	2018 £
Assets			
Fixed assets			
Operating assets held at valuation	*9*	547,185,955	506,220,149
Tangible fixed assets	*10*	60,367,452	65,192,257
		607,553,407	**571,412,406**
Current assets			
Inventories		3,486,533	3,720,565
Debtors and prepayments	*12*	4,236,830	4,739,520
Cash and cash equivalents		6,983,983	8,445,199
		14,707,346	**16,905,284**
Total assets		**622,260,753**	**588,317,690**
Liabilities			
Creditors: amounts falling due within one year			
Loans payable and other borrowings	*14*	12,577,403	5,244,012
Unsettled forward currency contracts	*16*	-	533,616
Creditors	*13*	12,045,066	11,728,591
		24,622,469	**17,506,219**
Non-current liabilities			
Loans payable and other borrowings	*14*	13,607,576	4,029,089
		13,607,576	**4,029,089**
Total liabilities excluding net assets attributable to unitholders		**38,230,045**	**21,535,308**
Net assets attributable to unitholders		**584,030,708**	**566,782,382**
Number of units in issue	*18*	**248,595,550**	**258,398,878**
Fund net asset value per unit		**2.3493**	**2.1934**

The consolidated financial statements on pages 28 to 62 were approved and authorised for issue by the Board of Directors of the Manager on 19 December 2019 and are signed on its behalf by

Director **Director**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Total return before distributions and taxation		39,516,112	41,789,776
Unrealised gain on properties held at valuation	*9*	(60,967,819)	(54,448,470)
Realised loss on disposal of operating assets held at valuation	*9*	4,548,286	30,000
Realised loss/(gain) on sale of tangible assets		95,840	(175,689)
Depreciation	*6*	12,308,230	12,319,613
Bank charges expense	*6*	65,101	65,108
Loan interest expense	*6*	236,692	113,818
Decrease in inventories		234,032	854,237
Decrease in debtors		502,690	50,098
(Decrease) in creditors		(211,664)	(754,874)
Taxation paid		(522,561)	(285,032)
Net cash flows used in operating activities		**(4,195,061)**	**(441,415)**
Cash flows from investing activities			
Purchase of tangible fixed assets		(4,728,698)	(4,036,940)
Proceeds from disposal of tangible assets		315,893	462,315
Purchase of operating assets held at valuation	*9*	(2,107,339)	(683,188)
Proceeds from disposal of property	*9*	14,432,830	-
Net cash flows generated from/(used in) investing activities		**7,912,686**	**(4,257,813)**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 30 September 2019

	Notes	2019 £	2018 £
Cash flows from financing activities			
Net proceeds from issue of units		(15,257,685)	5,767,413
Asset backed finance advanced		640,387	223,229
Asset backed finance paid		(858,397)	(721,667)
Bank loan repaid		(7,600,000)	(4,500,000)
Bank overdraft drawn	*14*	7,863,155	3,547,026
Bank loan drawn		16,850,000	7,400,000
Bank charges paid		(65,101)	(60,421)
Loan interest paid	*6*	(236,692)	(113,818)
Distributions paid	*7*	(6,514,508)	(5,910,998)
Net cash flows (used in)/generated from financing activities		**(5,178,841)**	**5,630,764**
Net decrease in cash and cash equivalents		**(1,461,216)**	**931,536**
Net cash and cash equivalents at the beginning of the year		8,445,199	7,513,663
Net cash and cash equivalents as the end of the year		**6,983,983**	**8,445,199**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2019

1. GENERAL INFORMATION

The Fund was established in Guernsey on 5 December 2007 as an open ended unit trust authorised by the Guernsey Financial Services Commission as an authorised Class B open-ended Collective Investment Scheme. The address of the registered office of its Manager, Darwin Property Investment Management (Guernsey) Limited, is 11 New Street, St Peter Port, Guernsey, GY1 2PF.

The Fund is listed on the Official List of The International Securities Exchange Authority Limited ("TISEAL").

The Fund's principal activity is to invest primarily in a portfolio of interests in UK and Irish based holiday caravan parks, which includes land, buildings and static caravans, acquiring and owning such parks with a view to enhancing value through strategic selection and interventionist asset management. Static caravans are moveable as defined in the Caravan Sites and Control of Developments Act 1960 (United Kingdom).

The Fund may invest in such property, directly or indirectly, through one or more Property Holding Vehicles or other Intermediate Vehicles.

The Fund may also invest in other collective investment schemes, listed and unlisted securities, joint ventures and partnerships, where the Manager considers there is a link with the leisure industry. Due to the nature of the Fund's assets and lead times to complete purchases, there may be short periods where liquidity levels are relatively high. During such periods, uninvested liquidity will be held in cash deposits, public securities, including treasury bills, bonds and other government securities, money market instruments, debt instruments or similar investments, as the Manager determines from time to time.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102").

New Interpretations and amendments in issue
As a result of the 2017 Triennial review a number of sections of FRS 102 have been amended effective for periods commencing on or after 1 January 2019.

The Directors have considered the amendments and do not expect these amendments to have a material effect on the future financial statements of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements of the Fund and its subsidiaries.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of land and buildings, and in accordance with FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" and the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the Investment Management Association in May 2014.

The preparation of consolidated financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements include the results of the Fund drawn up to 30 September each year. The subsidiaries have been included in the Consolidated Financial Statements using the acquisition method of accounting. Accordingly the Consolidated Statement of Total Return, Consolidated Statement of Financial Position, Consolidated Changes in Net Assets Attributable to Unitholders, Consolidated Statement of Cash Flows and associated notes include the results of the subsidiaries from acquisition date.

All of the Fund companies have 30 September as their year end.

Consolidated financial statements are prepared using uniform accounting policies for like transactions. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Fund.

Intercompany transactions, balances and unrealised gains on transactions between Fund companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Directors of the Manager have examined significant areas of possible financial risk, in particular cash requirements.

After due consideration, the Directors of the Manager believe that the Fund will have adequate resources to continue in operational existence for a period of not less than twelve months from the date of the approval of the consolidated financial statements, and as such it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Revenue

Rental income and bank interest are accounted for on an accruals basis. Revenue consists of sales revenue on caravans, fees received for hire fleet rental, private owner site fees and sales at the on-site facilities (ancillary income), and is recognised net of VAT. Other park revenue consists of touring and tenting income, bar and restaurant takings and other income.

Provision is made when there is objective evidence that the Fund will not be able to recover balances in full. Outstanding rental income balances are written off when the probability of recovery is assessed as being remote.

Expenses

Expenses are accounted for on an accruals basis.

Operating assets held at valuation

Operating assets held at valuation are carried in the balance sheet on the basis of a valuation based upon their existing use value. They are subject to a full valuation annually. These assets used in the ongoing operational activities of the Fund.

Operating assets held at valuation are initially measured at cost, being the fair value of the consideration given, including related transaction costs. After initial recognition, the operating assets are carried at fair value. The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The estimation of fair value does not assume that either the underlying business is saleable at the reporting date or that their owner/s have the intention to sell in the near future. The objective is to estimate the exchange price at which hypothetical market participants would agree to transact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Operating assets held at valuation (continued)

The fair value of the operating assets is largely based on estimates using property appraisal techniques and other valuation methods as outlined in Note 4. Such estimates are inherently subjective and actual values can only be determined in a sale transaction. Gains and losses arising from changes in the fair values are included in the Statement of Comprehensive Income.

Gains or losses arising on the sale of operating assets held at valuation represent the difference between the fair value of the consideration received and the carrying value of the assets disposed of and are recognised in the Statement of Total Comprehensive Income in the period in which they arise.

Tangible fixed assets

Tangible fixed assets held for use in the operation of the caravan parks are stated at historical cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Tangible fixed assets are depreciated on a straight line basis as follows:

Plant and machinery	4 years straight line
Office equipment	4 years straight line
Furniture and fittings	4 years straight line
Computer hardware	4 years straight line
Lodges	20 years straight line
Static caravans	7 years straight line
Motor vehicles	4 years straight line
Building improvements	25 years straight line

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Fund and the cost can be measured reliably. Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Consolidated Statement of Total Return and included in 'Other park operating expenses' within 'Expenses'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The Fund has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including debtors, cash and cash equivalents are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at market rate of interest.

Such assets are subsequently carried at amortised cost less any impairment using the effective interest method, unless the assets are due within one year, then are measured at the undiscounted amount of cash or other consideration expected to be received.

Forward foreign exchange contracts are initially recognised at fair value on the date the contract is entered into and are subsequently measured to the fair value at the end of each reporting period. Unrealised and realised gains and losses on forward currency contracts have been included in the Consolidated Statement of Total Return.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Consolidated Statement of Total Return.

Other financial assets, including investments in private equity instruments or money market funds, which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is usually the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Consolidated Statement of Total Return.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including creditors and other payables, are initially recognised at transaction price. Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Creditors are subsequently measured at amortised cost using the effective interest method, unless payment is due within one year or less, then are measured at the undiscounted amount of cash or other consideration expected to be paid.

All loans are initially recognised at fair value less directly attributable transaction costs. After initial recognition interest bearing loans are subsequently measured at amortised cost using the effective interest method. Non-interest bearing loans continue to be measured at the fair value, which is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Loans are classified as current unless the Fund has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Deferred acquisition costs are costs incurred in obtaining the loan and are presented together with the loan balance. Deferred acquisition costs are amortised over the repayment period of the loan.

Finance costs incurred from loans are recognised in the Consolidated Statement of Total Return.

Cash and cash equivalents

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

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is calculated using the first in, first out method. At each reporting date inventories are assessed for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Distributions

The net distributable income of the Fund will be available to allocate at the end of each calendar quarter ending on 31 December, 31 March, 30 June and 30 September based on the returns of the Fund. In the case of Income Units, the income allocated will be distributed within 50 Business Days of the relevant quarter date. Distributions for Accumulation Units are reinvested in the fund. All units have equal rights to distributions.

Foreign Exchange

The Fund's reporting currency is Pound Sterling, and all of the Fund's assets are located in the United Kingdom. However, at the year end, in addition to Sterling unit classes, there are also in issue units in the following foreign currencies: Euros, US Dollars and Singapore Dollars. The Fund computes its Net Asset Value in Sterling and the NAV of Unit Classes other than Sterling Unit Classes are notionally converted to the relevant currency of the Unit Class at the exchange rate prevailing on the Valuation Date. As a consequence, the Fund is exposed to the risk of movements in the exchange rates of the currencies in which the foreign currency units are based which may affect the value of the units and of any income arising from them. The Fund has previously entered into a hedging arrangement as described in Note 16 to these consolidated financial statements.

Deferred Tax

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

Income taxes

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Fund's accounting policies, which are described in Note 3, the Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 both currents and future periods.

The most significant estimates and judgements made in preparing these financial statements, under FRS 102, are as follows:

Valuation of operating assets held at valuation

In accordance with the Fund's accounting policies, properties held at valuation are stated at fair value as at the balance sheet date. This is determined by the Investment Adviser and independent valuation experts using recognised valuation techniques.

- Land and buildings used for operating activities

These are stated at fair value as determined by the Investment Adviser using the Discounted Cash Flow ("DCF") method. Caravan parks are commercial businesses and, from time to time, the Manager will be purchasing non-transferable securities. The Manager has determined that it is appropriate and prudent to have the operating assets reviewed by independent business valuers. Smith & Williamson, who have been appointed as the independent business valuer, is the eighth largest firm of accountants in the UK. The business has 11 principal offices in the UK and Ireland and an international capability in 120 countries through membership of Nexia International (the tenth largest international accounting and consulting network).

Management accounts, which are the basis of the parks' audited annual financial statements, are the inputs for the ten year DCF models for each park which incorporate management projections based on these accounts. The forecast projections are discussed with the independent business valuer. The independent business valuer provides the key technical components for setting the Weighted Average Cost of Capital ("WACC") and in quarterly reviews of the DCFs together with the Investment Adviser helps ensure that the WACC and the terminal growth rates are commensurate with investment and industry norms. At 30 September 2019, the date of valuation the WACC was determined at 9.25% (2018: 9.50%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Valuation of operating assets held at valuation (continued)

In the year of acquisition, parks are valued at cost for the first three months after acquisition as it is considered a reliable basis for fair value.

The Directors of the Manager are confident that the valuation included in the consolidated financial statements has been incorporated on a consistent basis using sensible and supportable assumptions.

5. REVENUE

	2019	2018
	£	£
Sales revenue on caravans	12,271,780	13,419,778
Hire fleet rental	27,486,496	26,274,863
Ancillary income	10,058,093	9,096,408
Private owner revenue	5,524,128	5,338,609
Other income	413,873	350,857
Bank interest income	9,948	9,783
Total revenue	**55,764,318**	**54,490,298**

6. OTHER EXPENSES

	2019	2018
	£	£
Other park operating expenses	14,151,269	13,645,842
Park wages and salaries	13,293,286	12,775,155
Park cost of sales	9,362,682	9,370,130
Park general and administrative expenses	7,023,587	6,499,607
Depreciation	12,308,230	12,319,613
Deferred marketing charge	1,203,467	1,223,579
Park marketing expenses	1,291,459	915,534
Administrator's fees	672,904	664,606
Legal and professional	415,829	370,552
Loan interest	236,692	113,818
Bank charges	65,101	65,108
Trustee's fees	187,593	177,923
Audit and accounting fees	65,372	62,218
Total Expenses	**60,277,471**	**58,203,685**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

7. FINANCE COSTS: DISTRIBUTIONS

The Manager recommended that distributions be made for the year ended 30 September 2019 of £35,011,083 (2018: £33,078,955) being 11.31 pence per unit on the A Accumulation class, 19.08 pence per unit on the C Accumulation class and 10.64 pence per unit on the C Income class, 19.30 pence per unit on the D Accumulation class, 11.84 pence per unit on the E Exit class, 12.44 pence per unit on the E initial class, 9.96 pence per unit on the F Exit class, 9.21 pence per unit on the G exit class, 2.00 pence per unit on the G initial class, 6.11 pence per unit on the I exit class, 8.34 pence per unit on the J Income class, 19.18 pence per unit on the M Accumulation class and 10.71 pence per unit on the M Income class.

The distributions allocated to the accumulation units were reinvested and accumulated in the capital. In total £28,496,575 (2018: £27,167,957) relating to the accumulation units was reinvested during the year.

8. TAXATION

The Fund is exempt from Income Tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Fund pays an annual fee to the States of Guernsey Income Tax Office, presently set at £1,200 (2018: £1,200).

Tax expense included in profit or loss	**2019**	**2018**
	£	**£**
Current income tax:	706,531	1,017,842
Current income tax charge	706,531	1,017,842

Reconcilliation of tax charge	**2019**	**2018**
	£	**£**
Profit before tax	39,516,112	41,789,776
Income tax at a rate of 0%	-	-
Effects of		
Income subject to UK tax	706,531	1,017,842
Tax charge for the year	706,531	1,017,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

9. OPERATING ASSETS HELD AT VALUATION

	2019	2018
	£	£
Cost or valuation		
At start of year	515,722,357	460,620,699
Additions	2,107,339	683,188
Disposals	(14,432,830)	(30,000)
Realised loss on disposal	(4,548,286)	-
Unrealised gain on revaluation	60,967,819	54,448,470
At end of year	**559,816,399**	**515,722,357**
Depreciation and impairment		
At start of year	9,502,208	6,395,625
Provided during the year	3,160,558	3,106,583
Disposals	(32,322)	-
At end of year	**12,630,444**	**9,502,208**
Carrying amount at end of year	**547,185,955**	**506,220,149**

During the year the Fund sold the property at Swanage Bay View for proceeds, net of sale costs, of £14,432,830. The cost of the property was £8,221,733 and previously reported fair value was £18,981,116.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

9. OPERATING ASSETS HELD AT VALUATION (CONTINUED)

	2019	Percent of net assets	2018	Percent of net assets
Operating assets	£	%	£	%
Aberconwy Resort & Spa	41,114,334	7.04	37,278,983	6.58
Bath Mill Lodge Retreat	14,683,154	2.51	12,478,970	2.20
Beach Cove Coastal Retreat	8,503,629	1.46	8,280,585	1.46
Canterbury Fields Holiday Park	5,553,578	0.95	5,661,167	1.00
Cheddar Woods Resort & Spa	78,884,575	13.51	75,471,064	13.32
Hawkchurch Resort & Spa	36,588,103	6.26	30,354,375	5.36
Keswick Reach Caravan Park	70,008,814	11.99	51,195,879	9.03
KP Club	26,470,705	4.53	20,830,749	3.67
Mullion Cove Coastal Retreat	7,193,503	1.23	7,455,733	1.32
Pear Tree Holiday Park	20,436,041	3.50	18,987,893	3.35
Piran Meadows Resort & Spa	51,103,908	8.75	45,556,417	8.03
Sandymouth Holiday Home Park	31,973,546	5.47	29,646,804	5.23
Swanage Bay View Holiday Home Park	-	-	18,981,116	3.35
Talacre Beach Holiday Home Park and Leisure Park, The New Pines Holiday Home Park and Seaview Holiday Home Park	71,326,515	12.21	66,613,587	11.75
Thanet Well Country Park	14,543,296	2.49	13,244,699	2.34
Tilford Woods Lodge Retreat	8,856,060	1.52	9,173,507	1.62
Woodside Bay Holiday Home Park	50,155,986	8.59	45,644,046	8.05
Woodside Coastal Retreat	9,340,208	1.60	8,914,575	1.57
	546,735,955	93.61	505,770,149	89.23
Non-operating assets				
Darwin Parks Group	450,000	0.08	450,000	0.08
	547,185,955	93.69	506,220,149	89.31
Net assets excluding operating assets held at valuation	36,844,753	6.31	60,562,233	10.69
Total assets attributable to unitholders	**584,030,708**	**100.00**	**566,782,382**	**100.00**

To see the valuation methods used to value operating assets held at valuation please refer to Note 4.

The Darwin Parks Group investment consists of non-operating assets which are located within the parks and are valued separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

10. TANGIBLE FIXED ASSETS

	Static caravans and lodges	Plant and machinery	Office Equipment	Furniture and fittings	Motor vehicles	Total
	£	£	£	£	£	£
At 30 September 2018	**75,902,669**	**874,849**	**1,252,292**	**16,172,380**	**777,994**	**94,980,184**
Disposals	(664,200)	(2,872)	(6,074)	(388,814)	(64,778)	(1,126,738)
Additions	2,556,199	63,751	49,281	1,773,173	286,295	4,728,699
At 30 September 2019	**77,794,668**	**935,728**	**1,295,499**	**17,556,739**	**999,511**	**98,582,145**
Depreciation						
At 30 September 2018	**17,686,243**	**665,954**	**1,001,637**	**10,041,933**	**392,160**	**29,787,927**
Disposal	(409,001)	(2,008)	(5,941)	(269,773)	(28,282)	(715,005)
Charge	5,673,848	91,855	96,768	3,130,123	149,177	9,141,771
At 30 September 2019	**22,951,090**	**755,801**	**1,092,464**	**12,902,283**	**513,055**	**38,214,693**
Carrying amount						
At 30 September 2018	**58,216,426**	**208,895**	**250,655**	**6,130,447**	**385,834**	**65,192,257**
At 30 September 2019	**54,843,578**	**179,927**	**203,035**	**4,654,456**	**486,456**	**60,367,452**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

11. INVESTMENT IN SUBSIDIARIES

The Fund holds and operates its property portfolio through subsidiary companies. The financial statements consolidate the results of the Fund and its subsidiaries drawn up to 30 September each year. The subsidiaries have been included in the Fund's consolidated financial statements using the acquisition method of accounting. The Consolidated Statement of Total Return and Consolidated Statement of Cash Flows include the results of the subsidiaries and the Consolidated Statement of Financial Position includes the position of the subsidiaries.

Name	Place of registration	Fund % ownership	Principal activity
Immediate parent - Darwin Leisure Property Fund			
Darwin West Country (Guernsey) Limited	Guernsey	100%	Property holding
Darwin Finance (Guernsey) Limited	Guernsey	100%	Property finance
Immediate parent - Darwin West Country (Guernsey) Limited			
Aberconwy Limited	UK	100%	Park operation
Darwin (KP Club) Limited	UK	100%	Park operation
Darwin (Bath Mill) Limited	UK	100%	Park operation
Darwin (Beach Cove) Limited	UK	100%	Park operation
Darwin (Canterbury Fields) Limited	UK	100%	Park operation
Darwin (Cheddar Woods) Limited	UK	100%	Park operation
Darwin Contract Management Limited	UK	100%	Park operation
Darwin (Hawkchurch Country Park) Ltd	UK	100%	Park operation
Darwin (Mullion Cove) Limited	UK	100%	Park operation
Darwin (Keswick Reach) Limited (formerly Darwin (North Lakes) Limited)	UK	100%	Park operation
Darwin (North West) Limited	UK	100%	Park operation
Darwin (Wareham Forest) Limited (formerly Darwin (Pear Tree Park) Limited)	UK	100%	Park operation
Darwin (Piran Meadow) Limited	UK	100%	Park operation
Darwin (Sandymouth) Limited	UK	100%	Park operation
Darwin (Seaview Gwespyr) Limited	UK	100%	Park operation
Darwin (Swanage Bay View) Limited	UK	100%	Park operation
Darwin (Thanet Well) Limited	UK	100%	Park operation
Darwin (Tilford Woods) Limited	UK	100%	Park operation
Darwin (Woodside Bay) Limited	UK	100%	Park operation
Darwin (Woodside Costal Retreat) Limited	UK	100%	Park operation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

12. DEBTORS AND PREPAYMENTS

	2019	2018
	£	£
Deferred arrangement and marketing costs	1,973,425	2,668,196
Other debtors and prepayments	1,941,611	1,858,718
Trade debtors	321,794	212,606
	4,236,830	**4,739,520**

13. CREDITORS

	2019	2018
	£	£
Trade creditors	4,187,055	4,157,275
VAT payable	1,531,960	1,603,939
Taxation payable	588,997	732,810
Other creditors	3,605,492	3,550,519
Management fees payable	563,141	503,387
Performanace fees payable	452,093	458,637
Administration fees payable	57,115	50,889
Trustee fees payable	14,778	13,068
Accrued expenses	1,044,435	658,067
	12,045,066	**11,728,591**

14. LOANS PAYABLE AND OTHER BORROWINGS

	2019	2018
	£	£
Current		
Bank loan	875,000	1,000,000
Overdraft	11,410,181	3,547,026
Park finance leases	292,222	696,986
	12,577,403	5,244,012
Non current		
Bank loan	13,275,000	3,900,000
Park finance leases	332,576	129,089
	13,607,576	4,029,089
	26,184,979	**9,273,101**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

14. LOANS AND OTHER BORROWINGS (continued)

Operating park level

(i) A £5,000,000 gross overdraft (£4,000,000 net) for the park operations is available at a rate of 1.75% per annum over Base Rate to support working capital movements during the normal course of business. £3,910,181 is currently drawn on this facility.

(ii) A facility of up to £1,500,000 expiring in May 2020 to be used to finance general repairs and maintenance of park premises and repayable in 12 consecutive quarterly instalments (capital only) of £125,000. Interest is to be charged at LIBOR plus 1.5% per annum. £375,000 is currently drawn on this facility.

(iii) A facility of up to £1,500,000 expiring in December 2020 to be used to finance general repairs and maintenance of park premises and repayable in 12 consecutive quarterly instalments (capital only) of £125,000. Interest is to be charged at LIBOR plus 1.5% per annum. £625,000 is currently drawn on this facility.

(iv) A facility of up to £1,500,000 expiring in January 2022 to be used to finance general repairs and maintenance of park premises and repayable in 12 consecutive quarterly instalments (capital only) of £125,000. Interest is to be charged at LIBOR plus 1.5% per annum. £1,250,000 is currently drawn on this facility.

(v) Finance leases as detailed in note 15

Fund level

(i) A three year revolving credit facility for a maximum of £12,500,000 expiring in December 2020. Interest is to be charged at LIBOR plus 1.5% per annum. The facility is to support liquidity management. £11,900,000 is currently drawn on this facility.

(ii) An Overdraft facility for a maximum of £7,500,000, the facility is to support liquidity management. £7,500,000 is currently drawn on this facility.

All loans are held with Lloyds Banking Group and are secured against property at Cheddar Woods Resort & Spa, New Pines Holiday Home Park, Sandymouth Holiday Home Park, Seaview Holiday Home Park and Talacre Beach Holiday Home Park & Leisure Park.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

15. PARK FINANCE LEASES

The park operations lease various tangible fixed assets with a carrying amount of £1,019,652 (2018: £2,212,858) under finance leases expiring within 5 years. Under the terms of the leases, the Fund has the option to acquire the leased assets for £960 (2018: £1,040) on expiry of the leases.

The future minimum finance lease payments are as follows:

	2019	2018
	£	£
Not later than one year	293,123	724,372
Later than one year and not later than five years	336,373	123,883
Total gross payments	629,496	848,255
Less finance charges	(4,698)	(22,180)
Carrying amount of liability	624,798	826,075

16. FORWARD CURRENCY CONTRACTS

At the end of the prior year the Fund had entered into the following forward foreign exchange contracts with associated unrealised loss. The Fund does not use forward currency exchange contracts for trading purposes.

The table below presents the foreign exchange contracts entered into by the Fund at 30 September 2018. The Fund had not entered into any foreign exchange contracts at 30 September 2019.

30 September 2018

Maturity date	Currency bought	Currency sold	Contract value at year end	Unrealised loss
		£	£	£
09 October 2018	EUR 12,091,684	10,905,198	10,769,904	(135,294)
09 October 2018	SGD 12,699,709	7,142,694	7,123,762	(18,932)
09 October 2018	USD 56,672,842	43,820,336	43,440,946	(379,390)
				(533,616)

The contracts that closed out on 10 October 2018 realised the following losses with a total loss of £337,367 (2017: loss £713,568):

Currency sold	Currency bought	Book cost	Loss
	£	£	£
EUR 12,091,741	10,721,530	10,905,250	(183,720)
SGD 12,733,868	7,116,278	7,161,906	(45,628)
USD 56,600,506	43,656,387	43,764,406	(108,019)
			(337,367)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

17. FINANCIAL INSTRUMENTS

The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) for identical instruments in active markets
Level 2 – Inputs other than quoted prices that are directly or indirectly observable
Level 3 - Valuation techniques using unobservable data

The Fund has the following financial instruments:

	2019	2018
Financial assets	**£**	**£**
Measured at amortised cost		
Debtors	311,805	273,246
Cash at bank and in hand	6,983,983	8,445,199
Total financial assets	7,295,788	8,718,445
Financial liabilities		
Measured at fair value through profit or loss		
Unsettled forward currency exchange contracts	-	(533,616)
	-	(533,616)
Measured at undiscounted amount		
Amounts due to unitholders	(584,030,708)	(566,782,382)
Creditors	(9,924,109)	(9,391,842)
Loans and other borrowings	(26,184,979)	(9,273,101)
	(620,139,796)	(585,447,325)
Total financial liabilities	(620,139,796)	(585,980,941)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

17. FINANCIAL INSTRUMENTS (CONTINUED)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following table analyses within the fair value hierarchy the Fund's financial assets and financial liabilities measured at fair value as at 30 September:

	2019	2018
	£	£
Level 2		
Unsettled forward currency exchange (loss)	-	(533,616)
	-	(533,616)

There have been no movements between levels during the year.

18. UNITHOLDERS' CAPITAL

In accordance with the Trust Instrument, distributions may be made to the unitholders of the Fund. Distributions are made rateably in accordance with the number of units held or deemed to be held on the relevant distribution date. The unitholders are only entitled to vote at meetings of the unitholders on specific resolutions as detailed in the trust instrument. At meetings of the unitholders, on a poll, every holder is entitled to one vote in respect of each unit held.

In a winding-up the unitholders have the right to receive all surplus assets available for distribution after settlement of the Class units' liabilities.

There is no upper or lower number of units that may be issued in the Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

18. UNITHOLDERS' CAPITAL (CONTINUED)

	2019 Units	2018 Units
A Accumulation units		
Opening balance	11,115,034	13,111,654
Issued	-	-
Redeemed	(5,947,331)	(1,996,620)
Closing balance	5,167,703	11,115,034
C Accumulation units		
Opening balance	20,931,710	21,277,325
Issued	3,155,738	378,365
Transferred from C Income units	32,372	-
Redeemed	(1,545,728)	(723,980)
Closing balance	22,574,092	20,931,710
C Income units		
Opening balance	16,914,583	10,761,746
Issued	-	6,592,256
Transferred to C Accumulation units	(58,500)	-
Redeemed	(87,360)	(439,419)
Closing balance	16,768,723	16,914,583
D Accumulation units		
Opening balance	55,161,520	55,161,520
Issued	-	-
Redeemed	-	-
Closing balance	55,161,520	55,161,520
E Exit Penalty Accumulation units		
Opening balance	42,778,302	43,051,752
Issued	2,754,488	4,862,206
Transferred from F Exit units	87,890	-
Transferred from G Exit units	39,922	-
Transferred to E Initial units	(13,300)	-
Redeemed	(5,399,818)	(5,135,656)
Closing balance	40,247,484	42,778,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

18. UNITHOLDERS' CAPITAL (CONTINUED)

	2019 Units	2018 Units
E Initial Penalty Accumulation units		
Opening balance	9,282,284	10,012,898
Issued	607,936	592,850
Transferred from E Exit units	12,617	-
Redeemed	(823,545)	(1,323,464)
Closing balance	9,079,292	9,282,284
F Exit Penalty Accumulation units		
Opening balance	6,566,874	6,614,137
Issued	561,873	768,390
Transferred to F Initial units	(8,866)	-
Redeemed	(2,382,848)	(815,653)
Closing balance	4,737,033	6,566,874
F Initial Penalty Accumulation units		
Opening balance	-	-
Issued	-	-
Transferred from F Exit units	16,255	-
Redeemed	-	-
Closing balance	16,255	-
G Exit Penalty Accumulation units		
Opening balance	29,247,569	29,338,450
Issued	2,643,815	4,121,864
Redeemed	(4,809,292)	(4,212,745)
Closing balance	27,082,092	29,247,569
G Initial Penalty Accumulation units		
Opening balance	-	-
Issued	103,503	-
Redeemed	-	-
Closing balance	103,503	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

18. UNITHOLDERS' CAPITAL (CONTINUED)

	2019 Units	2018 Units
I Exit Penalty Accumulation units		
Opening balance	7,261,442	7,840,314
Issued	68,960	91,211
Redeemed	(758,465)	(670,083)
Closing balance	6,571,937	7,261,442
J Income units		
Opening balance	1,065,508	1,194,359
Issued	-	7,256
Redeemed	(37,434)	(136,107)
Closing balance	1,028,074	1,065,508
M Accumulation units		
Opening balance	15,820,884	15,820,884
Issued	-	-
Redeemed	-	-
Closing balance	15,820,884	15,820,884
M Income units		
Opening balance	42,253,168	40,853,219
Issued	1,983,790	-
Transferred from C Accumulation units	-	1,399,949
Closing balance	44,236,958	42,253,168
Total shares in issue	**248,595,550**	**258,398,878**

The terms of each share class are as set out in the fund prospectus.

19. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Fees Payable to the Manager

The Management fee is charged at 1.5% p.a. of the NAV of the Fund for the Class "A" units, 1% p.a. of the NAV of the Fund for the Class "C" and Class "J" units, 0.8% p.a. of the NAV of the Fund for the Class "D" units and 0.85% p.a. of the NAV of the Fund for the Class "M" units.

These fees are calculated by reference to the Gross Asset Value of the Fund attributable to the relevant Units and shall be calculated and accrued at each Dealing Day.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

19. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS (continued)

Fees Payable to the Manager (continued)

For Class "E", "F", "G", and "I" there is a Charge on units at a rate of 1.75% per annum.

This fee is payable monthly in arrears. In the case of this charge 28.57% of the 1.75% Management fee may be used to pay trail commissions to intermediaries.

Management fees charged during the year by the Manager were £6,651,852 (2018: £6,329,406) of which £563,141 (2018: £503,387) remained unpaid at 30 September 2019.

In addition, the Manager shall be entitled to receive a performance fee set at 15% of the outperformance of the Fund when measured against a benchmark set at 1 month GBP LIBOR + 1%.

Performance fees charged during the year by the Manager were £4,993,871 (2018: £4.925,602) of which £452,093 (2018: £458,637) remained unpaid at 30 September 2019.

Fees payable to the Trustee

The Trustee shall receive an annual fee to cover core activities of £10,000 and an annual Trustee fee of 0.05% p.a. of the NAV of the Fund for the first £50 million, 0.03% p.a. of the NAV between £50 million and £350 million and 0.02% p.a. of the NAV thereafter, subject to a minimum annual fee of £25,000.

Fees charged by the Trustee during the year, including fees capitalised, were £187,593 (2018: £177,923), of which £14,778 (2017: £13,068) remains unpaid at 30 September 2019.

Fees Payable to the Administrator

The Administration fee is charged at 0.20% p.a. of the NAV of the Fund up to £50 million, 0.15% p.a. of the NAV between £50 million and £350 million and 0.05% p.a. of the NAV thereafter, subject to a minimum fee of £15,000 per annum.

Fees charged by the Administrator during the year were £672,904 (2018: £664,606), of which £57,115 (2018: £50,889) remained unpaid at 30 September 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2019

19. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS (continued)

Directors

I Burns, A Esse, J Penney, R Smith and M Tolcher are Directors of Darwin Property Investment Management (Guernsey) Limited, Darwin West Country (Guernsey) Limited and Darwin Finance (Guernsey) Limited.

The Directors of the Manager were remunerated by Darwin Property Investment Management (Guernsey) Limited except, for A Esse and J Penney who waived their fee.

At 30 September 2019 A Esse owned 241,220.4575 (2018: 241,220.4575) and J Penney 177,149.4426 (2018: 177,149.4426) units of C Accumulation class, both via a self-invested pension plan. R Smith had an interest in 17,654.588 (2018: 17,654.588) C Accumulation units via a retirement annuity trust. Smoke Rise Holdings Limited, a company controlled by I Burns held 6,578.913 (2018: 6,578.913) Class C Accumulation units of the Fund.

20. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

Market risk: Interest rate risk

The Fund is exposed to risk associated with the effects of fluctuation in the prevailing levels of market interest rates on its cash position.

The interest rate profile of the financial assets and liabilities as at the consolidated balance sheet date is as follows:

As at 30 September 2019

	Floating rate £	Non-interest bearing £	Total £
Assets			
Cash and cash equivalents	6,983,983	-	6,983,983
Debtors	-	311,805	311,805
Total assets	**6,983,983**	**311,805**	**7,295,788**
Liabilities			
Loans and other borrowings	(26,184,979)	-	(26,184,979)
Creditors	-	(9,924,109)	(9,924,109)
Net assets attributable to unitholders	-	(584,030,708)	(584,030,708)
Total Liabilities	**(26,184,979)**	**(593,954,817)**	**(620,139,796)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

20. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Market risk: Interest rate risk (continued)

As at 30 September 2018

	Floating rate £	Non-interest bearing £	Total £
Assets			
Bank balances	8,445,199	-	8,445,199
Debtors	-	273,246	273,246
Total assets	**8,445,199**	**273,246**	**8,718,445**
Liabilities			
Loans and other borrowings	(9,273,101)	-	(9,273,101)
Creditors	-	(9,391,842)	(9,391,842)
Net assets attributable to unitholders	-	(566,782,382)	(566,782,382)
Total Liabilities	**(9,273,101)**	**(576,174,224)**	**(585,447,325)**

If interest rates on Bank Loan had been 50 basis points higher/lower and all other variables were held constant, an assumption unlikely to occur due to interest rate correlations with other variables, the Fund's total return and net assets would have been decreased/ increased by £130,925 (2018: £46,366). Considering the effect on cash balances, an increase/decrease in 50 basis points in interest rates as at reporting date would have increased/decreased net assets and income for the year by £34,920 (2018: £42,226). The calculations are based on the balances at the reporting date and are not representative of the year as a whole. A 50 basis point increase/decrease represents the Managers assessment of the possible changes in interest rates within the next 12 months.

Market risk: Currency risk

The Fund computes its NAV in Sterling and the NAV of Unit Classes other than Sterling Unit Classes are notionally converted to the relevant currency of the Unit Class at the exchange rate prevailing on the Valuation Date. There is, therefore, a currency exchange risk, which may affect the value of the Units and of any income arising from them. The Fund had previously entered into a hedging arrangement with Lloyds Bank Plc which ended on 8 April 2019. Hedging is intended to be passive in nature and any costs involved are borne by the specific currency class. The impact at the year end is shown in Note 16. At the year end, in addition to Sterling unit classes, units were also available in Euros, US Dollars and Singapore Dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

20. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Market risk: Currency risk (continued)

As at 30 September 2019	Currency	£
F Exit Penalty Accumulation Units - EUR	8,963,520	7,952,023
F Initial Penalty Accumulation Units - EUR	16,789	14,895
G Exit Penalty Accumulation Units - USD	52,591,518	42,792,122
G Initial Penalty Accumulation Units - USD	102,128	83,099
I Exit Penalty Accumulation Units - SGD	11,757,026	6,922,413
		57,764,552

As at 30 September 2018	Currency	£
F Exit Penalty Accumulation Units - EUR	12,154,117	10,823,864
G Exit Penalty Accumulation Units - USD	56,958,477	43,673,115
I Exit Penalty Accumulation Units - SGD	12,759,753	7,158,347
		61,655,326

Operational risks

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as changes in gross domestic product, employment trends, inflation, the availability of banking finance and changes in interest rates, which in turn may impact the demand for caravan rental.

Both rental income and property values may also be affected by other factors specific to the real estate and leisure markets, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

The Directors of the Manager monitor the operating assets monthly using the DCF model received from the investment adviser. The Directors of the Manager have engaged Smith and Williamson, Business Valuers, to review the DCF model on a quarterly basis. The Investment Adviser has engaged the services of independent valuation consultants to conduct a review of the non-operating assets, which are reviewed using the report received from Jones Lang LaSalle Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

20. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Liquidity risk

The Fund's constitution provides for the monthly creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time and the repayment of the loan. The Fund's main assets are property assets which are traded in an environment where deal timescales can take place over months. As a result, the Fund may not be able to liquidate quickly some of its properties at an amount close to its fair value in order to meet liquidity requirements.

Cash balances are maintained to ensure that the Fund is able to meet expenses, distributions and requests for redemption of units. Where redemption requests exceed cash available to the Fund, the Manager is entitled to suspend the redemption process until the Fund has been able to realise sufficient funds from the orderly disposal of property. To date no such suspension was necessary.

The Fund has negotiated a revolving credit facility for a maximum of £12,500,00 and a £7,500,000 overdraft draft facility, both with Lloyds Banking Group. These facilities are to support liquidity management (see Note 14).

As at 30 September 2019

	Due within 30 days	Due between 30 days and 60 days	Due between 60 days and 1 year	Due after 1 year	Total
	£	£	£	£	£
Debtors	311,805	-	-	-	311,805
Bank balances	6,983,983	-	-	-	6,983,983
	7,295,788	**-**	**-**	**-**	**7,295,788**
Net assets due to unitholders	(29,201,535)	(27,741,459)	(211,500,829)	(315,586,885)	(584,030,708)
Loans and other borrowings	(291,806)	-	(12,285,598)	(13,607,576)	(26,184,980)
Creditors	(9,924,109)	-	-	-	(9,924,109)
	(39,417,450)	**(27,741,459)**	**(223,786,427)**	**(329,194,461)**	**(620,139,797)**
Total liquidity sensitivity gap	**(32,121,662)**	**(27,741,459)**	**(223,786,427)**	**(329,194,461)**	**(612,844,009)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

20. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Liquidity risk (continued)

As at 30 September 2018

	Due within 30 days £	Due between 30 days and 60 days £	Due between 60 days and 1 year £	Due after 1 year £	Total £
Debtors	273,246	-	-	-	273,246
Bank balances	8,445,199	-	-	-	8,445,199
	8,718,445	**-**	**-**	**-**	**8,718,445**
Net assets due to unitholders	(28,339,119)	(26,922,163)	(205,254,522)	(306,266,578)	(566,782,382)
Loans and other borrowings	(3,971,273)	-	(1,272,740)	(4,029,089)	(9,273,102)
Unsettled forward currency exchange contracts	(533,616)	-	-	-	(533,616)
Creditors	(9,391,842)	-	-	-	(9,391,842)
	(42,235,850)	**(26,922,163)**	**(206,527,262)**	**(310,295,667)**	**(585,980,942)**
Total liquidity sensitivity gap	**(33,517,405)**	**(26,922,163)**	**(206,527,262)**	**(310,295,667)**	**(577,262,497)**

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. In the event of a default by a tenant, the Fund will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. There are no significant concentrations of credit risk within the Fund other than the concentration of balances held with Lloyds Bank.

Credit risk in respect of other financial assets and is reflected in the carrying value of these assets being set to their fair value, as they represent cash and financial instruments held with the Fund's bankers. The Manager regularly reviews the credit ratings of the Fund's bankers.

Credit risk in relation to the Foreign Exchange contracts and banking is managed by the Board monitoring the risk ratings of the counter party (Lloyds Bank Plc). Their current rating is Moody's Aa3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

21. NET ASSET VALUE PER UNIT

	2019 £	2018 £
Fund net asset value per September valuation	593,891,070	575,726,268
Adjustment to asset valuation on consolidation	(9,860,362)	(8,943,886)
Net asset value per financial statements	**584,030,708**	**566,782,382**

	2019 £	2018 £
Units in issue	248,595,550	258,398,878
Net asset value per unit (valuation)	2.3890	2.2281
Net asset value per unit (financial statements)	2.3493	2.1934
<u>Individual Fund class value per unit</u>		
A accumulation value per unit (Valuation)	1.9623	1.8400
A accumulation value per unit (Financial Statements)	1.9297	1.8074
C accumulation value per unit (Valuation)	3.3199	3.0928
C accumulation value per unit (Financial Statements)	3.2648	3.0448
C income value per unit (Valuation)	1.7852	1.7611
C income value per unit (Financial Statements)	1.7556	1.7337
D accumulation value per unit (valuation)	3.3620	3.1267
D accumulation value per unit (Financial Statements)	3.3062	3.0781
E exit accumulation value per unit (Valuation)	2.0441	1.9273
E exit accumulation value per unit (Financial Statements)	2.0102	1.8974
E initial accumulation value per unit (Valuation)	2.1558	2.0206
E initial accumulation value per unit (Financial Statements)	2.1200	1.9892
F exit accumulation value per unit (Valuation)	1.6786	1.6482
F exit accumulation value per unit (Financial Statements)	1.6508	1.6226
F initial accumulation value per unit (Valuation)	0.9164	-
F initial accumulation value per unit (Financial Statements)	0.9011	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

21. NET ASSET VALUE PER UNIT (CONTINUED)

	2019 £	2018 £
G exit accumulation value per unit (Valuation)	1.5802	1.4933
G exit accumulation value per unit (Financial Statements)	1.5539	1.4700
G initial accumulation value per unit (Valuation)	0.8029	-
G initial accumulation value per unit (Financial Statements)	0.7895	-
I exit accumulation value per unit (Valuation)	1.0533	0.9858
I exit accumulation value per unit (Financial Statements)	1.0358	0.9705
J income value per unit (Valuation)	1.3993	1.3803
J income value per unit (Financial Statements)	1.3761	1.3589
M accumulation value per unit (Valuation)	3.3405	3.1080
M accumulation value per unit (Financial Statements)	3.2850	3.0597
M income value per unit (Valuation)	1.7976	1.7709
M income value per unit (Financial Statements)	1.7678	1.7433

22. CONTROLLING PARTY

Darwin Property Investment Management (Guernsey) Limited ("the Manager") together with Butterfield Bank (Guernsey) Limited ("the Trustee") are regarded as the controlling parties of the Fund by virtue of them acting in concert under the terms of the Trust Instrument.

23. POST BALANCE SHEET EVENTS

On 31 October 2019 the Fund declared an interim distribution of 1% of the net asset value amounting to £5,938,911.

DARWIN LEISURE DEVELOPMENT FUND

Report & Audited Consolidated Financial Statements

For the year ended 30 September 2020

TABLE OF CONTENTS

For the year ended 30 September 2020

GENERAL INFORMATION

TRUSTEE:	Butterfield Bank (Guernsey) Limited PO Box 25 Regency Court Glategny Esplanade St Peter Port Guernsey GY1 3AP
ADMINISTRATOR, SECRETARY AND REGISTRAR	Vistra Fund Services (Guernsey) Limited PO Box 91 11 New Street St Peter Port Guernsey GY1 3EG
MANAGER	Darwin Alternative Investment Management (Guernsey) Limited 11 New Street St Peter Port Guernsey GY1 2PF
DIRECTORS OF THE MANAGER	Anthony Geoffrey David Esse Christopher James Affleck Penney Ian Michael Burns Martin Paul Tolcher Robin Haake Smith
INVESTMENT ADVISER	Darwin Alternative Investment Management Limited Empire House 175 Piccadilly London W1J 9EN
INDEPENDENT AUDITOR	Grant Thornton Limited PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF

GENERAL INFORMATION (CONTINUED)

BUSINESS VALUERS	Smith and Williamson Ltd 25 Moorgate London EC2R 6AY
PROPERTY VALUERS	Jones Lang LaSalle LLP 30 Warwick Street London W1B 5NH
BANKERS & LENDERS	Lloyds Banking Group plc 25 Gresham Street London EC2V 7HN
	Butterfield Bank (Guernsey) Limited Glategny Esplanade St. Peter Port Guernsey GY1 3AP
LEGAL ADVISERS TO THE FUND	*As to Guernsey law:*
	Collas Crill Glategny Court PO Box 140 Glategny Esplanade St Peter Port Guernsey GY1 4EW
	As to United Kingdom law:
	Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX

MANAGER'S REPORT
For the year ended 30 September 2020

The Manager of the Darwin Leisure Development Fund (the "Fund") is pleased to submit its Report and Audited Consolidated Financial Statements for the year ended 30 September 2020.

THE FUND

The Fund was licenced in Guernsey on 6 January 2017 as an open-ended unit trust authorised by the Guernsey Financial Services Commission as an authorised Class B open-ended Collective Investment Scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, (as amended) on 6th January 2017. The Fund was established in Guernsey as a Qualifying Investor Fund.

INVESTMENT SUMMARY

The investment policy of the Fund is to invest primarily in a portfolio of interests in holiday parks based in the British Isles with latent development potential, which includes land, buildings and static caravans, acquiring and owning such parks with a view to enhancing value through strategic selection and interventionist asset management, as well as greenfield sites with extant planning permission as yet undeveloped. It is intended that development of such sites would be done with a view to increasing income derived from, and/or enhancing the long-term value of, such sites.

The Fund may invest in such property, directly, or indirectly, through one or more Property Holding Vehicles or other Intermediate Vehicles which may also be domiciled in Guernsey.

The Fund has acquired and intends to expand a portfolio of holiday parks so that unitholders can participate in the attractive income available in those markets as well as any future capital value growth.

The Fund may also invest in other collective investment schemes, listed and unlisted securities, joint ventures and partnerships, where the Manager considers there is a link with the leisure industry. Due to the nature of the Fund's assets and lead times to complete purchases, there may be periods where liquidity levels are relatively high. During such periods, uninvested liquidity will be held in cash deposits, Treasury Bills and other government and public securities, money market instruments, or investment funds or any combination of these at the discretion of the investment manager provided that any such assets shall hold a AA or better rating.

Investment decisions made by Darwin Alternative Investment Management (Guernsey) Limited (the "Manager") reflect the long term objective to maximise total return through a combination of growth and income. The Manager has appointed Darwin Alternative Investment Management Limited ("DAIM") as its Investment Adviser. DAIM will provide advice to the Manager on property matters in relation to the Fund.

The value of the Fund's investments is reflected in the value of the units which is dependent upon an independent valuation of the land and buildings undertaken by the property and business valuers.

MANAGER'S REPORT (CONTINUED)
For the year ended 30 September 2020

DISTRIBUTIONS
The Manager does not recommend that any distributions be made for the year ended 30 September 2020 (2019: Nil).

STATEMENT OF MANAGER'S RESPONSIBILITIES
The Manager is responsible for preparing consolidated financial statements for each financial year which give a true and fair view, in accordance with applicable Law and United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice (SORP) "Financial Statements of Authorised Funds" issued by the Association of Investment Companies, of the state of affairs of the Fund as at the end of the financial period and of the profit or loss of the fund for that period. In preparing these consolidated financial statements, the Manager is required to:

- select suitable accounting policies then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable it to ensure that the consolidated financial statements comply with the terms of the trust instrument, The Protection of Investors (Bailiwick of Guernsey) Law 1987 as amended, The Authorised Collective Investment Schemes (Class B) Rules, 2013 and the applicable accounting standards. It is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN
The Manager has, at the time of approving the audited consolidated financial statements, a reasonable expectation that the Fund together with its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

COVID-19

During the year and to the date that the consolidated financial statements were approved, the coronavirus ("COVID-19") outbreak emerged and has continued to cause extensive disruptions to businesses and economic activities. The Fund has experienced a reduction in the increase of the value of operating assets held at valuation and a reduction in operating cashflows.

MANAGER'S REPORT (CONTINUED)
For the year ended 30 September 2020

COVID-19 (continued)

As the pandemic continues, the quantum of the effect is difficult to determine and could be material, However the Manager is monitoring the situation and considering the effect it may have on the valuation of the assets of the Fund and the potential impact on operating cashflows. The operating parks continue to operate when permitted to do so and the Manager is encouraged by the Government's promotion of holidaying within the United Kingdom.

AUDITOR
The Auditor, Grant Thornton Limited, has indicated its willingness to continue in office.

Signed for and on behalf of the Manager by:

Martin Tolcher **Ian Burns**

28 January 2021

INVESTMENT ADVISER'S REPORT
For the year ended 30 September 2020

During the year ended 30 September 2020, the C Accumulation units increased in value by 5.95%. The performance of the Darwin Leisure Development Fund has of course been impacted by the COVID-19 pandemic, but we are pleased to be able to report a positive return despite the holiday parks being closed for more than 3 months.

All of the holiday parks in the portfolio were closed on 23 March 2020 due to lockdown restrictions imposed by the UK Government in relation to the COVID-19 pandemic. On 23 June 2020, the UK Government announced that holiday parks in England along with other hospitality businesses, including restaurants and bars, could re-open from 4 July 2020. It had previously been announced by the Welsh Government that holiday parks in Wales could re-open from 13 July 2020, whilst parks in Scotland were able to open from 3 July 2020.

The golf courses at Kilnwick Percy, The Springs Country Club and Dundonald Links also closed on 23 March 2020. The courses at Kilnwick Percy and The Springs Golf Club were able to re-open from 13 May 2020, with a strong up-turn in memberships. Dundonald Links was also able to re-open from 29 May 2020.

The UK Government has introduced a number of measures to support businesses during the pandemic. The measures the Fund has benefitted from include:

The Coronavirus Job Retention Scheme
During the closure period, 85% of Darwin Escapes staff were furloughed under the UK Government Coronavirus Job Retention Scheme. For those staff, this meant that 80% of their wages were paid by the Government, up to a maximum of £2,500 a month. We chose to top up their remaining wages to ensure that they were not financially penalised during the pandemic. We believe that this was the right thing to do for our team members and demonstrated our commitment to them. This was particularly important because when the parks were able to re-open, we needed a motivated and experienced team ready to return to action. Whilst furloughed, staff were unable to carry out any work functions. The staff who weren't furloughed were carrying out either head office functions or essential security and maintenance roles.

The Business Rates Relief
The UK and Welsh Governments have introduced a business rates holiday for retail, hospitality and leisure businesses in England and Wales for the 2020/21 tax year. All of the holiday parks were able to take advantage of this.

The VAT Reduction
The UK Government has introduced a temporary reduction in VAT for hospitality, hotel and holiday accommodation. In effect from 15 July 2020 to 31 March 2021, the VAT rate has been cut from the standard rate of 20% to 5%. In order to help lessen the impact of the loss of income when the parks were closed, and also to avoid having to raise prices when the schemes end, the reduction in VAT has not been passed onto Darwin Escapes guests.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2020

Holiday Rentals
For holiday rental customers who were impacted by closures, our holiday booking agent, Hoseasons, initially provided vouchers rather than refunds, with 70% of people rebooking for later in 2020 and into 2021. Hoseasons advised that they saw a good number of customers who had originally booked with competitors moving their bookings to Darwin Escapes, generating additional revenue.

To help build customer confidence, Hoseasons went on to introduce a "Book with Confidence" policy for holiday rental bookings. This meant that payment has not been taken until 3 weeks before a stay, and if guests need to cancel because of Government restrictions or if accommodation is not being provided for any reason, then they are able to choose to take a full refund, transfer to a later date or to a different resort, or choose an e-voucher to rebook.

Operational Changes
As soon as the parks were closed, the Darwin Escapes' team were planning for their re-opening. Based on the 'Health & Safety Executive' guidance and medical advice at the time, operational rules were put in place for staff to follow which included measures such as safe distancing and when to wear PPE such gloves and face masks. Guests were expected to follow rules relating to social distancing and health and safety measures such as using hand sanitiser in order to protect both them and our staff.

In order to minimise the number of people within our facilities buildings, we implemented new check in procedures which saw guests being directed straight to their lodge on arrival and being checked in using a paperless and contactless procedure by a team member from a safe distance. Check in times were staggered to facilitate this. We also made changes to our usual provisions in our lodges and removed non-essential items such as board games, PlayStations, tea & coffee trays, and toiletries to reduce the touch points within each lodge. Check out was also moved an hour earlier to allow additional time for cleaning between guests, and a seal was placed on each lodge door after cleaning to demonstrate that no-one had entered since, offering additional comfort for guests.

In order to reduce customer interaction, restaurants and bars remained closed, and instead we offered take-away and delivery services. This proved to be extremely popular with guests, and we will look to expand this offering once business returns to normal.

All of these measures, including the closure of central facilities where relevant, were communicated to guests in advance of their arrival.

Development Programme
The COVID-19 pandemic has had some impact on the development programme for the portfolio. In Scotland, all building sites were ordered to close from 23 March 2020 and were not able to re-open until June 2020. In England, work was able to continue, but with enhanced health and safety measures including safe distancing of workers, which did delay progress at some sites.

The planning process was also impacted by the pandemic, and planning applications were delayed as local authorities changed their working practices. The Fund is currently in the process of acquiring two parks on a 'Subject to Planning' basis. Although the planning approval was delayed, it has now been approved, and whilst we had hoped to acquire the sites in this financial year, the acquisitions will now be completed in the next financial year.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2020

Darwin Leisure Development Fund
The Fund is very well poised to benefit from the expected increase in demand for UK holidays. The COVID-19 pandemic has meant that people are less inclined and less able to travel abroad at present and we expect this to continue for some time. It has also meant that a new breed of holiday maker, who would usually holiday abroad, has discovered the benefits of holidaying in the UK and are likely to continue to do this, even after the pandemic. Increased consumer awareness about the environmental impact of air travel could also lead to a focus on domestic holidays.

Prior to the pandemic, we were already seeing an increase in "holiday snacking", with people making shorter and more frequent trips. This trend is set to continue. 75% of all holiday rental bookings are for 2, 3 or 4 nights with people taking three, four or more holidays each year, rather than the traditional two week break.

Holiday home sales are also likely to benefit from the uncertainty over international travel, with people seeing the benefits of having a holiday home that is easily accessible. The UK's withdrawal from the EU should also be a boost for UK holiday home ownership, given the potential restrictions on the amount of time UK citizens can spend in EU countries, which at present is expected to be only 90 days within a 180 day period.

The Portfolio

Dundonald Links
Dundonald Links Golf Club in Scotland was acquired in March 2019, and planning permission was granted in December 2019 to develop the site into a golf resort. The site will feature a 2-storey clubhouse, replacing the current temporary structure, which will offer a bar and lounge as well as a state-of-the-art gym and extensive changing facilities. Planning permission was given in December 2019 to add a mix of self-catering luxury lodges and hotel accommodation designed to suit both individuals and groups of golfers. The accommodation will be built in phases, with the first phase of 18 lodges ranging from 2-6 bedrooms in size and 11 hotel style modules with 22 bedrooms currently being built. In addition, the plans include a new halfway house for the course, a swing studio, and a new 120 space car park.

Although development work began in March 2020, the work had to stop on 23 March 2020 due to the COVID-19 restrictions in Scotland. Work was able to resume in June 2020, and we are currently aiming to have the first phase of lodges ready in Summer 2021, with the clubhouse opening in Autumn/Winter 2021. However, any further restrictions due to the pandemic could delay this.

Kilnwick Percy
Kilnwick Percy in East Yorkshire was acquired by the Fund in March 2020. Located 15 miles away from the popular city of York, Kilnwick Percy features a golf course with lodge accommodation and leisure facilities which include a restaurant, bar, gym and spa as well as events spaces.

We aim to increase the lodge accommodation and introduce tree houses to wooded areas on the site. Adjustments will also be made to increase the capacity of the restaurant in order to service an increase in holiday makers.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2020

The Portfolio (continued)

Norfolk Woods Resort and Spa
Norfolk Woods, previously Pentney Park, was the first park in the Fund's portfolio to undergo a complete redevelopment. The 15-acre site, around 10 miles away from King's Lynn in Norfolk, was purchased in June 2017 when it was a family orientated tenting and touring site.

The new park opened in January 2019 and features a brand-new facilities building which includes a restaurant and bar, swimming pool and spa complex. There are 120 lodges consisting of 40 owner units and 80 rental units. Norfolk Woods performed extremely well after opening and was Hoseasons' best performing new park. Occupancy levels were quickly in line with more established parks and continue to remain buoyant.

Plas Isaf
Plas Isaf is a small holiday park in North Wales which was acquired by the Fund in July 2020. Although the site has planning consent for 57 lodges, it currently only has 11 owner-occupied lodges on site. We will build out the remainder of the bases, which we anticipate would take about 6 months, and will also add luxury lodges for holiday rental. The unusable areas of the site will undergo strategic planting of woodland, which will enable a biodiversity net gain.

Rivendale Lodge Retreat
Rivendale was purchased in January 2018. The park is a 34-acre site in the Peak District near the market town of Ashbourne. On acquisition, it had around 170 pitches including lodge, static caravan, touring, and tenting, along with a central facilities building.

Construction work at Rivendale began in October 2019 to transform the site into a luxury lodge retreat featuring 72 lodges, 2 tree houses and a central facilities building with a restaurant and bar. Work was able to continue throughout the pandemic, albeit with revised working patterns and only external work initially being carried out. There were also some issues with sourcing materials that met the planning conditions, but the work was completed by late August 2020, around 6-8 weeks behind schedule. The resort opened in mid-September 2020.

Rosetta Holiday Park
The Fund acquired Rosetta Holiday Park in May 2020. This 47-acre site is located near Peebles, 22 miles south of Edinburgh, which is a popular holiday destination for Edinburgh residents. The site currently offers a mix of lodge, static caravan, tenting and touring pitches, with some food and beverage facilities. We plan to redevelop this into a luxury lodge resort with a restaurant and bar.

The Springs Country Club
The Springs, located near Wallingford in Oxfordshire, was acquired by the Fund in July 2017. Situated alongside the Thames, the site comprised a fully functioning 18-hole golf course and clubhouse, with a healthy membership and mothballed 32 bedroom hotel. Since its acquisition, we have improved the quality of the golf course and made improvements to the club house. In June 2020, planning permission was granted to add lodge accommodation to the site which will feature 19 two-bedroom lodges and 14 hotel suite lodges, which will provide 28 bedrooms.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2020

The Portfolio (continued)

The Springs Country Club (continued)
Building work commenced immediately in June 2020 and will also include refurbishing the mothballed hotel building, which will house the resort reception and a new spa and gym facility. Further improvements will be made to the clubhouse, with an expanded food and beverage provision catering to both golfers and resort guests, and introduction of two custom fit golf simulator rooms. We aim to open the lodges to guests in Summer 2021, changes to the clubhouse should be completed by Spring 2021, and work on the hotel building is likely to be completed by Autumn 2021. The golf course will remain open during construction.

Stratford Armouries
Stratford Armouries was purchased in June 2017 and is situated on the outskirts of the historically popular Stratford-Upon-Avon. Purchased as a greenfield site with existing planning for 44 units, in September 2020 the Fund acquired the adjacent Stratford Armouries Museum and surrounding land. We are currently in negotiations with the local planners to implement substantial improvements to the Stratford Armouries museum experience. Our plan is to create a reception facility and improve both the layout and style of the museum. Development work commenced in September 2020 and we hope to open in early Summer 2021, subject to any delays caused by the pandemic.

Stratford Armouries will be transformed into a premium self-catering lodge resort with a "meet and greet" reception, but no central facilities. Stratford is an area which needs high quality accommodation due to its significant tourist trade, and the new resort will fill a very lucrative gap in the market.

Darwin Alternative Investment Management Limited
28 January 2021

COMPARATIVE TABLE

A Accumulation units	**2020 Pence per unit**	**2019 Pence per unit**
Change in net assets per unit		
Opening net asset value per unit	120.1100	109.6200
Return before operating expenses	8.7200	12.1700
Operating charges	(1.2900)	(1.6800)
Return after operating charges	7.4300	10.4900
Closing net asset value per unit	127.5400	120.1100
Retained distributions on accumulation units	-	-
Performance		
Return after charges	6.19%	9.57%
Other information		
Closing net asset value (£,000)	46,749	44,044
Closing number of units	36,654,667	36,669,667
Operating charges/Opening net asset value	(1.07%)	(1.53%)
Prices		
Highest unit price	127.5400	119.0300
Lowest unit price	120.1100	109.6200

B Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	120.4500	109.8400
Return before operating expenses	8.7400	12.2000
Operating charges	(1.1900)	(1.5900)
Return after operating charges	7.5500	10.6100
Closing net asset value per unit	128.0000	120.4500
Retained distributions on accumulation units	-	-
Performance		
Return after charges	6.27%	9.66%
Other information		
Closing net asset value (£,000)	89,600	84,315
Closing number of units	70,000,000	70,000,000
Operating charges/Opening net asset value	(0.99%)	(1.44%)
Prices		
Highest unit price	128.0000	120.4500
Lowest unit price	120.4500	109.8400

COMPARATIVE TABLE (Continued)

C Accumulation units	2020 Pence per unit	2019 Pence per unit
Change in net assets per unit		
Opening net asset value per unit	119.7600	109.5200
Return before operating expenses	8.6800	12.1400
Operating charges	(1.5500)	(1.9000)
Return after operating charges	7.1300	10.2400
Closing net asset value per unit	126.8900	119.7600
Retained distributions on accumulation units	-	-
Performance		
Return after charges	5.95%	9.35%
Other information		
Closing net asset value (£,000)	4,002	2,177,063
Closing number of units	3,153,715	1,817,819
Operating charges/Opening net asset value	(1.29%)	(1.73%)
Prices		
Highest unit price	126.8900	119.7600
Lowest unit price	119.7600	109.5200

D Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	107.2500	100.0000
Return before operating expenses	7.7900	8.5200
Operating charges	(1.3000)	(1.2700)
Return after operating charges	6.4900	7.2500
Closing net asset value per unit	113.7400	107.2500
Retained distributions on accumulation units	-	-
Performance		
Return after charges	6.05%	7.25%
Other information		
Closing net asset value	253	161
Closing number of units	22,253,604	15,000,000
Operating charges/Opening net asset value	(1.21%)	(1.27%)
Prices		
Highest unit price	113.7300	107.2500
Lowest unit price	107.2400	100.0000

COMPARATIVE TABLE (Continued)

E Accumulation units	2020 Pence per unit	2019 Pence per unit
Change in net assets per unit		
Opening net asset value per unit	101.1000	100.0000
Return before operating expenses	7.3200	1.4200
Operating charges	(1.8900)	(0.3200)
Return after operating charges	5.4300	1.1000
Closing net asset value per unit	106.5300	101.1000
Retained distributions on accumulation units	-	-
Performance		
Return after charges	5.37%	1.10%
Other information		
Closing net asset value	920,469	202
Closing number of units	864,047	200,000
Operating charges/Opening net asset value	(1.87%)	(0.32%)
Prices		
Highest unit price	106.5300	101.1000
Lowest unit price	101.1000	100.0000

PORTFOLIO STATEMENT

As at 30 September 2020

	Nominal Holding	Fair Value £	% of net assets
Operating assets held at valuation (note 8)		126,642,771	74.61
Tangible and Intangible at depreciated cost (note 9)		16,693,183	9.83
Financial assets at fair value through profit or loss (note 14)	14,000,000	15,760,569	9.29
Cash and cash equivalents		8,591,824	5.06
Net other assets		2,045,913	1.21
Net assets		**169,734,260**	**100.00**

As at 30 September 2019

	Nominal Holding	Fair Value £	% of net assets
Operating assets held at valuation (note 8)		64,420,820	43.06
Tangible fixed assets at depreciated cost (note 9)		8,980,458	6.00
Financial assets at fair value through profit or loss (note 14)	14,000,000	15,149,111	10.13
Fixed deposit account		25,000,000	16.71
Cash and cash equivalents		46,127,183	30.84
Net other liabilities		(10,080,940)	(6.74)
Net assets		**149,596,632**	**100.00**

TRUSTEE'S REPORT TO THE UNITHOLDERS OF DARWIN LEISURE DEVELOPMENT FUND

In our capacity as Trustee to the Fund we confirm that, in our opinion, the Manager has managed the scheme for the year ended 30 September 2020 in accordance with the provisions of the principal documents of the Fund and with The Authorised Collective Investment Schemes (Class B) Rules, 2013 and no material breaches have occurred.

Marie Swift

Butterfield Bank (Guernsey) Limited
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3AP

28 January 2021

Independent auditor's report
To the unitholders of Darwin Leisure Development Fund

Opinion

We have audited the consolidated financial statements of Darwin Leisure Development Fund (the 'Fund') for the period ended 30 September 2020 which comprise the Consolidated Statement of Total Return, the Consolidated Statement of Changes in Net Assets Attributable to Unitholders, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice (SORP) "Financial Statements of Authorised Funds" issued by the Association of Investment Companies.

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Fund's affairs as at 30 September 2020 and of its total return for the year then ended;
- are in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with requirements of The Trust Instrument, The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, The Authorised Collective Investment Schemes (Class B) Rules, 2013 and other applicable laws.

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 consolidated financial statements' section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Guernsey, 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.

The impact of macro-economic uncertainties on our audit

Our audit of the consolidated financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19. All audits assess and challenge the reasonableness of estimates made by the Manager and the related disclosures and the appropriateness of the going concern basis of preparation of the consolidated financial statements. All of these depend on assessments of the future economic environment and the Fund's future prospects and performance.

COVID-19 is amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Fund's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Independent auditor's report
To the unitholders of Darwin Leisure Development Fund (continued)

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Manager's use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the Manager has not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Fund'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 consolidated financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group's business, including effects arising from macro-economic uncertainties such as Covid-19, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the period of at least twelve months from the date when the group financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the Manager's report and Investment Adviser's report set out on pages 4 to 6 and 7 to 11, other than the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated 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 this regard.

Matter on which we are required to report under Authorised Collective Investment Schemes (Class B) Rules 2013

Under the Authorised Collective Investment Schemes (Class B) Rules 2013, we are required to report to you, if in our opinion, the information given in the Manager's report is inconsistent with the consolidated financial statements.

We have nothing to report in respect of the above.

Independent auditor's report
To the unitholders of Darwin Leisure Development Fund (continued)

Responsibilities of the manager for the consolidated financial statements
As explained more fully in the Manager's report set out on pages 4 to 6, the Manager is responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with UK GAAP, and for such internal control as the Manager determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Fund'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 Manager either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

Use of our report
This report is made solely to the Fund's unitholders, as a body. Our audit work has been undertaken so that we might state to the Fund's unitholders 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 Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Cyril Swale

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

29 January 2021

CONSOLIDATED STATEMENT OF TOTAL RETURN
For the year ended 30 September 2020

	Notes	2020 £	2019 £
INCOME			
Net capital gains			
Unrealised gain on operating assets held at valuation	*8*	12,279,568	16,245,449
Unrealised gain on financial assets at fair value through profit or loss	*14*	611,458	690,779
		12,891,026	16,936,228
Revenue	*5*	7,732,231	5,175,785
Expenses			
Other expenses	*6*	(9,525,798)	(6,733,162)
Management fees	*17*	(828,316)	(691,388)
Performance fees	*17*	(452,702)	(961,823)
Net expenses		(3,074,585)	(3,210,588)
Increase in net assets attributable to unitholders		**9,816,441**	**13,725,640**

The results of the year relate to continuing operations. There are no recognised gains or losses for the year other than the total return.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 30 September 2020

	2020	2019
	£	£
Opening net assets attributable to unitholders	149,596,632	118,912,992
Movement due to issue of units	10,321,187	16,958,000
Increase in net assets attributable to unitholders	9,816,441	13,725,640
Closing net assets attributable to unitholders	**169,734,260**	**149,596,632**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	2020 £	2019 £
ASSETS			
Non - current assets			
Operating assets held at valuation	*8*	126,642,771	64,420,820
Tangible fixed assets	*9*	16,693,183	8,980,458
		143,335,954	73,401,278
Current assets			
Pre-acquisition costs		523,568	139,185
Financial assets at fair value through profit or loss	*14*	15,760,569	15,149,111
Inventories		523,899	546,764
Debtors and prepayments	*11*	2,205,417	751,541
Fixed deposit account		-	25,000,000
Cash and cash equivalents		8,591,824	46,127,183
		27,605,277	87,713,784
TOTAL ASSETS		**170,941,231**	**161,115,062**
LIABILITIES			
Current liabilities			
Amounts falling due within one year	*12*	1,206,971	1,518,430
Loan payable	*13*	-	10,000,000
Total liabilities excluding net assets attributable to unitholders		**1,206,971**	**11,518,430**
Net assets attributable to unitholders		**169,734,260**	**149,596,632**
Number of units in issue	*16*	**132,926,033**	**123,687,486**
Fund net asset value per unit		**1.2769**	**1.2095**

The consolidated financial statements on pages 20 to 48 were approved and authorised for issue by the Board of Directors of the Manager on 28 January 2021 and are signed on its behalf by

Martin Tolcher **Ian Burns**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Total return before distributions		9,816,441	13,725,640
Unrealised gain on operating assets held at valuation	*8*	(12,279,568)	(16,245,449)
Unrealised gain on financial assets at fair value through profit and loss	*14*	(611,458)	(690,779)
Bank interest income	*5*	(278,217)	(377,617)
Depreciation	*6*	1,632,017	1,153,793
Movement in inventories		22,865	(437,628)
Movement in debtors and prepayments		(1,505,398)	1,283,640
Movement in creditors		(311,459)	(1,040,537)
Net cash flows used in operating activities		**(3,514,777)**	**(2,628,937)**
Cash flows from investing activities			
Purchase of operating assets held at valuation		(50,652,177)	(10,805,510)
Purchase of tangible fixed assets	*9*	(8,631,520)	(1,713,542)
Pre-acquisition costs incurred	*8*	(384,383)	(118,217)
Purchase of financial assets at fair value through profit loss	*14*	-	(9,000,000)
Movement of fixed deposit account		25,000,000	15,482,234
Net cash flows used in investing activities		**(34,668,080)**	**(6,155,035)**
Cash flows from financing activities			
Net proceeds from issue of units		10,321,187	16,958,000
Bank loan drawn	*13*	-	10,000,000
Bank Loan repaid	*13*	(10,000,000)	-
Bank interest received		326,311	361,340
Net cash flows generated from financing activities		**647,498**	**27,319,340**
Net cash (outflow)/inflow for the year		**(37,535,359)**	**18,535,368**
Net cash and cash equivalents at the beginning of the year		46,127,183	27,591,815
Net cash and cash equivalents at the end of the year		**8,591,824**	**46,127,183**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2020

1. GENERAL INFORMATION

The Fund was established in Guernsey on 6 January 2017 as an open ended unit trust authorised by the Guernsey Financial Services Commission as an authorised Class B open-ended Collective Investment Scheme. The address of the registered office of its Manager, Darwin Alternative Investment Management (Guernsey) Limited is 11 New Street, St Peter Port, Guernsey, GY1 2PF.

The Fund's principal activity is to invest primarily in a portfolio of interests in holiday parks based in the British Isles with latent development potential, which includes land, buildings and static caravans, acquiring and owning such parks with a view to enhancing value through strategic selection and interventionist asset management, as well as greenfield sites with extant planning permission as yet undeveloped. It is intended that development of such sites would be done with a view to increasing income derived from, and/or enhancing the long-term value of, such sites.

The Fund may invest in such property, directly, or indirectly, through one or more Property Holding Vehicles or other Intermediate Vehicles which may also be domiciled in Guernsey.

The Fund may also invest in other collective investment schemes, listed and unlisted securities, joint ventures and partnerships, where the Manager considers there is a link with the leisure industry. Due to the nature of the Fund's assets and lead times to complete purchases, there may be periods where liquidity levels are relatively high. During such periods, uninvested liquidity will be held in cash deposits, Treasury Bills and other government and public securities, money market instruments, or investment funds or any combination of these at the discretion of the investment manager provided that any such assets shall hold a AA or better rating.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102").

New Interpretations and amendments in issue
Amendments to FRS 102 – COVID 19 Rent concessions effective for accounting periods commencing on 1 January 2020.

Amendments to FRS 102 –Interest rate benchmark reform effective for accounting periods commencing on 1 January 2020.

The Directors have considered the amendments and do not expect these amendments to have a material effect on the future consolidated financial statements of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements of the Fund and its subsidiaries.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of land and buildings, and in accordance with FRS 102 and the Statement of Recommended Practice “Financial Statements of Authorised Funds” issued by the Association of Investment Companies.

The preparation of consolidated financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements include the results of the Fund drawn up to 30 September each year. The subsidiaries have been included in the consolidated financial statements using the acquisition method of accounting. Accordingly, the Consolidated Statement of Total Return, Consolidated Changes in Net Assets Attributable to Unitholders, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows and associated notes include the results of the subsidiaries from acquisition date.

All of the Fund companies have 30 September as their year end.

Consolidated financial statements are prepared using uniform accounting policies for like transactions. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Fund.

Intercompany transactions, balances and unrealised gains on transactions between Fund companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Directors of the Manager have examined significant areas of possible financial risk.

During the year and to the date that the Financial Statements were approved, the coronavirus ("COVID-19") outbreak emerged and has continued to cause extensive disruptions to businesses and economic activities. The Fund has experienced a reduction in the increase of the value of operating assets held at valuation and a reduction in operating cashflows.

As the pandemic continues, the quantum of the effect is difficult to determine and could be material, However the Manager is monitoring the situation and considering the effect it may have on the valuation of the assets of the Fund and the potential impact on operating cashflows. The operating parks continue to operate when permitted to do so and the Manager is encouraged by the Government's promotion of holidaying within the United Kingdom.

After due consideration, the Directors of the Manager believe that the Fund will have adequate resources to continue in operational existence for a period of not less than twelve months from the date of the approval of the consolidated financial statements, and as such it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Revenue

Sales revenue consists of golf fees and memberships, fees received for hire fleet rental and sales at the on-site facilities and is recognised net of VAT.

Deposit interest is accounted for on an accruals basis.

Provision is made when there is objective evidence that the Fund will not be able to recover balances in full. Outstanding rental income balances are written off when the probability of recovery is assessed as being remote.

Expenses

Expenses are accounted for on an accruals basis. Transactions costs directly attributable to the purchase of operating assets are included within the initial costs of the assets. Any directly applicable transactions costs incurred in an aborted transaction that had been capitalised in the Consolidated Statement of Financial Position are written off to the Consolidated Statement of Total Return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Operating assets held at valuation

Operating assets are carried in the Consolidated Statement of Financial Position on the basis of a valuation based upon their existing use value.

Operating assets are initially measured at cost, being the fair value for the consideration given, including related transaction costs. After initial recognition, operating assets are carried at fair value at the date of the valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land is not depreciated. Gains and losses arising from changes in fair value are included in the Consolidated Statement of Total Return.

The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The estimation of fair value does not assume that either the underlying business is saleable at the reporting date or that their owners have the intention to sell in the near future.

The objective is to estimate the exchange price at which hypothetical market participants would agree to transact.

The fair value of the land and buildings is largely based on estimates using property appraisal techniques and other valuation methods as outlined in Note 4. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

Operating Assets held at valuation are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Consolidated Statement of Total Return.

Tangible fixed assets

Tangible fixed assets held for use in the operation of the caravan parks are stated at historical cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Tangible fixed assets are depreciated on a straight line basis as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets (continued)

Plant and machinery	4 years straight line
Office equipment	4 years straight line
Furniture and fittings	4 years straight line
Computer hardware	4 years straight line
Lodges	20 years straight line
Static caravans	7 years straight line
Motor vehicles	4 years straight line
Building improvements	25 years straight line

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Fund and the cost can be measured reliably. Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Consolidated Statement of Total Return and included in 'Other expenses' within 'Expenses'.

Financial instruments

The Fund has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

<u>Financial assets</u>

Basic financial assets, including debtors, fixed deposit account and cash and cash equivalents are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at market rate of interest.

Such assets are subsequently carried at amortised cost less any impairment using the effective interest method, unless the assets are due within one year, then are measured at the undiscounted amount of cash or other consideration expected to be received.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Consolidated Statement of Total Return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Other financial assets, including financial assets at fair value through profit or loss, which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is usually the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Consolidated Statement of Total Return.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price. Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Creditors are subsequently measured at amortised cost using the effective interest method, unless payment is due within one year or less, then are measured at the undiscounted amount of cash or other consideration expected to be paid.

Cash and cash equivalents

Cash and cash equivalents, includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Fixed deposit account

Fixed deposit account is cash held at banks with original maturities of three months or more.

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is calculated using the first in, first out method. At each reporting date inventories are assessed for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Distributions

The net distributable income of the Fund will be available to be allocated at the end of each calendar quarter ending on 31 December, 31 March, 30 June and 30 September based on the returns of the Fund. In the case of Income Units, the income allocated will be available to be distributed within 50 Business Days of the relevant quarter date. Distributions for Accumulation Units are reinvested in the fund. All units have equal rights to distributions.

Functional and reporting currency

The Fund's functional and reporting currency is the Pound Sterling.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Fund's accounting policies, which are described in Note 3, the Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 both currents and future periods.

The most significant estimates and judgements made in preparing these consolidated financial statements, under FRS 102, are as follows:

Valuation of operating assets held at valuation
In accordance with the Fund's accounting policies, operating assets held at valuation are stated at fair value as at the balance sheet date. This is determined by the investment adviser and independent valuation experts using recognised valuation techniques.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended September 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Valuation of operating assets held at valuation (continued)

-Operating assets used for operating activities

These are stated at fair value as determined by the investment adviser using the Discounted Cash Flow ("DCF") method. Caravan parks are commercial businesses and, from time to time, the Manager will be purchasing non-transferable securities. The Manager has determined that it is appropriate and prudent to have the operating assets reviewed by independent business valuers. Smith & Williamson, who have been appointed as the independent business valuer, is the eighth largest firm of accountants in the UK. The business has 12 principal offices in the UK, Ireland and Jersey and an international capability in 120 countries through membership of Nexia International (the ninth largest international accounting and consulting network).

Management accounts, which are the basis of the parks' audited annual financial statements, are the inputs for the ten year DCF models for each park which incorporate management projections based on these accounts. The forecast projections are discussed with the independent business valuer. The independent business valuer provides the key technical components for setting the Weighted Average Cost of Capital (WACC) and in quarterly reviews of the DCFs together with the Investment Adviser helps ensure that the WACC and the terminal growth rates are commensurate with investment and industry norms. At 30 September 2020, the date of valuation the WACC was determined at 10.50% (2019: 10.50%).

The determination of the fair value of investment properties requires the use of estimates such as future cash flows for assets and discount rate applicable to those assets.

At acquisition, all parks are valued at cost for at least a month. Parks are continually valued at cost until planning permission is obtained. Depending on whether the park has been acquired with planning permission determines when there can be uplift to the DCF. Parks with permission but no operations should introduce the uplift over the time of development. Those with operations can move to operating DCF after 3 months. Those with existing operations and planning permission for further development should move from operating DCF to post development DCF when the development works have been carried out.

The Directors of the Manager are confident that the valuation included in the consolidated financial statements has been incorporated on a consistent basis using sensible and supportable assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

5. REVENUE

	2020	2019
	£	£
Sales revenue	5,977,982	4,798,168
Bank interest income	278,217	377,617
Other income	1,476,032	-
Total Income	**7,732,231**	**5,175,785**

6. OTHER EXPENSES

	2020	2019
	£	£
Park cost of sales	751,279	1,013,503
Park operating expenses	6,320,458	3,908,477
Depreciation	1,632,017	1,153,793
Administrator's fees	238,175	209,901
Legal and professional	338,600	119,944
Bank charges	14,064	1,802
Regulatory fees	6,121	6,104
Trustee's fees	102,380	84,925
Audit and accounting fees	96,599	33,020
Interest expense	2,426	173,520
Other expenses	23,679	28,173
Total Expenses	**9,525,798**	**6,733,162**

7. TAXATION

The Fund is exempt from Income Tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Fund pays an annual fee to the States of Guernsey Income Tax Office, presently set at £1,200 (2019: £1,200).

The Fund's subsidiary Darwin Leisure Development Properties (Guernsey) Limited was liable to UK Income Tax (at 20%) up until 5 April 2020 on rental income from UK property holdings and liable to UK Corporation Tax (at 19%) from 6 April 2020 onwards. From this date Darwin Leisure Development Properties (Guernsey) Limited forms part of the UK tax group along with the UK operating subsidiaries and is subject to UK Corporation Tax on profits derived in the UK.

The Fund has taken professional guidance on these changes and will continue to monitor the situation to mitigate the UK tax within the fund structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

8. OPERATING ASSETS HELD AT VALUATION

	2020	2019
	£	£
Cost or valuation		
At start of year	64,962,049	37,911,090
Additions	50,652,177	10,805,510
Unrealised gain on revaluation	12,279,568	16,245,449
At end of year	**127,893,794**	**64,962,049**
Depreciation and impairment		
At start of year	541,229	14,298
Provided during the year	709,794	526,931
At end of year	**1,251,023**	**541,229**
Carrying amount at end of year	**126,642,771**	**64,420,820**

Included in operating asset additions above are incidental costs incurred in acquiring property during the year.

To see the valuation methods used to value operating assets held at valuation please refer to Note 4.

During the year the Fund purchased KP Club (Kilnwick Percy), Plas Isaf and Rosetta Holiday Park.

During the year the Fund purchased the property, and operating company, at KP Club for an amount, of £25,931,917. The property and operating company were acquired from Darwin Leisure Property Fund, a related party due to common control, the Directors of the respective Investment Managers are the same. The purchase price was determined as the average of the DCF valuations for three months prior to the completion of the sale.

During the year £384,383 (2019: £118,217) has been paid in pre-acquisition costs relating to a potential future investment in an additional parks. As at the period end, there was no agreement in place for the acquisition of this investment which has resulted in the amounts incurred being shown as pre-acquisition costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

8. OPERATING ASSETS HELD AT VALUATION (continued)

Operating assets	2020 £	% of net assets	2019 £	% of net assets
Dundonald Links	10,277,954	6.06%	4,160,759	2.78%
Kilnwick Percy	24,210,908	14.26%	-	-
Norfolk Woods Resort and Spa	38,054,017	22.42%	37,823,483	25.28%
Plas Isaf	2,330,178	1.37%	-	-
Rivendale Lodge Retreat	26,973,171	15.89%	4,603,239	3.08%
Rosetta Holiday Park	3,410,315	2.01%	-	-
Stratford Armouries	14,607,968	8.61%	11,141,019	7.45%
The Springs Country Club	6,778,260	3.99%	6,692,320	4.47%
	126,642,771	74.61%	64,420,820	43.06%
Total assets excluding properties held at valuation	43,091,489	25.39%	85,175,812	56.94%
Total assets attributable to unitholders	**169,734,260**	**100%**	**149,596,632**	**100%**

To see the valuation methods used to value operating assets held at valuation please refer to Note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

9. TANGIBLE FIXED ASSETS

	Static caravans and lodges	Plant & Machinery	Office Equipment	Fixtures & fittings	Motor Vehicles	Total
	£	£	£	£	£	£
At 30 September 2019	7,944,608	636,003	239,570	818,789	56,383	9,695,353
Additions	7,238,079	179,424	41,842	1,110,280	61,895	8,631,520
At 30 September 2020	**15,182,687**	**815,427**	**281,412**	**1,929,069**	**118,278**	**18,326,873**
<u>**Depreciation**</u>						
At 30 September 2019	298,745	187,074	41,857	171,107	16,112	714,895
Charge for the year	384,320	190,396	53,301	271,542	19,236	918,795
At 30 September 2020	**683,065**	**377,470**	**95,158**	**442,649**	**35,348**	**1,633,690**
<u>**Carrying amount**</u>						
At 30 September 2019	**7,645,863**	**448,929**	**197,713**	**647,682**	**40,271**	**8,980,458**
At 30 September 2020	**14,499,622**	**437,957**	**186,254**	**1,486,420**	**82,930**	**16,693,183**

10. INVESTMENT IN SUBSIDIARIES

The Fund holds and operates its property portfolio through subsidiary companies. The financial statements consolidate the results of the Fund and its subsidiaries drawn up to 30 September each year. The subsidiaries have been included in the Fund's consolidated financial statements using the acquisition method of accounting. The Consolidated Statement of Total Return and Consolidated Statement of Cash Flows include the results of the subsidiaries and the Consolidated Statement of Financial Position includes the position of the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

10. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Place of registration	Group ownership	Principal activity
Immediate parent - Darwin Leisure Development Fund			
Darwin Leisure Development Properties (Guernsey) Limited	Guernsey	100%	Property holding
Darwin Leisure Development Finance (Guernsey) Limited	Guernsey	100%	Property finance
Immediate parent - Darwin Leisure Development Properties (Guernsey) Limited			
Alsop Rivendale Limited	UK	100%	Park operation
Darwin (Dundonald) Limited	UK	100%	Park operation
Darwin (KP Club) Limited	UK	100%	Park operation
Darwin (Norfolk Woods) Limited	UK	100%	Park operation
Darwin (Plas Isaf) Limited	UK	100%	Park operation
Darwin (Rosetta) Limited	UK	100%	Park operation
Darwin (Springs Country Club) Limited	UK	100%	Park operation
Darwin (Stratford Armouries) Limited	UK	100%	Park operation

11. DEBTORS AND PREPAYMENTS

	2020	2019
	£	£
VAT refundable	502,186	8,885
Other debtors and prepayments	427,430	292,341
Trade debtors	1,274,348	400,768
Interest receivable	1,453	49,547
	2,205,417	**751,541**

12. CREDITORS: AMOUNTS FALLING DUE WITIN ONE YEAR

	2020	2019
	£	£
Trade creditors	860,949	788,070
Trustee fee payable	8,115	7,093
Administration fee payable	22,168	18,794
Accrued expenses	315,739	704,473
	1,206,971	**1,518,430**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

13. LOAN PAYABLE

	2020	2019
	£	£
Lloyds Bank Plc.		
Loan liability at beginning of year	10,000,000	-
Loan repayment	(10,000,000)	
Loan obtained during the year	-	10,000,000
Total net loan liability due within 1 year	**-**	**10,000,000**

In the prior year the fund entered into a revolving loan facility with Lloyds Bank Plc.

Interest is charged at 0.95% over 3-month LIBOR per annum. A commitment interest charge of 0.35% per annum was charged on the daily available undrawn balance of the facility limit of the loan.

The loan was repaid in full during the year. The loan was secured against the Sterling Current account or any account opened with the Bank in replacement of or in substitution for such account.

Lloyds Bank PLC has security by way of debentures in place with the operating entities of the Fund.

During the year the fund received an overdraft facility from Butterfields Bank.

The limit on the overdraft is £20,000,000. Interest is charged at a sum of the Bank's Base Rate plus 3.5% per annum with a minimum Bank Base Rate of 0%.

The overdraft is secured against the financial assets at fair value through profit or loss (refer to note 14) or any subsequent account opened with the Bank in replacement of or in substitution for such account pursuant to the overdraft agreement.

There is currently no overdraft utilised at the end of the year.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Given relatively high levels of liquidity in the Fund and prevailing low bank interest rates, the Manager has sought to generate income in excess of prevailing short term interest rates whilst maintaining an overriding focus on preserving liquidity by investing a portion of the Fund's available cash into Darwin Leisure Property Fund C Class accumulation units, a fund under common control.

The following table presents information concerning the investment in the open-ended investment unit trust for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The net movement on investment during the year comprises:

	2020	2019
	£	£
Opening investment cost	14,000,000	5,000,000
Additions at cost	-	9,000,000
Closing portfolio cost	**14,000,000**	**14,000,000**
Opening unrealised gain	1,149,111	458,332
Unrealised gain on investment	611,458	690,779
Closing unrealised gain	**1,760,569**	**1,149,111**
Closing valuation	**15,760,569**	**15,149,111**

Unrealised gains recognised in the Consolidated Statement of Total Return during the year amounted to £611,458 (2019: £690,779).

15. FINANCIAL INSTRUMENTS

FRS 102 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) for identical instruments in active markets

Level 2 – Inputs other than quoted prices that are directly or indirectly observable

Level 3 - Valuation techniques using unobservable data

The Fund has the following financial instruments:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

15. FINANCIAL INSTRUMENTS (CONTINUED)

	2020	2019
Financial assets	**£**	**£**
Measured at fair value through profit or loss		
Financial asset at fair value through profit or loss	15,760,569	15,149,111
Measured at amortised cost		
Debtors	1,798,750	494,976
Fixed deposit account	-	25,000,000
Cash and cash equivalents	8,591,824	46,127,183
	10,390,574	71,622,159
Total financial assets	26,151,143	86,771,270
Financial liabilities		
Measured at amortised cost		
Creditors	(1,206,971)	(1,518,430)
Loan Payable	-	(10,000,000)
Total financial liabilities	(1,206,971)	(11,518,430)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following table analyses within the fair value hierarchy the Fund's financial assets and financial liabilities measured at fair value as at 30 September:

	2020	2019
	£	**£**
Level 1		
Financial assets at fair value through profit or loss	15,760,569	15,149,111
	15,760,569	15,149,111

There have been no movements between levels during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

16. UNITHOLDERS' CAPITAL

In accordance with the Trust Instrument, distributions may be made to the unitholders of the Fund. Distributions are to be made rateably in accordance with the number of units held or deemed to be held on the relevant distribution date. The unitholders are only entitled to vote at meetings of the unitholders on specific resolutions as detailed in the trust instrument. At meetings of the unitholders, on a poll, every holder is entitled to one vote in respect of each unit held.

In a winding-up the unitholders have the right to receive all surplus assets available for distribution after settlement of the Class units' liabilities.

There is no upper or lower number of units that may be issued in the Fund.

Reconciliation of movement in units in issue	**2020 Units**	**2019 Units**
A Accumulation units		
Opening balance	36,669,667	35,776,011
Issued	(15,000)	893,656
Closing balance	36,654,667	36,669,667
B Accumulation units		
Opening balance	70,000,000	70,000,000
Issued	-	-
Closing balance	70,000,000	70,000,000
C Accumulation units		
Opening balance	1,817,819	1,152,350
Issued	1,335,896	665,469
Closing balance	3,153,715	1,817,819
D Accumulation Units		
Opening balance	15,000,000	-
Issued	7,253,604	15,000,000
Closing balance	22,253,604	15,000,000
E Accumulation Units		
Opening balance	200,000	-
Issued	664,047	200,000
Closing balance	864,047	200,000
Total units in issue	**132,926,033**	**123,687,485**

The terms of each share class are as set out in the Fund prospectus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

16. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Fees Payable to the Manager

The Management fee is charged at 0.6% p.a of the NAV of the Fund for the Class “A” units, 0.5% p.a. of the NAV of the Fund for the Class “B” units and 0.85% p.a. of the NAV of the Fund for the Class “C” units.

For units D and E the management fee is charged at 0.75% p.a for the NAV of the Fund and 1.5% p.a of the NAV of the Fund, respectively.

These fees are calculated by reference to the Net Asset Value of the Fund attributable to the relevant Units and shall be calculated and accrued at each Dealing Day.

Fees charged during the year by the Manager were £828,316(2019: £691,388) of which £79,143 (2019: £63,167) remained unpaid at 30 September 2020.

In addition, the Manager shall be entitled to receive a performance fee set at 15% of the outperformance of the Fund when measured against a benchmark set at 5% annual increase in the NAV of the Fund.

An amount of £452,702 (2019: £961,823) was charged for the year of which £nil (2019: £112,428) remained unpaid at 30 September 2020.

Fees payable to the Trustee

The Trustee is entitled to an amount of £10,000 per annum, plus a percentage of the Gross Asset Value of the fund based on the below scale:

Up to £150 million	0.05% per annum
Between £150 million and £300 million	0.03% per annum
Above £300 million	0.02% per annum

The Trustee is also entitled to additional, transactional fees of £500 per third party bank account set up with a £20 fee incurred for each transaction processed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

17. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS (CONTINUED)

They are also due £2,000 per property transaction and £100 for any non-real estate type assets.

The fee is subject to a minimum annual amount of £25,000. Fees charged by the Trustee during the year, including fees capitalised, were £102,380 (2019: £84,925), of which £8,115 (2019: £7,093) remains unpaid at 30 September 2020.

Fees Payable to the Administrator

The Administration fee is charged at a rate dependent on the NAV of the Fund, as detailed below, with an annual minimum fee of £40,000.

Up to £50 million	0.2% per annum
Between £50 million and £350 million	0.125% per annum
Above £350 million	0.05% per annum

Fees charged by the Administrator during the year were £238,175 (2019: £209,901), of which £22,168 (2019: £18,794) remained unpaid at 30 September 2020.

Investment in related Fund

The Fund has an investment in Darwin Leisure Property Fund, C Accumulation units, a fund with common management, see Note 14.

Directors

I Burns, A Esse, J Penney, R Smith and M Tolcher are Directors of Darwin Alternative Investment Management (Guernsey) Limited, Darwin Leisure Development Properties (Guernsey) Limited and Darwin Leisure Development Finance (Guernsey) Limited.

The Directors of the Manager were remunerated by Darwin Alternative Investment Management (Guernsey) Limited except, for A Esse and J Penney who have waived their fees.

At 30 September 2020, A Esse owned 327,117 units (2019: 327,117) of the C Accumulation class. J Penney owned 150,000 units (2019: 150,000) of the A Accumulation class and is a trustee of The Penney discretionary trust that holds 162,429.9521 units as at September 2020 (2019: nil). R Smith had an interest in 20,000 units (2019: 19,908) of the C Accumulation Class. Smoke Rise Holdings Limited, a company controlled by I Burns held 20,000 units (2019: 20,000) of the C Accumulation class.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

17. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS (CONTINUED)

Directors (continued)

M Tolcher owned 15,000 units (2019: 15,000) of the C Accumulation class. C Esse, son of A Esse, owned 20,000 units (2019: 20,000) of the A Accumulation Class. P White, Managing Director of the Administrator, Vistra Fund Services (Guernsey) Limited, owned 25,000 units (2019: 25,000) of the A Accumulation class.

Purchase of KP Club (Kilnwick Percy)

During the year the Fund purchased the property, and operating company, at KP Club for an amount, of £25,931,917. The property and operating company were acquired from Darwin Leisure Property Fund, a related party due to common control, the Directors of the respective Investment Managers are the same. The purchase price was determined as the average of the DCF valuations for three months prior to the completion of the sale.

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

Market risk: Other price risk

The Fund is exposed to market price risk as it holds an investment in the Darwin Leisure Property Fund ("DLPF").

Market price risk associated with the investment in DLPF is not considered to be significant due to the nature of the investment. The investment is also open ended and shares can be redeemed on demand. As this risk is not considered significant sensitivity analysis has not been presented.

Market Risk

The Fund is exposed to risk associated with the effects of fluctuation in the prevailing levels of market interest rates on its cash position.

Interest Rate Risk

The interest rate profile of the financial assets and liabilities as at the consolidated balance sheet date is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Market risk: Interest rate risk (continued)

As at 30 September 2020	Floating rate	Non-interest bearing	Total
	£	£	£
Assets			
Cash and cash equivalents	8,591,824	-	8,591,824
Debtors	-	1,798,750	1,798,750
Total assets	**8,591,824**	**1,798,750**	**10,390,574**
Liabilities			
Creditors	-	(1,206,971)	(1,206,971)
Net assets attributable to unitholders	-	(169,734,260)	(169,734,260)
Total liabilities	**-**	**(170,941,231)**	**(170,941,231)**

As at 30 September 2019	Floating rate	Non-interest bearing	Total
	£	£	£
Assets			
Cash and cash equivalents	46,127,183	-	46,127,183
Fixed deposit account	25,000,000	-	25,000,000
Debtors	-	494,976	494,976
Total assets	**71,127,183**	**494,976**	**71,622,159**
Liabilities			
Creditors	(10,000,000)	(1,518,430)	(11,518,430)
Net assets attributable to unitholders	-	(149,596,632)	(149,596,632)
Total liabilities	**(10,000,000)**	**(151,115,062)**	**(161,115,062)**

Considering the effect on cash balances, an increase in 50 basis points in interest rates as at reporting date would have increased net assets and income for the year of £429,591 (2019: £355,636). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the balances at the reporting date and are not representative of the year as a whole. A 50 basis point increase/decrease represents the Manager's assessment of the possible changes in interest rates within the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Market risk: Interest rate risk (continued)

Considering the effect on creditors of the loan balance payable, an increase in 50 basis points in interest rates as at reporting date would have decreased net assets and income for the year by £nil (2019: £50,000). A decrease of 50 basis points would have had an equal but opposite effect. The calculations are based on the balances at the reporting date and are not representative of the year as a whole. A 50 basis point increase/decrease represents the Manager's assessment of the possible changes in interest rates within the next 12 months.

Operational risks

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as changes in gross domestic product, employment trends, inflation, the availability of banking finance and changes in interest rates, which in turn may impact the demand for caravan rental.

Both rental income and property values may also be affected by other factors specific to the real estate and leisure markets, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

The Directors of the Manager monitor the operating assets monthly using the DCF model received from the investment adviser, The Directors of the Manager have engaged Smith and Williamson, Business Valuers, to review the DCF model on a quarterly basis.

Liquidity risk

The Fund's constitution provides for the monthly creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time and the repayment of the loan. The Fund's main assets are property assets which are traded in an environment where deal timescales can take place over months. As a result, the Fund may not be able to liquidate quickly some of its properties at an amount close to its fair value in order to meet liquidity requirements.

Cash balances are maintained to ensure that the Fund is able to meet expenses, distributions and requests for redemption of units. Where redemption requests exceed cash available to the Fund, the Manager is entitled to suspend the redemption process until the Fund has been able to realise sufficient funds from the orderly disposal of property. To date no such suspension was necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Liquidity risk (continued)

As at 30 September 2020

	Due within 30 days	Due between 30 days and 60 days	Due between 60 days and 1 year	Due after 1 year	Total
	£	£	£	£	£
Financial assets at FVTPL	15,760,569	-	-	-	15,760,569
Debtors	1,798,750	-	-	-	1,798,750
Fixed deposit account	-	-	-	-	-
Cash and cash equivalents	8,591,824	-	-	-	8,591,824
	26,151,143	**-**	**-**	**-**	**26,151,143**
Net assets due to unitholders	-	-	(44,568,122)	(125,166,138)	(169,734,260)
Creditors	(1,206,971)	-	-	-	(1,206,971)
	(1,206,971)	**-**	**(44,568,122)**	**(125,166,138)**	**(170,941,231)**
Total liquidity sensitivity gap	**24,944,172**	**-**	**(44,568,122)**	**(125,166,138)**	**(144,790,088)**

As at 30 September 2019

	Due within 30 days	Due between 30 days and 60 days	Due between 60 days and 1 year	Due after 1 year	Total
	£	£	£	£	£
Financial assets at FVTPL	15,149,111	-	-	-	15,149,111
Debtors	494,976	-	-	-	494,976
Fixed deposit account	-	-	25,000,000	-	25,000,000
Cash and cash equivalents	46,127,183	-	-	-	46,127,183
	61,771,270	**-**	**25,000,000**	**-**	**86,771,270**
Net assets due to unitholders	-	-	(39,280,466)	(110,316,166)	(149,596,632)
Creditors	(1,518,430)	-	-	-	(1,518,430)
					-
	(1,518,430)	**-**	**(39,280,466)**	**(110,316,166)**	**(151,115,062)**
Total liquidity sensitivity gap	**60,252,840**	**-**	**(14,280,466)**	**(110,316,166)**	**(64,343,792)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

18. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. In the event of a default by a tenant, the Fund will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. There are no significant concentrations of credit risk within the Fund other than the concentration of balances held with Butterfield Bank which amount to £8,591,824 (2019: £71,127,183).

During the year the Group transferred accounts to Butterfield Bank from Lloyds Bank.

Credit risk in respect of other financial assets and is reflected in the carrying value of these assets being set to their fair value, as they represent cash and financial instruments held with the Fund's bankers. The Manager regularly reviews the credit ratings of the Fund's bankers.

Credit risk in relation to banking is managed by the Board monitoring the risk ratings of the counter party (Butterfield Bank). Their current rating is Moody's A2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

19. NET ASSET VALUE PER UNIT

	2020	2019
	£	£
Units in issue	132,926,033	123,687,486
Net asset value per unit (valuation)	1.2532	1.1871
Net asset value per unit (financial statements)	1.2769	1.2095
<u>Individual Fund class value per unit</u>		
A accumulation value per unit (Valuation)	1.2754	1.2011
A accumulation value per unit (Financial Statements)	1.2994	1.2238
B accumulation value per unit (Valuation)	1.2800	1.2045
B accumulation value per unit (Financial Statements)	1.3041	1.2272
C accumulation value per unit (Valuation)	1.2689	1.2148
C accumulation value per unit (Financial Statements)	1.2912	1.2202
D accumulation value per unit (Valuation)	1.1373	1.0725
D accumulation value per unit (Financial Statements)	1.1587	1.0927
E accumulation value per unit (Valuation)	1.0653	1.0110
E accumulation value per unit (Financial Statements)	1.0854	1.0300

20. CONTROLLING PARTY

Darwin Alternative Investment Management (Guernsey) Limited ("the Manager") together with Butterfield Bank (Guernsey) Limited ("the Trustee") are regarded as the controlling parties of the Fund by virtue of them acting in concert under the terms of the Trust Instrument.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

Other than the continuation of the COVID-19 pandemic, there have been no subsequent events.

DARWIN LEISURE PROPERTY FUND

Report & Audited Consolidated Financial Statements

For the year ended 30 September 2020

TABLE OF CONTENTS

For the year ended 30 September 2020

GENERAL INFORMATION

TRUSTEE:	Butterfield Bank (Guernsey) Limited PO Box 25 Regency Court Glategny Esplanade St Peter Port Guernsey GY1 3AP
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Vistra Fund Services (Guernsey) Limited PO Box 91 11 New Street St Peter Port Guernsey GY1 3EG
MANAGER:	Darwin Property Investment Management (Guernsey) Limited 11 New Street St Peter Port Guernsey GY1 2PF
DIRECTORS OF THE MANAGER:	Ian Michael Burns Anthony Geoffrey David Esse Christopher James Affleck Penney Robin Haake Smith Martin Paul Tolcher
INVESTMENT ADVISER:	Darwin Alternative Investment Management Limited Empire House 175 Piccadilly London W1J 9EN (From 1 April 2020) Darwin Property Investment Management Limited Empire House 175 Piccadilly London W1J 9EN (To 31 March 2020)
THE INTERNATIONAL STOCK EXCHANGE SPONSOR:	Vistra Fund Services (Guernsey) Limited PO Box 91 11 New Street St Peter Port Guernsey GY1 3EG

GENERAL INFORMATION (CONTINUED)

INDEPENDENT AUDITOR:	Grant Thornton Limited PO Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF
PROPERTY VALUERS:	Jones Lang LaSalle LLP 30 Warwick Street London W1B 5NH
BUSINESS VALUERS:	Smith and Williamson Ltd 25 Moorgate London EC2R 6AY
LEGAL ADVISERS TO THE FUND:	*In Guernsey:* Collas Crill Glategny Court PO Box 140 Glategny Esplanade St Peter Port Guernsey GY1 4EW *In United Kingdom:* Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2AA

MANAGER'S REPORT
For the year ended 30 September 2020

The Manager of the Darwin Leisure Property Fund (the "Fund") is pleased to submit its Report and Audited Consolidated Financial Statements for the year ended 30 September 2020.

THE FUND

The Fund was established in Guernsey on 5 December 2007 as an open-ended unit trust authorised by the Guernsey Financial Services Commission as an authorised Class B open-ended Collective Investment Scheme.

The following unit classes are listed on the Official List of The International Stock Exchange Authority Limited:

C Accumulation Units
C Income Units
D Accumulation Units
M Income Units

A Accumulation Units were delisted from the Official List of The International Stock Exchange Authority Limited on 23 June 2020.

ACTIVITIES

The Fund's principal activity is to invest primarily in a portfolio of interests in UK and Irish based holiday caravan parks, which includes land, buildings and static caravans, acquiring and owning such parks with a view to enhancing value through strategic selection and interventionist asset management. Static caravans are moveable as defined in the Caravan Sites and Control of Developments Act 1960 (United Kingdom).

The Fund may invest in such property, directly or indirectly, through one or more Property Holding Vehicles or other Intermediate Vehicles.

The Fund may also invest in other collective investment schemes, listed and unlisted securities, joint ventures and partnerships, where the Manager considers there is a link with the leisure industry. Due to the nature of the Fund's assets and lead times to complete purchases, there may be short periods where liquidity levels are relatively high. During such periods, uninvested liquidity will be held in cash deposits, public securities, including treasury bills, bonds and other government securities, money market instruments, debt instruments or similar investments, as the Manager determines from time to time.

MANAGER'S REPORT (CONTINUED)
For the year ended 30 September 2020

DISTRIBUTIONS

The Manager recommended that distributions be made for the year ended 30 September 2020 of 5.93 pence per unit on the A Accumulation class, 10.05 pence per unit on the C Accumulation class and 5.37 pence per unit on the C Income class, 10.18 pence per unit on the D Accumulation class, 6.18 pence per unit on the E Exit class, 6.52 pence per unit on the E initial class, 5.07 pence per unit on the F Exit class, 2.76 pence per unit on the F initial class, 4.77 pence per unit on the G exit class and 2.41 pence per unit on the G initial class, 3.18 pence per unit on the I exit class, 4.21 pence per unit on the J Income class, 3.34 pence per unit on the M Accumulation class and 5.41 pence per unit on the M Income class (see Note 7).

The distributions allocated to the accumulation units were reinvested and accumulated in the capital. In total £13,265,861 (2019: £28,496,575) relating to the accumulation units was reinvested during the year and £4,406,898 (2019: £6,514,508) has been paid to unit holders.

STATEMENT OF MANAGER'S RESPONSIBILITIES

The Manager is responsible for preparing consolidated financial statements for each financial year which give a true and fair view, in accordance with applicable Law and United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Statement of Recommended Practice (SORP) "Financial Statements of Authorised Funds" issued by the Association of Investment Companies, of the state of affairs of the Fund as at the end of the financial year and of the profit or loss of the Fund for that year. In preparing these consolidated financial statements, the Manager is required to:

- select suitable accounting policies then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Fund will continue.

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable it to ensure that the consolidated financial statements comply with the terms of the Trust Instrument, The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, The Authorised Collective Investment Schemes (Class B) Rules, 2013 and the applicable accounting standards. It is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MANAGER'S REPORT (CONTINUED)
For the year ended 30 September 2020

GOING CONCERN

The Manager has, at the time of approving the audited consolidated financial statements, a reasonable expectation that the Fund together with its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

COVID-19

During the year and to the date that the Financial Statements were approved, the coronavirus ("COVID-19") outbreak emerged and has continued to cause extensive disruptions to businesses and economic activities. The Fund has experienced a reduction in the increase of the value of operating assets held at valuation and a reduction in operating cashflows.

As the pandemic continues, the quantum of the effect is difficult to determine and could be material, However the Manager is monitoring the situation and considering the effect it may have on the valuation of the assets of the Fund and the potential impact on operating cashflows. The operating parks continue to operate when permitted to do so and the Manager is encouraged by the Government's promotion of holidaying within the United Kingdom.

DEFERRAL OF REDEMPTIONS

Due to the high volume of redemption requests from investors within some unit classes during March 2020, combined with the impact of the pandemic on the cash generating activities of the parks, the Manager took the decision to instigate the redemption deferral provisions outlined in the Fund prospectus from 1 May 2020. It is the intention of the Manager to return to paying redemptions in full as soon possible. (see note 21)

AUDITOR

The Auditor, Grant Thornton Limited, has indicated its willingness to continue in office.

Signed for and on behalf of the Manager by:

Martin Tolcher **Ian Burns**

28 January 2021

INVESTMENT ADVISER'S REPORT
For the year ended 30 September 2020

During the year ended 30 September 2020, the C Accumulation units increased in value by 4.04%. The performance of the Fund has of course been impacted by the COVID-19 pandemic, but we are pleased to be able to report a positive return despite the holiday parks being closed for more than 3 months.

All of the holiday parks in the portfolio were closed on 23 March 2020 due to lockdown restrictions imposed by the UK Government in relation to the COVID-19 pandemic. On 23 June 2020 the UK Government announced that holiday parks in England, along with other hospitality businesses including restaurants and bars, could re-open from 4 July 2020. It had previously been announced by the Welsh Government that holiday parks in Wales could re-open from 13 July 2020.

The UK Government has introduced a number of measures to support businesses during the pandemic. The measures the Fund has benefitted from include:

The Coronavirus Job Retention Scheme
During the closure period, 85% of Darwin Escapes' staff were furloughed under the UK Government Coronavirus Job Retention Scheme. For those staff, this meant that 80% of their wages were paid by the Government, up to a maximum of £2,500 a month. We chose to top up their remaining wage to ensure that they were not financially penalised during the pandemic. We believed that this was the right thing to do for our team members and demonstrated our commitment to them. This was particularly important because when the parks were able to re-open, we needed a motivated and experienced team ready to return to action. Whilst furloughed, staff was unable to carry out any work functions. The staff who weren't furloughed were carrying out either head office functions or essential security and maintenance roles.

The Business Rates Relief
The UK and Welsh Governments introduced a business rates relief for retail, hospitality and leisure businesses in England and Wales for the 2020/21 tax year. All of the holiday parks were able to take advantage of this, so it will save the overall business around £1m during this period.

The VAT Reduction
The UK Government has introduced a temporary reduction in VAT for hospitality, hotel and holiday accommodation. In effect from 15 July 2020 to 31 March 2021, the VAT rate has been cut from the standard rate of 20% to 5%. In order to help lessen the impact of the loss of income when the parks were closed, and also to avoid having to raise prices when the schemes end, the reduction in VAT rate has not been passed onto Darwin Escapes guests.

Holiday Rentals
For holiday rental customers who were impacted by closures, our holiday booking agent, Hoseasons, initially provided vouchers rather than refunds, with 70% of people rebooking for later in 2020 and into 2021. Hoseasons advised that they saw a good number of customers who had originally booked with competitors moving their bookings to Darwin Escapes, generating additional revenue.

To help build customer confidence, Hoseasons went on to introduce a "Book with Confidence" policy for holiday rental bookings. This meant that payment has not been taken until 3 weeks before a stay, and if guests need to cancel because of Government restrictions or if accommodation is not being provided for any reason, then they are able to choose to take a full refund, transfer to a later date or to a different resort, or choose an e-voucher to rebook.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2020

Holiday Rentals (continued)
The lunchtime statement by Boris Johnson on 23 June 2020 announcing the end of lockdown on 4 July 2020 ended up having a profound effect on holiday rental bookings. By the end of the day, year-on-year sales were up 270% for Hoseasons, and they were taking a booking every 11 seconds. On this day, Darwin Escapes parks made up 4 out of the top 5 best performing sites for Hoseasons, and 9 out of the top 15. A record 15,000 visits were made to the Darwin Escapes website on 23 June 2020, three times the previous highest number.

We went on to see that the volume of holiday bookings for the peak summer period, and for September, was above that for the same period in 2019. The strong levels of demand meant that there was no need to reduce prices and in many cases we were able to raise them. For example, at Keswick Reach the average net hire value per unit for the peak summer period was 20% higher than the budgeted target, and at Piran Meadows it was 15% higher.

Holiday Home Sales
Some of the holiday home sales team worked remotely whilst the parks were closed. They completed a small number of sales during this time and established a strong sales pipeline. After the parks re-opened, we recorded some of the busiest weeks on record for holiday home sales, with sales made at all price levels across parks in the portfolio. The majority of these sales were to new owners, helping to secure not only a short-term boost from sales revenue but also long-term income from site fees going forward.

By the end of the Fund's financial year, we had almost met the pre-Covid annual budget target for holiday home sales, despite the 3-month shutdown of the parks. Sales were so strong at New Pines and Sea View in North Wales that we switched some of the pitches there from holiday rental to holiday ownership.

Operational Changes
As soon as the parks were closed, the Darwin Escapes team were planning for their re-opening. Based on the 'Health & Safety Executive' guidance and medical advice at the time, operational rules were put in place for staff to follow which included measures such as safe distancing and when to wear PPE such as gloves and face masks. Guests were expected to follow rules relating to social distancing and health and safety measures such as using hand sanitiser in order to protect both them and our staff.

In order to minimise the number of people within our facilities buildings, we implemented new check in procedures which saw guests being directed straight to their lodge on arrival and being checked in using a paperless and contactless procedure by a team member from a safe distance. Check-in times were staggered to facilitate this. We also made changes to our usual provisions in our lodges and removed non-essential items such as board games, PlayStations, tea & coffee trays and toiletries to reduce the touch points within each lodge. Check-out was also moved an hour earlier to allow additional time for cleaning between guests, and a seal was placed on each lodge door after cleaning to demonstrate that no-one had entered since, offering additional comfort for guests.

In order to reduce customer interaction, restaurants and bars remained closed and instead we offered take-away and delivery services. This proved to be extremely popular with guests, and we will look to expand this offering once business returns to normal.

All of these measures, including the closure of central facilities where relevant, were communicated to guests in advance of their arrival.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2020

Darwin Leisure Property Fund
The Fund is very well poised to benefit from the expected increase in demand for UK holidays. The COVID-19 pandemic has meant that people are less inclined and less able to travel abroad at present and we expect this to continue for some time. It has also meant that a new breed of holiday maker, who would usually holiday abroad, has discovered the benefits of holidaying in the UK and are likely to continue to do this, even after the pandemic. Increased consumer awareness about the environmental impact of air travel could also lead to a focus on domestic holidays.

Prior to the pandemic, we were already seeing an increase in "holiday snacking", with people making shorter and more frequent trips. This trend is set to continue. 75% of all holiday rental bookings are for 2, 3 or 4 nights with people taking three, four or more holidays each year, rather than the traditional two week break.

Holiday home sales are also likely to benefit from the uncertainty over international travel, with people seeing the benefits of having a holiday home that is easily accessible. The UK's withdrawal from the EU should also be a boost for UK holiday home ownership, given the potential restrictions on the amount of time UK citizens can spend in EU countries, which at present is expected to be only 90 days within a 180 day period.

Within the Investment Adviser's report we usually report on the success of the holiday parks at the Hoseasons Annual Awards, at which Darwin parks usually dominate. The awards provide a strong indication of how well the holiday parks are performing on an operational basis as they are based on customer feedback. Unfortunately, as with many things this year, the awards were cancelled.

Holiday Parks

Aberconwy Holiday Home Park (Conwy, North Wales)
Aberconwy, based at Conwy Morfa beach in North Wales was purchased in May 2015 as a premium edition to our three existing parks in North Wales. The park continues to trade exceptionally well, enabling us to achieve excellent selling prices for our lodges. A record price of £375,000 was recently achieved at the park.

Bath Mill Lodge Retreat (Bath, Somerset)
Bath Mill opened following redevelopment in 2015 and is mid-sized lodge retreat on the outskirts of the popular city of Bath, which features a gym, restaurant, bar and events space. Bath Mill continues to be popular with visitors to Bath and we are able to achieve high rental tariffs due to the lack of quality accommodation in the city. The events space has been used extensively by local residents hosting numerous weddings, business events and wakes.

Beach Cove Coastal Retreat (Ilfracombe, Devon)
Beach Cove is a high-quality lodge retreat in Hele Bay, Ilfracombe, offering 26 beach hut style one-bedroom and studio lodges and 3 holiday apartments with sublime views around the coastline. The site opened in 2014 following redevelopment and is extremely popular with 'staycationing' couples looking for a more quirky accommodation offering than a traditional lodge.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2020

Canterbury Reach Lodge Retreat (Canterbury, Kent)
Canterbury Reach is located close to the historic tourism town of Canterbury and opened following redevelopment in 2017. Canterbury Reach is particularly popular with those travelling to and from Europe using the Channel Tunnel who often add a short break to the start or end of their trip.

Cheddar Woods Resort and Spa (Cheddar, Somerset)
Cheddar Woods was the first site in the portfolio to be redeveloped and opened in 2013. Having undergone two further phases of development, the resort now offers over 200 lodges as well as a large central-facilities building including restaurant, bar, swimming pool and gym and a host of outdoor activities. We have begun a programme of refurbishment of some of the original lodges to ensure that all of the accommodation meets the high standards for which Darwin is now known. This includes re-decorating and replacing furniture where necessary.

Hawkchurch Resort and Spa (Axminster, Devon)
Located close to the 'Jurassic Coast' in Devon, Hawkchurch opened in 2015 following the complete redevelopment of the site. Hawkchurch offers luxury lodges for holiday home ownership and holiday rental and features a restaurant, bar and high-quality spa. Hawkchurch is popular with the more discerning traveller looking for a relaxing break with luxurious facilities.

Keswick Reach Lodge Retreat (Bassenthwaite, Lake District)
Keswick Reach is located in the North Lake District and opened following redevelopment in 2016. Keswick Reach is extremely popular throughout the year and quickly became one of the strongest performing parks in the portfolio in terms of occupancy. The high demand means that we are able to maintain strong tariff rates throughout the year.

Kilnwick Percy
Kilnwick Percy in East Yorkshire was sold by the Fund in March 2020 for £27.5m, having been acquired in April 2017 for £9.02m.

When we purchased Kilnwick Percy it was a relatively tired asset but in an excellent location. Our capital expenditure involved updating the central facilities, modernising the lodge accommodation and significantly improving the gym and spa offering as well as the wedding function capabilities. We were informed by the vendor that there was significant local resistance to further development of the site.

We established that the Local Authority would welcome a sympathetically designed additional development phase at Kilnwick Percy. The rationale being that it would provide a substantial boost to the local economy through long-term job creation and additional sustained spend in the market town of Pocklington. We estimate that the expenditure to deliver subsequent development of the site is in the region of £40m; such a large scale transformation would have a material impact on the income yield of the fund for at least two years and possibly for a third. The Darwin Leisure Property Fund is now an income fund and does not engage in major redevelopment projects and it was sold to the Darwin Leisure Development Fund . Further details are available within note 18 of the financial statements

Mullion Cove Coastal Retreat (Lizard Peninsula, Cornwall)
Mullion Cove opened in 2013 following redevelopment. The site was a derelict chalet park but now features 28 luxury lodges which are a short walk from Mullion Cove itself, a popular tourist spot on the Lizard Peninsula. Despite its remote location, Mullion Cove performs well in terms of occupancy.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2020

New Pines Holiday Home Park (Rhyl, Denbighshire, North Wales)
New Pines is one of three parks acquired by the Fund in North Wales in 2011. New Pines is a large site with a wide range of leisure facilities and having originally just been a location for holiday home owners, holiday rentals were introduced in 2016. Holiday home sales have been strong throughout the year and we switched some of the holiday rental pitches to holiday home ownership in order to meet with demand

Piran Meadows Resort and Spa (Newquay, Cornwall)
Piran Meadows opened in 2014 following redevelopment. The resort is a popular family holiday destination near the tourist hotspot of Newquay. Accommodation comprises of high quality caravans and lodges for holiday home ownership and holiday rental. The resort features a bar and restaurant, swimming pool and an extensive range of activities for all ages..

Sandymouth Holiday Home Park (Bude, Cornwall)
Sandymouth re-opened in 2017 following development work which saw all of the accommodation replaced with luxury caravans and the existing central leisure facilities refurbished. Sandymouth specifically caters for families who are looking for a more traditional caravan park holiday and has been extremely popular since the refurbishment.

Seaview Holiday Home Park (Gwespyr, Flintshire, North Wales)
Seaview is the 2nd North Wales park acquired in 2011 and is a small site featuring stunning views of the local coastline with guests given access to the leisure facilities at Talacre Beach. Whilst we had introduced a small number of holiday rental units in 2018, demand for holiday home sales has been so strong this year that we have now converted them back to holiday home ownership, with all bases at the park now occupied by owners.

Talacre Beach Holiday Home Park (Talacre, Flintshire, North Wales)
The third location in North Wales acquired in 2011, Talacre Beach is the largest park in the portfolio with over 600 units around three-quarters of which are for holiday home ownership and one quarter holiday rentals. We carried out a refurbishment of the central facilities in early 2019 and the park has been particularly popular since then, with sales particularly strong during the past year and some sales being completed even during the extensive first lockdown.

Thanet Well Lodge Retreat (Lake District, North Cumbria)
Thanet Well is located on the edge of the Lake District National Park overlooking Greystoke
Forest and was acquired in 2014. We added 26 new lodges to the site in 2016 and carried out further work to upgrade 19 bases, allowing the existing units to be replaced with larger lodges.

Tilford Woods Lodge Retreat (Tilford, Surrey)
Tilford Woods was acquired in 2009 and is a small luxury log cabin park, located in the Surrey countryside. The park is located less than an hour's drive from London making it an extremely popular destination for a weekend or mid-week break. Tilford Woods is also popular with local residents looking for alternative accommodation whilst they are carrying out building work at home and the park is consistently amongst the best performing sites in the portfolio in terms of occupancy.

INVESTMENT ADVISER'S REPORT (CONTINUED)
For the year ended 30 September 2020

Wareham Forest Lodge Retreat (Wareham, Dorset)
Wareham Forest was originally a tenting and touring site but re-opened in 2016 following development work which transformed it into a luxury lodge retreat. Offering 55 holiday rental lodges, Wareham Forest is located in a quiet woodland setting and is popular with those looking for a quiet break in the countryside.

Woodside Coastal Retreat (Wootton Bridge, Isle of Wight)
Woodside Coastal Retreat is a small lodge retreat, located on a beach on the north coast of the Isle of Wight. The site was transformed from an ageing static caravan park in 2014 and offers 36 luxury lodges for holiday rental, with guests able to make use of the facilities at the neighbouring Woodside Bay Lodge Retreat.

Woodside Bay Lodge Retreat (Wootton Bridge, Isle of Wight)
Woodside Bay opened in 2016 and was built on the site of a derelict former holiday camp. The park offers 130 lodges for holiday rental and features a small bistro restaurant and bar which overlook the Solent along with a gym. Woodside Bay also features two bespoke treehouses which are extremely popular with guests.

Darwin Alternative Investment Management Limited
28 January 2021

COMPARATIVE TABLE

	2020 Pence per unit	2019 Pence per unit
A Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	196.2300	183.5900
Return before operating expenses	11.0931	23.2217
Operating charges	-4.0531	-10.5817
return after operating charges	7.0400	12.6400
Distributions on income units	N/A	N/A
Closing net asset value per unit	203.2700	196.2300
Retained distributions on accumulation units	5.9347	11.3076
Performance		
Return after charges	3.59%	6.88%
Other information		
Closing net asset value (£,000)	6,716	10,141
Closing number of units	3,304,178	5,167,703
Operating charges	-2.07%	-5.76%
Prices		
Highest unit price	203.2700	196.2300
Lowest unit price	196.2300	183.5900
C Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	331.9900	309.2800
Return before operating expenses	18.8195	38.8490
Operating charges	-5.4195	-16.1390
return after operating charges	13.4000	22.7100
Distributions on income units	N/A	N/A
Closing net asset value per unit	345.3900	331.9900
Retained distributions on accumulation units	10.0479	19.0806
Performance		
Return after charges	4.04%	7.34%
Other information		
Closing net asset value (£,000)	77,205	74,944
Closing number of units	22,353,019	22,574,091
Operating charges	-1.63%	-5.22%
Prices		
Highest offer unit price	345.3900	331.9900
Lowest bid unit price	331.9900	309.2800

COMPARATIVE TABLE (Continued)

	2020	2019
	Pence per unit	**Pence per unit**
C Income units		
Change in net assets per unit		
Opening net asset value per unit	178.5200	176.1098
Return before operating expenses	9.9200	21.6869
Operating charges	-2.6613	-8.6360
return after operating charges	7.2587	13.0509
Distributions on income units	-5.3687	-10.6407
Closing net asset value per unit	180.4100	178.5200
Retained distributions on accumulation units	N/A	N/A
Performance		
Return after charges	4.07%	7.41%
Other information		
Closing net asset value (£,000)	29,104	29,936
Closing number of units	16,132,159	16,768,723
Operating charges	-1.49%	-4.90%
Prices		
Highest offer unit price	180.4100	179.1800
Lowest bid unit price	176.5700	173.6800
D Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	336.2000	312.6700
Return before operating expenses	19.0668	39.6439
Operating charges	-4.9068	-16.1139
return after operating charges	14.1600	23.5300
Distributions on income units	N/A	N/A
Closing net asset value per unit	350.3600	336.2000
Retained distributions on accumulation units	10.1782	19.3018
Performance		
Return after charges	4.21%	7.53%
Other information		
Closing net asset value (£,000)	193,264	185,453
Closing number of units	55,161,520	55,161,520
Operating charges	-1.46%	-5.15%
Prices		
Highest offer unit price	350.3600	336.2000
Lowest bid unit price	336.2000	312.6700

COMPARATIVE TABLE (Continued)

	2020 Pence per unit	2019 Pence per unit
E Exit Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	204.4100	192.7300
Return before operating expenses	9.1217	21.6620
Operating charges	-3.2917	-9.9820
return after operating charges	5.8300	11.6800
Distributions on income units	N/A	N/A
Closing net asset value per unit	210.2400	204.4100
Retained distributions on accumulation units	6.1753	11.8362
Performance		
Return after charges	2.85%	6.06%
Other information		
Closing net asset value (£,000)	73,555	82,270
Closing number of units	34,986,257	40,247,484
Operating charges	-1.61%	-5.18%
Prices		
Highest offer unit price	210.2400	204.4100
Lowest bid unit price	204.4100	192.7300
E Initial Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	215.5800	202.0600
Return before operating expenses	12.1976	25.8705
Operating charges	-4.9276	-12.3505
return after operating charges	7.2700	13.5200
Distributions on income units	N/A	N/A
Closing net asset value per unit	222.8500	215.5800
Retained distributions on accumulation units	6.5178	12.4368
Performance		
Return after charges	3.37%	6.69%
Other information		
Closing net asset value (£,000)	18,996	19,573
Closing number of units	8,523,934	9,079,291
Operating charges	-2.29%	-6.11%
Prices		
Highest offer unit price	222.8500	215.5800
Lowest bid unit price	215.5800	202.0600

COMPARATIVE TABLE (Continued)

	2020 Pence per unit	2019 Pence per unit
F Exit Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	167.8673	164.8232
Return before operating expenses	8.6748	23.1253
Operating charges	-3.9435	-20.0812
return after operating charges	4.7313	3.0441
Distributions on income units	N/A	N/A
Closing net asset value per unit	172.5986	167.8673
Retained distributions on accumulation units	5.0675	9.9586
Performance		
Return after charges	2.82%	1.85%
Other information		
Closing net asset value (£,000)	5,968	7,952
Closing number of units	3,457,611	4,737,033
Operating charges	-2.35%	-12.18%
Prices		
Highest offer unit price	172.5986	168.7691
Lowest bid unit price	167.8673	162.8314
F Initial Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	91.6341	90.3342
Return before operating expenses	5.1485	2.1998
Operating charges	-2.6751	-0.8999
return after operating charges	2.4734	1.2999
Distributions on income units	N/A	N/A
Closing net asset value per unit	94.1075	91.6341
Retained distributions on accumulation units	2.7575	-
Performance		
Return after charges	2.70%	1.44%
Other information		
Closing net asset value (£,000)	15	15
Closing number of units	16,255	16,255
Operating charges	-2.92%	-1.00%
Prices		
Highest offer unit price	94.1075	91.6341
Lowest bid unit price	91.5568	90.3342

COMPARATIVE TABLE (Continued)

	2020 Pence per unit	2019 Pence per unit
G Exit Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	158.0065	149.3252
Return before operating expenses	7.8254	27.4060
Operating charges	-3.9078	-18.7247
return after operating charges	3.9176	8.6813
Distributions on income units	N/A	N/A
Closing net asset value per unit	161.9241	158.0065
Retained distributions on accumulation units	4.7654	9.2070
Performance		
Return after charges	2.48%	5.81%
Other information		
Closing net asset value (£,000)	38,554	42,791
Closing number of units	23,809,802	27,082,092
Operating charges	-2.47%	-12.54%
Prices		
Highest offer unit price	161.9241	158.0065
Lowest bid unit price	158.0065	149.3252
G Initial Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	80.2848	78.7712
Return before operating expenses	4.5089	3.1298
Operating charges	-2.6854	-1.6162
return after operating charges	1.8235	1.5136
Distributions on income units	N/A	N/A
Closing net asset value per unit	82.1083	80.2848
Retained distributions on accumulation units	2.4124	2.0000
Performance		
Return after charges	2.27%	1.92%
Other information		
Closing net asset value (£,000)	85	83
Closing number of units	103,503	103,503
Operating charges	-3.34%	-2.05%
Prices		
Highest offer unit price	82.1083	80.2848
Lowest bid unit price	80.1190	78.7712

COMPARATIVE TABLE (Continued)

	2020 Pence per unit	2019 Pence per unit
I Exit Penalty Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	105.3345	98.6043
Return before operating expenses	5.6074	17.2500
Operating charges	-2.8095	-10.5198
return after operating charges	2.7979	6.7302
Distributions on income units	N/A	N/A
Closing net asset value per unit	108.1324	105.3345
Retained distributions on accumulation units	3.1802	6.1125
Performance		
Return after charges	2.66%	6.83%
Other information		
Closing net asset value (£,000)	5,544	6,923
Closing number of units	5,127,256	6,571,937
Operating charges	-2.67%	-10.67%
Prices		
Highest offer unit price	108.1324	105.3345
Lowest bid unit price	105.3345	98.6043
J Income units		
Change in net assets per unit		
Opening net asset value per unit	139.9300	138.0300
Return before operating expenses	7.7749	17.0098
Operating charges	-2.0868	-6.7693
return after operating charges	5.6881	10.2405
Distributions on income units	-4.2081	-8.3405
Closing net asset value per unit	141.4100	139.9300
Retained distributions on accumulation units	N/A	N/A
Performance		
Return after charges	4.06%	7.42%
Other information		
Closing net asset value (£,000)	903	1,439
Closing number of units	638,481	1,028,074
Operating charges	-1.49%	-4.90%
Prices		
Highest offer unit price	141.4100	140.4500
Lowest bid unit price	138.4000	136.1300

COMPARATIVE TABLE (Continued)

	2020 Pence per unit	2019 Pence per unit
M Accumulation units		
Change in net assets per unit		
Opening net asset value per unit	334.0500	310.8000
Return before operating expenses	1.8209	39.4062
Operating charges	-0.4409	-16.1562
return after operating charges	1.3800	23.2500
Distributions on income units	N/A	N/A
Closing net asset value per unit	-	334.0500
Retained distributions on accumulation units	3.3405	19.1835
Performance		
Return after charges	0.41%	7.48%
Other information		
Closing net asset value (£,000)	-	52,850
Closing number of units	-	15,820,884
Operating charges	-0.13%	-5.20%
Prices		
Highest offer unit price	335.4300	334.0500
Lowest bid unit price	334.0500	310.8000

All units in M Accumulation class were redeemed in November 2019

	2020 Pence per unit	2019 Pence per unit
M Income units		
Change in net assets per unit		
Opening net asset value per unit	179.7600	177.0899
Return before operating expenses	9.9916	21.7788
Operating charges	-2.4444	-8.4033
return after operating charges	7.5472	13.3755
Distributions on income units	-5.4072	-10.7054
Closing net asset value per unit	181.9000	179.7600
Retained distributions on accumulation units	N/A	N/A
Performance		
Return after charges	4.20%	7.55%
Other information		
Closing net asset value (£,000)	133,447	79,520
Closing number of units	73,363,055	44,236,958
Operating charges	-1.36%	-4.75%
Prices		
Highest offer unit price	181.9000	180.3600
Lowest bid unit price	177.8800	174.6700

PORTFOLIO STATEMENT

As at 30 September 2020

	Fair Value £	Percent of net assets %
Operating assets held at valuation (note 9)	555,586,764	96.53
Tangible fixed assets (note 10)	52,853,511	9.18
Cash and cash equivalents	6,093,888	1.06
Net other liabilities	(38,953,807)	(6.77)
Total net assets	575,580,356	100.00

As at 30 September 2019

	Fair Value £	Percent of net assets %
Operating assets held at valuation (note 9)	547,185,955	93.69
Tangible fixed assets (note 10)	60,367,452	10.33
Cash and cash equivalents	6,983,983	1.20
Net other liabilities	(30,506,682)	(5.22)
Total net assets	584,030,708	100.00

TRUSTEE'S REPORT TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND

For the year ended 30 September 2020

In our opinion the Manager has managed the Fund during the year in accordance with the provisions of its Principal Documents and Scheme Particulars, and The Authorised Collective Investment Schemes (Class B) Rules, 2013 ("the Class B Rules") made under The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended).

Marie Swift

Butterfield Bank (Guernsey) Limited
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3AP

28 January 2021

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Opinion

Our opinion on the financial statements is unmodified

We have audited the group financial statements of Darwin Leisure Property Fund (the "Fund") for the year ended 30 September 2020 which comprise the Consolidated Statement of Total Return, the Consolidated Statement of Changes in Net Assets Attributable to Unitholders, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Fund's affairs as at 30 September 2020 and of the Fund's net return for the year then ended;
- are in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice);
- are in accordance with the requirements of The Trust Instrument, The Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended, The Authorised Collective Investment Schemes (Class B) Rules, 2013 and other applicable laws.

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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the FRC's Ethical Standard as applied to listed entities, 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19. All audits assess and challenge the reasonableness of estimates made by the Manager and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Fund's future prospects and performance.

Covid-19 is amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Fund's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity associated with these particular events.

Grant Thornton

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Conclusions relating to going concern

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you where:

- the Manager's use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the Manager has not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Fund'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 consolidated financial statements are authorised for issue.

In our evaluation of the Manager's conclusions, we considered the risks associated with the Group's business, including effects arising from macro-economic uncertainties such as Covid-19, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the period of at least twelve months from the date when the group financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Key Audit Matter - Fund	How the matter was addressed in the audit - Fund
Improper revenue recognition Revenue for the year was £44,048,984 and includes sales revenue on caravans, fees received for caravan rental and on-site sales. Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The Fund has an investment objective to maximise total return through a combination of growth and income and as such, income could be open to manipulation and overstatement by management.	Our audit work included: • Review of the revenue recognition policies in place for each revenue stream for consistent treatment with prior years and compliance with the accounting framework • Testing of operating effectiveness of key controls • Agreeing revenue transactions to invoices and receipts to bank statements • Analytical review of the revenue streams to identify significant movements in the year • Cut off procedures to test revenue has been recorded in the correct period. The Fund's accounting policy on revenue recognition is shown in Note 3 to the consolidated financial statements and related disclosures are included in Note 5. Key observations We did not note any material issues from our procedures.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Key Audit Matter - Fund	How the matter was addressed in the audit - Fund
Operating assets held at valuation Operating assets held at valuation of £555,586,764 are held at fair value using the discounted cash flow ("DCF") method and the inputs to the models used are subject to judgement and estimation. The judgements exercised in determining fair value could significantly impact the net asset value of the Fund and this is considered to be a key source of estimation uncertainty as described in Note 4 of the consolidated financial statements. The specific areas of judgement include the calculation of the equity discount rate and determination of the terminal growth.	Our audit work included: • Gaining understanding of management's process to recognise and measure operating assets • Obtaining the valuation review report prepared by the valuation expert for the results of their independent review of management's DCF models used to compute the fair value of the parks. • Independently assessing whether the methodology, key inputs and assumptions used by management are reasonable by corroborating the information used in the valuation through published independent sources and assessing the reasonableness of the cash flow forecasts and budgets used in the DCF through actual numbers and through discussions held with management and valuation expert. • Reviewing the sensitivity of the DCF calculation by challenging the key drivers used in the valuation expert's sensitivity analysis. The Fund's accounting policy on operating assets held at valuation is shown in Note 3 to the consolidated financial statements and related disclosures are included in Note 9. Key observations We did not note any material issues from our procedures performed.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Key Audit Matter - Fund	How the matter was addressed in the audit - Fund
Risk of material misstatement on tangible fixed assets The underlying subsidiaries hold significant tangible fixed asset balances. There is a risk that tangible fixed assets may be materially misstated due to fictitious additions, activity not being valid and allowance for impairment of tangible fixed assets being not adequate.	Our audit work included: • Review of reconciliations of fixed assets • Testing of the validity of tangible fixed assets additions, the current year depreciation charge and tangible fixed assets disposals • Challenging management's basis that there are no indicators of impairment of the assets The Fund's accounting policy on tangible fixed assets is shown in Note 3 to the consolidated financial statements and related disclosures are included in Note 10. Key observations We did not note any material issues from our procedures.
Equity transactions not accounted for properly The Fund has in issue a number of classes of units and the volume of redemptions and subscriptions of units increases the risk that the units are allocated incorrectly. There is a risk that these transactions may be incomplete or not comply with listing regulations.	Our audit work included: • Obtaining understanding of the Fund's subscription and redemptions policies and procedures including the pricing and performed walkthrough tests confirming our understanding • On a sampling basis, agreeing current year subscriptions and redemptions to contract notes and proof of payments and ensuring that the executed transaction were in compliance with the Fund's prospectus • For the samples selected above, determining if there is a unit price variance of 0.5% or greater and confirming whether the variance was reported to the GFSC in time as required by the Open-Ended Collective Investment Schemes guidance The Fund's disclosure on unitholders' capital is shown in Note 18 to the consolidated financial statements. Key observations We did not note any material issues from our procedures.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Our application of materiality
We define materiality as the magnitude of misstatement in the group financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work. Materiality was determined as follows:

Financial statements as a whole:
£8,563,000 which is 1% of the Group's net assets. This benchmark is considered the most appropriate because the investment objective is to maximise return to its unitholders.

Materiality for the current year is lower than the level that we determined for the year ended 30 September 2019 to reflect and consider The Pricing Controls in respect of Open-Ended Collective Investment Schemes guidance of the Guernsey Financial Services Commission (GFSC).

Performance materiality used to drive the extent of our testing:
60% of financial statement materiality for the audit of the group financial statements.

Communication of misstatements to the audit committee:
£428,150 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the Fund's business and is risk based, and in particular included:

- evaluation by the group audit team ("Primary team") of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality;
- understanding and evaluation of the Fund's internal control environment including its IT systems and controls;
- for components determined to be significant a full scope approach was taken based on their relative materiality to the group and assessment of audit risk;
- significant components audited using a full scope approach by the Primary team included Darwin West Country (Guernsey) Limited and Darwin Finance (Guernsey) Limited representing a significant portion of the Fund's total assets;
- a full scope approach by the Component team based in the United Kingdom (Grant Thornton UK LLP) was used for other significant components. The Primary audit team were responsible for the scope and direction of these audits and conducted a comprehensive and detailed analytical review of the work performed by the Component team; and
- communication between the group audit team and the Component auditor was continuous via e-mails and regular conference calls throughout the planning, substantive and completion stages of the group audit.

GrantThornton

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report set out on pages 4 to 6, other than the group financial statements and our auditor's report thereon. Our opinion on the group 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 group 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 of the group 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 this regard.

Matter on which we are required to report under Authorised Collective Investment Schemes (Class B) Rules 2013

Under the Authorised Collective Investment Schemes (Class B) Rules 2013, we are required to report to you, if in our opinion, the information given in the Manager's Report is inconsistent with the consolidated financial statements.

We have nothing to report in respect of the above.

Responsibilities of manager for the consolidated financial statements

As explained more fully in the Manager's Report set out on page 5, the Manager is responsible for the preparation of the group financial statements which give a true and fair view in accordance with UK GAAP, and for such internal control as the Manager determines is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the Manager is responsible for assessing the group'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 Manager is either intend to liquidate the group 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 group 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 group financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE UNITHOLDERS OF DARWIN LEISURE PROPERTY FUND (the FUND)

Use of our report
This report is made solely to the Fund's unitholders, as a body. Our audit work has been undertaken so that we might state to the Fund's unitholders 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 Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed

Cyril Swale

For and on behalf of Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

29 January 2021

CONSOLIDATED STATEMENT OF TOTAL RETURN

For the year ended 30 September 2020

	Notes	2020 £	2019 £
Income			
Net capital gains			
Unrealised gain on operating assets held at valuation	9	37,419,307	60,967,819
Realised loss on disposal of operating assets held at valuation	9	-	(4,548,286)
Foreign exchange loss		(59,856)	(744,545)
		37,359,451	55,674,988
Revenue	5	44,048,984	55,764,318
Expenses:			
Other expenses	6	(48,165,888)	(60,277,471)
Management fees	18	(6,468,057)	(6,651,852)
Performance fees	18	(2,512,064)	(4,993,871)
Net expenses		(13,097,025)	(16,158,876)
Total return before taxation		**24,262,426**	**39,516,112**
Taxation	8	(75,291)	(706,531)
Total return before distributions		**24,187,135**	**38,809,581**
Finance costs: distributions	7	(17,672,759)	(35,011,083)
Increase in net assets attributable to unitholders		**6,514,376**	**3,798,498**

The results of the year relate to continuing operations. There are no recognised gains or losses for the year other than the total return.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
For the year ended 30 September 2020

	Note	2020 £	2019 £
Opening net assets attributable to unitholders		**584,030,708**	**566,782,382**
Movement due to issues and redemptions of units		(28,230,589)	(15,257,685)
Reinvested accumulation distribution	*7*	13,265,861	28,496,575
		569,065,980	580,021,272
Gain on foreign currency revaluation		-	210,938
Increase in net assets attributable to unitholders		6,514,376	3,798,498
Closing net assets attributable to unitholders		**575,580,356**	**584,030,708**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	2020 £	2019 £
Assets			
Fixed assets			
Operating assets held at valuation	*9*	555,586,764	547,185,955
Tangible fixed assets	*10*	52,853,511	60,367,452
		608,440,275	**607,553,407**
Current assets			
Inventories		2,900,190	3,486,533
Debtors and prepayments	*12*	2,429,449	4,236,830
Cash and cash equivalents		6,093,888	6,983,983
		11,423,527	**14,707,346**
Total assets		**619,863,802**	**622,260,753**
Liabilities			
Creditors: amounts falling due within one year			
Loans payable and other borrowings	*14*	4,378,846	12,577,403
Creditors	*13*	12,339,738	12,045,066
		16,718,584	**24,622,469**
Non-current liabilities			
Loans payable and other borrowings	*14*	27,564,862	13,607,576
Total liabilities excluding net assets attributable to unitholders		**44,283,446**	**38,230,045**
Net assets attributable to unitholders		**575,580,356**	**584,030,708**
Number of units in issue	*17*	**246,977,030**	**248,595,550**
Fund net asset value per unit		**2.3305**	**2.3493**

The consolidated financial statements on pages 30 to 65 were approved and authorised for issue by the Board of Directors of the Manager on 28 January 2021 and are signed on its behalf by

Martin Tolcher **Ian Burns**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2020

	Notes	2020	2019
Cash flows from operating activities		**£**	**£**
Total return before distributions and taxation		24,262,426	39,516,112
Unrealised gain on properties held at valuation	*9*	(37,419,307)	(60,967,819)
Realised loss on disposal of operating assets held at valuation	*9*	-	4,548,286
Realised (gain)/ loss on sale of tangible assets		(30,966)	95,840
Depreciation	*6*	11,710,800	12,308,230
Bank charges expense	*6*	49,752	65,101
Loan interest expense	*6*	647,976	236,692
Decrease in inventories		586,343	234,032
Decrease in debtors		1,807,381	502,690
Decrease in creditors		(781,441)	(211,664)
Taxation paid		(610,036)	(522,561)
Net cash flows generated from/(used in) operating activities		**222,928**	**(4,195,061)**
Cash flows from investing activities			
Purchase of tangible fixed assets		(2,107,179)	(4,728,698)
Proceeds from disposal of tangible fixed assets		1,666,609	315,893
Purchase of operating assets held at valuation	*9*	(98,946)	(2,107,339)
Proceeds from disposal of operating assets held at valuation		25,931,917	14,432,830
Rent received on disposal of operating assets held at valuation		1,089,000	-
Net cash flows generated from investing activities		**26,481,401**	**7,912,686**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 30 September 2020

	Notes	2020	2019
		£	£
Cash flows from financing activities			
Net proceeds from issue/redemption of units		(28,230,589)	(15,257,685)
Asset backed finance advanced		821,631	640,387
Asset backed finance paid		(464,360)	(858,397)
Bank loan repaid		(11,608,334)	(7,600,000)
Bank overdraft drawn	*14*	25,822,081	7,863,155
Bank overdraft repaid		(8,830,227)	-
Bank Loan drawn		-	16,850,000
Bank charges paid		(49,752)	(65,101)
Loan interest paid	*6*	(647,976)	(236,692)
Distributions paid	*7*	(4,406,898)	(6,514,508)
Net cash flows used in financing activities		**(27,594,424)**	**(5,178,841)**
Net decrease in cash and cash equivalents		**(890,095)**	**(1,461,216)**
Net cash and cash equivalents at the beginning of the year		6,983,983	8,445,199
Net cash and cash equivalents as the end of the year		**6,093,888**	**6,983,983**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 September 2020

1. GENERAL INFORMATION

The Fund was established in Guernsey on 5 December 2007 as an open ended unit trust authorised by the Guernsey Financial Services Commission as an authorised Class B open-ended Collective Investment Scheme. The address of the registered office of its Manager, Darwin Property Investment Management (Guernsey) Limited, is 11 New Street, St Peter Port, Guernsey, GY1 2PF.

The Fund is listed on the Official List of The International Securities Exchange Authority Limited ("TISEAL").

The Fund's principal activity is to invest primarily in a portfolio of interests in UK and Irish based holiday caravan parks, which includes land, buildings and static caravans, acquiring and owning such parks with a view to enhancing value through strategic selection and interventionist asset management. Static caravans are moveable as defined in the Caravan Sites and Control of Developments Act 1960 (United Kingdom).

The Fund may invest in such property, directly or indirectly, through one or more Property Holding Vehicles or other Intermediate Vehicles.

The Fund may also invest in other collective investment schemes, listed and unlisted securities, joint ventures and partnerships, where the Manager considers there is a link with the leisure industry. Due to the nature of the Fund's assets and lead times to complete purchases, there may be short periods where liquidity levels are relatively high. During such periods, uninvested liquidity will be held in cash deposits, public securities, including treasury bills, bonds and other government securities, money market instruments, debt instruments or similar investments, as the Manager determines from time to time.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102").

New Interpretations and amendments in issue

Amendments to FRS 102 – COVID-19 Rent concessions effective for accounting periods commencing on 1 January 2020.

Amendments to FRS 102 – Interest rate benchmark reform effective for accounting periods commencing on 1 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

2. STATEMENT OF COMPLIANCE (CONTINUED)

The Manager has considered the amendments and do not expect these amendments to have a material effect on the future consolidated financial statements of the Fund.

3. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements of the Fund and its subsidiaries.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of land and buildings, and in accordance with FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" and the Statement of Recommended Practice “Financial Statements of Authorised Funds” issued by the Association of Investment Companies.

The preparation of consolidated financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Basis of consolidation

The consolidated financial statements include the results of the Fund drawn up to 30 September each year. The subsidiaries have been included in the Consolidated Financial Statements using the acquisition method of accounting. Accordingly the Consolidated Statement of Total Return, Consolidated Statement of Financial Position, Consolidated Changes in Net Assets Attributable to Unitholders, Consolidated Statement of Cash Flows and associated notes include the results of the subsidiaries from acquisition date and ceases on date of disposal.

All of the Fund companies have 30 September as their year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Consolidated financial statements are prepared using uniform accounting policies for like transactions. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Fund.

Intercompany transactions, balances and unrealised gains on transactions between Fund companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Directors of the Manager have examined significant areas of possible financial risk, in particular cash requirements.

During the year and to the date that the Consolidated Financial Statements were approved, the coronavirus ("COVID-19") outbreak emerged and has continued to cause extensive disruptions to businesses and economic activities. The Fund has experienced a reduction in the increase of the value of operating assets held at valuation and a reduction in operating cashflows.

As the pandemic continues the quantum of the effect is difficult to determine and could be material, however the Manager is monitoring the situation and considering the effect it may have on the valuation of the assets of the Fund and the potential impact on operating cashflows. The operating parks continue to operate when permitted to do so and the Manager is encouraged by the Government's promotion of holidaying within the United Kingdom.

After due consideration, the Directors of the Manager believe that the Fund will have adequate resources to continue in operational existence for a period of not less than twelve months from the date of the approval of the consolidated financial statements, and as such it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue

Rental income and bank interest are accounted for on an accruals basis. Revenue consists of sales revenue on caravans, fees received for hire fleet rental, private owner site fees and sales at the on-site facilities (ancillary income), and is recognised net of VAT. Other park revenue consists of touring and tenting income, bar and restaurant takings and other income.

Provision is made when there is objective evidence that the Fund will not be able to recover balances in full. Outstanding rental income balances are written off when the probability of recovery is assessed as being remote.

Expenses

Expenses are accounted for on an accruals basis. Transaction costs directly applicable to the purchase of investment properties are included within the initial cost of the property.

Operating assets held at valuation

Operating assets held at valuation are carried in the balance sheet on the basis of a valuation based upon their existing use value. They are subject to a full valuation annually. These assets used in the ongoing operational activities of the Fund.

Operating assets held at valuation are initially measured at cost, being the fair value of the consideration given, including related transaction costs. After initial recognition, the operating assets are carried at fair value. The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The estimation of fair value does not assume that either the underlying business is saleable at the reporting date or that their owner/s have the intention to sell in the near future. The objective is to estimate the exchange price at which hypothetical market participants would agree to transact.

The fair value of the operating assets is largely based on estimates using property appraisal techniques and other valuation methods as outlined in Note 4. Such estimates are inherently subjective and actual values can only be determined in a sale transaction. Gains and losses arising from changes in the fair values are included in the Consolidated Statement of Total Return.

Gains or losses arising on the sale of operating assets held at valuation represent the difference between the fair value of the consideration received and the carrying value of the assets disposed of and are recognised in the Consolidated Statement of Total Return in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets

Tangible fixed assets held for use in the operation of the caravan parks are stated at historical cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Tangible fixed assets are depreciated on a straight line basis as follows:

Plant and machinery	4 years straight line
Office equipment	4 years straight line
Furniture and fittings	4 years straight line
Computer hardware	4 years straight line
Lodges	20 years straight line
Static caravans	7 years straight line
Motor vehicles	4 years straight line
Building improvements	25 years straight line

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Fund and the cost can be measured reliably. Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Consolidated Statement of Total Return and included in ‘Other expenses’ within ‘Expenses’.

Financial instruments

The Fund has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including debtors and cash and cash equivalents are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at market rate of interest.

Such assets are subsequently carried at amortised cost less any impairment using the effective interest method, unless the assets are due within one year, then are measured at the undiscounted amount of cash or other consideration expected to be received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)
Forward foreign exchange contracts are initially recognised at fair value on the date the contract is entered into and are subsequently measured to the fair value at the end of each reporting period. Unrealised and realised gains and losses on forward currency contracts have been included in the Consolidated Statement of Total Return.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Consolidated Statement of Total Return.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities
Basic financial liabilities, including creditors and other payables, are initially recognised at transaction price. Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Creditors are subsequently measured at amortised cost using the effective interest method, unless payment is due within one year or less, then are measured at the undiscounted amount of cash or other consideration expected to be paid.

All loans are initially recognised at fair value less directly attributable transaction costs. After initial recognition interest bearing loans are subsequently measured at amortised cost using the effective interest method. Non-interest bearing loans continue to be measured at the fair value, which is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Loans are classified as current unless the Fund has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Deferred acquisition costs are costs incurred in obtaining the loan and are presented together with the loan balance. Deferred acquisition costs are amortised over the repayment period of the loan.

Finance costs incurred from loans are recognised in the Consolidated Statement of Total Return.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is calculated using the first in, first out method. At each reporting date inventories are assessed for impairment.

Distributions

The net distributable income of the Fund will be available to allocate at the end of each calendar quarter ending on 31 December, 31 March, 30 June and 30 September based on the returns of the Fund. In the case of Income Units, the income allocated will be distributed within 50 Business Days of the relevant quarter date. Distributions for Accumulation Units are reinvested in the Fund. All units have equal rights to distributions.

Functional and presentational currency

The Fund's functional and reporting currency is Pound Sterling, and all of the Fund's assets are located in the United Kingdom. However, at the year end, in addition to Sterling unit classes, there are also in issue units in the following foreign currencies: Euros, US Dollars and Singapore Dollars. The Fund computes its Net Asset Value in Sterling and the NAV of Unit Classes other than Sterling Unit Classes are notionally converted to the relevant currency of the Unit Class at the exchange rate prevailing on the Valuation Date. As a consequence, the Fund is exposed to the risk of movements in the exchange rates of the currencies in which the foreign currency units are based which may affect the value of the units and of any income arising from them. The Fund has previously entered into a hedging arrangement.

Deferred Tax

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Income taxes

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Fund's accounting policies, which are described in Note 3, the Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 both current and future periods.

The most significant estimates and judgements made in preparing these financial statements, under FRS 102, are as follows:

Valuation of operating assets held at valuation

In accordance with the Fund's accounting policies, operating assets held at valuation are stated at fair value as at the balance sheet date. This is determined by the Investment Adviser and independent valuation experts using recognised valuation techniques.

- *Land and buildings used for operating activities*

These are stated at fair value as determined by the Investment Adviser using the Discounted Cash Flow ("DCF") method. Caravan parks are commercial businesses and, from time to time, the Manager will be purchasing non-transferable securities. The Manager has determined that it is appropriate and prudent to have the operating assets reviewed by independent business valuers. Smith & Williamson, who have been appointed as the independent business valuer, is the eighth largest firm of accountants in the UK. The business has 12 principal offices in the UK and Ireland and an international capability in 120 countries through membership of Nexia International (the ninth largest international accounting and consulting network).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Valuation of operating assets held at valuation (continued)

Management accounts, which are the basis of the parks' audited annual financial statements, are the inputs for the ten year DCF models for each park which incorporate management projections based on these accounts. The forecast projections are discussed with the independent business valuer. The independent business valuer provides the key technical components for setting the Weighted Average Cost of Capital ("WACC") and in quarterly reviews of the DCFs together with the Investment Adviser helps ensure that the WACC and the terminal growth rates are commensurate with investment and industry norms. At 30 September 2020, the date of valuation the WACC was determined at 9.00% (2019: 9.25%).

In the year of acquisition, parks are valued at cost for the first three months after acquisition as it is considered a reliable basis for fair value.

The Directors of the Manager are confident that the valuation included in the consolidated financial statements has been incorporated on a consistent basis using sensible and supportable assumptions.

5. REVENUE

	2020	2019
	£	£
Sales revenue on caravans	10,427,834	12,271,780
Hire fleet rental	23,756,538	27,486,496
Ancillary income	4,924,000	10,058,093
Private owner revenue	4,618,177	5,524,128
Other income	317,095	413,873
Bank interest income	5,340	9,948
Total Income	**44,048,984**	**55,764,318**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

6. OTHER EXPENSES

	2020	2019
	£	£
Other park operating expenses	10,432,031	14,151,269
Park wages and salaries	10,388,816	13,293,286
Park cost of sales	6,772,105	9,362,682
Park general and administrative expenses	5,046,451	7,023,587
Depreciation	11,710,800	12,308,230
Deferred marketing charge	994,573	1,203,467
Park marketing expenses	822,903	1,291,459
Administrator's fees	683,523	672,904
Legal and professional	358,447	415,829
Loan interest	647,976	236,692
Bank charges	49,752	65,101
Trustee's fees	183,264	187,593
Audit and accounting fees	75,247	65,372
Total Expenses	**48,165,888**	**60,277,471**

7. FINANCE COSTS: DISTRIBUTIONS

The Manager recommended that distributions be made for the year ended 30 September 2020 of 5.93 pence per unit on the A Accumulation class, 10.05 pence per unit on the C Accumulation class and 5.37 pence per unit on the C Income class, 10.18 pence per unit on the D Accumulation class, 6.18 pence per unit on the E Exit class, 6.52 pence per unit on the E initial class, 5.07 pence per unit on the F Exit class, 2.76 pence per unit on the F initial class, 4.77 pence per unit on the G exit class and 2.41 pence per unit on the G initial class, 3.18 pence per unit on the I exit class, 4.21 pence per unit on the J Income class, 3.34 pence per unit on the M Accumulation class and 5.41 pence per unit on the M Income class

The distributions allocated to the accumulation units were reinvested and accumulated in the capital. In total £13,265,861 (2019: £28,496,575) relating to the accumulation units was reinvested during the year and £4,406,898 (2019: £6,514,508) has been paid to unit holders.

8. TAXATION

The Fund is exempt from Income Tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Fund pays an annual fee to the States of Guernsey Income Tax Office, presently set at £1,200 (2019: £1,200).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

8. TAXATION (CONTINUED)

The Fund's subsidiary Darwin West Country (Guernsey) Limited was liable to UK Income Tax (at 20%) up until 5 April 2020 on rental income from UK property holdings and liable to UK Corporation Tax (at 19%) from 6 April 2020 onwards. From this date Darwin West Country (Guernsey) Limited forms part of the UK tax group along with the UK operating subsidiaries and is subject to UK Corporation Tax on profits derived in the UK.

The Fund has taken professional guidance on these changes and will continue to monitor the situation to mitigate the UK tax within the fund structure.

Tax expense included in profit or loss	**2020**	**2019**
	£	**£**
Current income tax:	75,291	706,531
Current income tax charge	75,291	706,531

Reconciliation of tax charge	**2020**	**2019**
	£	**£**
Profit before tax	23,812,426	39,516,112
Income tax at a rate of 0%	-	-
Effects of		
Income subject to UK tax	75,291	706,531
Tax charge for the year	75,291	706,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

9. OPERATING ASSETS HELD AT VALUATION

	2020	2019
	£	£
Cost or valuation		
At start of year	559,816,399	515,722,357
Additions	98,946	2,107,339
Disposals	(25,931,917)	(14,432,830)
Realised loss on disposal	-	(4,548,286)
Unrealised gain on revaluation	37,419,307	60,967,819
At end of year	**571,402,735**	**559,816,399**
Depreciation and impairment		
At start of year	12,630,444	9,502,208
Provided during the year	3,193,763	3,160,558
Disposals	(8,236)	(32,322)
At end of year	**15,815,971**	**12,630,444**
Carrying amount at end of year	**555,586,764**	**547,185,955**

During the year the Fund sold the property, and operating company, at KP Club (Kilnwick Percy) for proceeds, net of sale costs, of £25,931,917. The cost of the property was £9,023,520 and previously reported fair value was £26,470,705. The property and operating company were sold to Darwin Leisure Development Fund, a related party due to common control, the Directors of the respective Investment Managers are the same. The sale price was determined as the average of the DCF valuations for three months prior to the completion of the sale.

During the prior year the Fund sold the property at Swanage Bay View for proceeds, net of sale costs, of £14,432,830. The cost of the property was £8,221,733 and previously reported fair value was £18,981,116.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

9. OPERATING ASSETS HELD AT VALUATION (CONTINUED)

Operating assets	2020 £	Percent of net assets %	2019 £	Percent of net assets %
Aberconwy Resort & Spa	51,004,786	8.86	41,114,334	7.04
Bath Mill Lodge Retreat	16,581,799	2.88	14,683,154	2.51
Beach Cove Coastal Retreat	11,537,662	2.00	8,503,629	1.46
Canterbury Fields Holiday Park	8,185,713	1.42	5,553,578	0.95
Cheddar Woods Resort & Spa	76,427,570	13.28	78,884,575	13.51
Hawkchurch Resort & Spa	38,328,903	6.66	36,588,103	6.26
Keswick Reach Caravan Park	66,535,059	11.56	70,008,814	11.99
KP Club (Kilnwick Percy)	-	-	26,470,705	4.53
Mullion Cove Coastal Retreat	9,433,580	1.64	7,193,503	1.23
Piran Meadows Resort & Spa	53,432,679	9.28	51,103,908	8.75
Sandymouth Holiday Home Park	43,601,484	7.58	31,973,546	5.47
Talacre Beach Holiday Home Park and Leisure Park, The New Pines Holiday Home Park and Seaview Holiday Home Park	69,586,659	12.09	71,326,515	12.21
Thanet Well Country Park	21,437,854	3.73	14,543,296	2.49
Tilford Woods Lodge Retreat	11,090,337	1.93	8,856,060	1.52
Wareham Forest Lodge Retreat	21,601,599	3.75	20,436,041	3.50
Woodside Bay Holiday Home Park	43,051,468	7.48	50,155,986	8.59
Woodside Coastal Retreat	13,299,612	2.31	9,340,208	1.60
	555,136,764	96.45	546,735,955	93.61
Non-operating assets				
Darwin Parks Group	450,000	0.08	450,000	0.08
	555,586,764	96.53	547,185,955	93.69
Total assets excluding properties held at valuation	19,993,592	3.47	36,844,753	6.31
Total assets attributable to unitholders	**575,580,356**	**100.00**	**584,030,708**	**100.00**

To see the valuation methods used to value operating assets held at valuation please refer to Note 4.

The Darwin Parks Group investment consists of non-operating assets which are located within the parks and are valued separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

10. TANGIBLE FIXED ASSETS

	Static caravans and lodges	Plant and machinery	Office Equipment	Furniture and fittings	Motor vehicles	Total
	£	£	£	£	£	£
At 30 September 2019	**77,794,668**	**935,728**	**1,295,499**	**17,556,739**	**999,511**	**98,582,145**
Disposals	(1,222,561)	(162,822)	(50,286)	(655,692)	(16,240)	(2,107,601)
Additions	669,507	37,172	155,240	1,176,573	68,687	2,107,179
At 30 September 2020	**77,241,614**	**810,078**	**1,400,453**	**18,077,620**	**1,051,958**	**98,581,723**
Depreciation						
At 30 September 2019	**22,951,090**	**755,801**	**1,092,464**	**12,902,283**	**513,055**	**38,214,693**
Disposal	(601,186)	(79,749)	(32,160)	(276,370)	(14,052)	(1,003,517)
Charge	5,670,235	61,041	103,680	2,505,144	176,936	8,517,036
At 30 September 2020	**28,020,139**	**737,093**	**1,163,984**	**15,131,057**	**675,939**	**45,728,212**
Carrying amount						
At 30 September 2019	**54,843,578**	**179,927**	**203,035**	**4,654,456**	**486,456**	**60,367,452**
At 30 September 2020	**49,221,475**	**72,985**	**236,469**	**2,946,563**	**376,019**	**52,853,511**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

11. INVESTMENT IN SUBSIDIARIES

The Fund holds and operates its property portfolio through subsidiary companies. The financial statements consolidate the results of the Fund and its subsidiaries drawn up to 30 September each year. The subsidiaries have been included in the Fund's consolidated financial statements using the acquisition method of accounting. The Consolidated Statement of Total Return and Consolidated Statement of Cash Flows include the results of the subsidiaries and the Consolidated Statement of Financial Position includes the position of the subsidiaries.

Name	Place of registration	Fund % ownership	Principal activity
Immediate parent - Darwin Leisure Property Fund			
Darwin West Country (Guernsey) Limited	Guernsey	100%	Property holding
Darwin Finance (Guernsey) Limited	Guernsey	100%	Property finance
Immediate parent - Darwin West Country (Guernsey) Limited			
Aberconwy Limited	UK	100%	Park operation
Darwin (Bath Mill) Limited	UK	100%	Park operation
Darwin (Beach Cove) Limited	UK	100%	Park operation
Darwin (Canterbury Fields) Limited	UK	100%	Park operation
Darwin (Cheddar Woods) Limited	UK	100%	Park operation
Darwin Contract Management Limited	UK	100%	Park operation
Darwin (Hawkchurch Country Park) Ltd	UK	100%	Park operation
Darwin (Mullion Cove) Limited	UK	100%	Park operation
Darwin (Keswick Reach) Limited (formerly Darwin (North Lakes) Limited)	UK	100%	Park operation
Darwin (North West) Limited	UK	100%	Park operation
Darwin (Wareham Forest) Limited (formerly Darwin (Pear Tree Park) Limited)	UK	100%	Park operation
Darwin (Piran Meadow) Limited	UK	100%	Park operation
Darwin (Sandymouth) Limited	UK	100%	Park operation
Darwin (Seaview Gwespyr) Limited	UK	100%	Park operation
Darwin (Swanage Bay View) Limited	UK	100%	Park operation
Darwin (Thanet Well) Limited	UK	100%	Park operation
Darwin (Tilford Woods) Limited	UK	100%	Park operation
Darwin (Woodside Bay) Limited	UK	100%	Park operation
Darwin (Woodside Costal Retreat) Limited	UK	100%	Park operation

During the year, the Fund sold its investment in Darwin (KP Club) Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

12. DEBTORS AND PREPAYMENTS

	2020	2019
	£	£
Deferred arrangement and marketing costs	1,127,442	1,973,425
Other debtors and prepayments	915,043	1,941,611
Trade debtors	386,964	321,794
	2,429,449	**4,236,830**

13. CREDITORS

	2020	2019
	£	£
Trade creditors	3,640,294	4,187,055
VAT payable	1,983,009	1,531,960
Taxation payable	15,180	588,997
Other creditors	3,462,073	3,605,492
Management fees payable	1,885,385	563,141
Performance fees payable	555,662	452,093
Administration fees payable	60,149	57,115
Trustee fees payable	15,494	14,778
Accrued expenses	722,492	1,044,435
	12,339,738	**12,045,066**

14. LOANS PAYABLE AND OTHER BORROWINGS

	2020	2019
	£	£
Current		
Bank loan	1,291,668	875,000
Overdraft	2,579,954	11,410,181
Park finance leases	507,224	292,222
	4,378,846	12,577,403
Non current		
Bank loan	1,249,999	13,275,000
Overdraft	25,822,081	-
Park finance leases	492,782	332,576
	27,564,862	13,607,576
	31,943,708	**26,184,979**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

14. LOANS AND OTHER BORROWINGS (continued)

Operating park level

(i) A £10,000,000 gross overdraft (£9,000,000 net) for the park operations is available at a rate of 1.5% per annum over Bank or England Base Rate to support working capital movements during the normal course of business. £2,579,954 gross (£387,572 net) is currently drawn on this facility.

(ii) A facility of up to £1,500,000 expiring in December 2020 to be used to finance general repairs and maintenance of park premises and repayable in 12 consecutive quarterly instalments (capital only) of £125,000. Interest is to be charged at Bank of England Base Rate plus 1.5% per annum. £125,000 is currently outstanding on this facility.

(iii) A facility of up to £1,500,000 expiring in January 2022 to be used to finance general repairs and maintenance of park premises and repayable in 12 consecutive quarterly instalments (capital only) of £125,000. Interest is to be charged at Bank of England Base Rate plus 1.5% per annum. £750,000 is currently outstanding on this facility.

(iv) A facility of up to £2,000,000 expiring in March 2023 to be used to finance general repairs and maintenance of park premises repayable in 12 consecutive quarterly instalments (capital only) of £166,667. Interest is to be charged at Bank of England Base Rate plus 1.5% per annum. £1,666,667 is currently outstanding on this facility.

(v) Finance leases as detailed in note 15.

Fund level

(i) An Overdraft facility for a maximum of £30,000,000, the facility is to support liquidity management. Interest is to be charged at Bank of England Base Rate plus 1.5% per annum. £25,822,081 is currently drawn on this facility.

All loans are held with Lloyds Banking Group and are secured against property at Cheddar Woods Resort & Spa, Keswick Reach Caravan Park, New Pines Holiday Home Park, Sandymouth Holiday Home Park, Seaview Holiday Home Park and Talacre Beach Holiday Home Park & Leisure Park.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

15. PARK FINANCE LEASES

The park operations lease various tangible fixed assets with a carrying amount of £1,900,550 (2019: £1,019,652) under finance leases expiring within 5 years. Under the terms of the leases, the Fund has the option to acquire the leased assets for £2,400 (2019: £960) on expiry of the leases.

The future minimum finance lease payments are as follows:

	2020	2019
	£	£
Not later than one year	540,064	293,123
Later than one year and not later than five years	528,632	336,373
Total gross payments	1,068,696	629,496
Less finance charges	(68,690)	(4,698)
Carrying amount of liability	1,000,006	624,798

16. FINANCIAL INSTRUMENTS

The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) for identical instruments in active markets
Level 2 – Inputs other than quoted prices that are directly or indirectly observable
Level 3 - Valuation techniques using unobservable data

The Fund has the following financial instruments:

	2020	2019
Financial assets	£	£
Measured at amortised cost		
Debtors	296,339	311,805
Cash at bank and in hand	6,093,888	6,983,983
Total financial assets	6,390,227	7,295,788
Financial liabilities		
Measured at undiscounted amount		
Amounts due to unitholders	(575,580,356)	(584,030,708)
Creditors	(10,341,549)	(9,924,109)
Loans and other borrowings	(31,943,708)	(26,184,979)
	(617,865,613)	(620,139,796)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

16. FINANCIAL INSTRUMENTS (CONTINUED)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

There have been no movements between levels during the year.

17. UNITHOLDERS' CAPITAL

In accordance with the Trust Instrument, distributions may be made to the unitholders of the Fund. Distributions are made rateably in accordance with the number of units held or deemed to be held on the relevant distribution date. The unitholders are only entitled to vote at meetings of the unitholders on specific resolutions as detailed in the trust instrument. At meetings of the unitholders, on a poll, every holder is entitled to one vote in respect of each unit held.

In a winding-up the unitholders have the right to receive all surplus assets available for distribution after settlement of the Class units' liabilities.

There is no upper or lower number of units that may be issued in the Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

17. UNITHOLDERS' CAPITAL (CONTINUED)

	2020 Units	2019 Units
A Accumulation units		
Opening balance	5,167,703	11,115,034
Issued	-	-
Redeemed	(1,863,525)	(5,947,331)
Closing balance	3,304,178	5,167,703
C Accumulation units		
Opening balance	22,574,092	20,931,710
Issued	50,543	3,155,738
Transferred from C Income units	-	32,372
Transferred to M Income units	-	-
Redeemed	(271,616)	(1,545,728)
Closing balance	22,353,019	22,574,092
C Income units		
Opening balance	16,768,723	16,914,583
Issued	-	-
Transferred to C Accumulation units	-	(58,500)
Redeemed	(636,564)	(87,360)
Closing balance	16,132,159	16,768,723
D Accumulation units		
Opening balance	55,161,520	55,161,520
Issued	-	-
Redeemed	-	-
Closing balance	55,161,520	55,161,520
E Exit Penalty Accumulation units		
Opening balance	40,247,484	42,778,302
Issued	987,129	2,754,488
Transferred from F Exit units	-	87,890
Transferred from G Exit units	-	39,922
Transferred to E Initial units	-	(13,300)
Redeemed	(6,248,356)	(5,399,818)
Closing balance	34,986,257	40,247,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

17. UNITHOLDERS' CAPITAL (CONTINUED)

	2020 Units	2019 Units
E Initial Penalty Accumulation units		
Opening balance	9,079,292	9,282,284
Issued	466,604	607,936
Transferred from E Exit units	-	12,617
Redeemed	(1,021,962)	(823,545)
Closing balance	8,523,934	9,079,292
F Exit Penalty Accumulation units		
Opening balance	4,737,033	6,566,874
Issued	93,368	561,873
Transferred to F Initial units	-	(8,866)
Redeemed	(1,372,790)	(2,382,848)
Closing balance	3,457,611	4,737,033
F Initial Penalty Accumulation units		
Opening balance	16,255	-
Issued	-	-
Transferred from F Exit units	-	16,255
Redeemed	-	-
Closing balance	16,255	16,255
G Exit Penalty Accumulation units		
Opening balance	27,082,092	29,247,569
Issued	670,238	2,643,815
Redeemed	(3,942,528)	(4,809,292)
Closing balance	23,809,802	27,082,092
G Initial Penalty Accumulation units		
Opening balance	103,503	-
Issued	-	103,503
Redeemed	-	-
Closing balance	103,503	103,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

17. UNITHOLDERS' CAPITAL (CONTINUED)

	2020 Units	2019 Units
I Exit Penalty Accumulation units		
Opening balance	6,571,937	7,261,442
Issued	21,210	68,960
Redeemed	(1,465,891)	(758,465)
Closing balance	5,127,256	6,571,937
J Income units		
Opening balance	1,028,074	1,065,508
Issued	-	-
Redeemed	(389,593)	(37,434)
Closing balance	638,481	1,028,074
M Accumulation units		
Opening balance	15,820,884	15,820,884
Issued	-	-
Redeemed	(15,820,884)	-
Closing balance	-	15,820,884
M Income units		
Opening balance	44,236,958	42,253,168
Issued	29,681,745	1,983,790
Transferred from C Accumulation units	(555,648)	-
Closing balance	73,363,055	44,236,958
Total shares in issue	**246,977,030**	**248,595,550**

The terms of each share class are as set out in the fund prospectus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

18. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS

Fees Payable to the Manager

The Management fee is charged at 1.5% p.a. of the NAV of the Fund for the Class “A” units, 1% p.a. of the NAV of the Fund for the Class “C” and Class “J” units, 0.8% p.a. of the NAV of the Fund for the Class “D” units and 0.85% p.a. of the NAV of the Fund for the Class “M” units.

These fees are calculated by reference to the Gross Asset Value of the Fund attributable to the relevant Units and shall be calculated and accrued at each Dealing Day.

For Class “E”, “F”, “G”, and “I” there is a Charge on units at a rate of 1.75% per annum.

This fee is payable monthly in arrears. In the case of this charge 28.57% of the 1.75% Management fee may be used to pay trail commissions to intermediaries.

Management fees charged during the year by the Manager were £6,468,057 (2019: £6,651,852) of which £1,885,385 (2019: £563,141) remained unpaid at 30 September 2020.

In addition, the Manager shall be entitled to receive a performance fee set at 15% of the outperformance of the Fund when measured against a benchmark set at 1 month GBP LIBOR + 1%.

Performance fees charged during the year by the Manager were £2,512,064 (2019: £4,993,871) of which £555,662 (2019: £452,093) remained unpaid at 30 September 2020.

Fees payable to the Trustee

The Trustee shall receive an annual fee to cover core activities of £10,000 and an annual Trustee fee of 0.05% p.a. of the NAV of the Fund for the first £50 million, 0.03% p.a. of the NAV between £50 million and £350 million and 0.02% p.a. of the NAV thereafter, subject to a minimum annual fee of £25,000.

Fees charged by the Trustee during the year, including fees capitalised, were £183,264 (2019: £187,593), of which £15,494 (2019: £14,778) remains unpaid at 30 September 2020.

Fees Payable to the Administrator

The Administration fee is charged at 0.20% p.a. of the NAV of the Fund up to £50 million, 0.15% p.a. of the NAV between £50 million and £350 million and 0.05% p.a. of the NAV thereafter, subject to a minimum fee of £15,000 per annum.

Fees charged by the Administrator during the year were £683,523 (2019: £672,904), of which £60,149 (2019: £57,115) remained unpaid at 30 September 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

18. RELATED PARTY TRANSACTIONS AND MATERIAL CONTRACTS (CONTINUED)

Directors

I Burns, A Esse, J Penney, R Smith and M Tolcher are Directors of Darwin Property Investment Management (Guernsey) Limited, Darwin West Country (Guernsey) Limited and Darwin Finance (Guernsey) Limited.

The Directors of the Manager were remunerated by Darwin Property Investment Management (Guernsey) Limited except, for A Esse and J Penney who waived their fee.

At 30 September 2020 A Esse owned 249,108.3412 (2019: 247,648.7855) and J Penney 177,149.4426 (2019: 177,149.4426) units of C Accumulation class, both via a self-invested pension plan. R Smith had an interest in 17,654.588 (2019: 17,654.588) C Accumulation units via a retirement annuity trust. Smoke Rise Holdings Limited, a company controlled by I Burns held 6,578.913 (2019: 6,578.913) Class C Accumulation units of the Fund.

Sale of KP Club (Kilnwick Percy)

During the year the Fund sold the property, and operating company, at KP Club for proceeds, net of sale costs, of £25,931,917. The cost of the property was £9,023,520 and previously reported fair value was £26,470,705. The property and operating company were sold to Darwin Leisure Development Fund, a related party due to common control, the Directors of the respective Investment Managers are the same. The sale price was determined as the average of the DCF valuations for three months prior to the completion of the sale.

19. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

Market risk: Interest rate risk

The Fund is exposed to risk associated with the effects of fluctuation in the prevailing levels of market interest rates on its cash position.

The interest rate profile of the financial assets and liabilities as at the consolidated balance sheet date is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

19. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Market risk: Interest rate risk (continued)

As at 30 September 2020

	Floating rate £	Non-interest bearing £	Total £
Assets			
Cash and cash equivalents	6,093,888	-	6,093,888
Debtors	-	296,339	296,339
Total assets	**6,093,888**	**296,339**	**6,390,227**
Liabilities			
Loans and other borrowings	(31,943,708)	-	(31,943,708)
Creditors	-	(10,341,549)	(10,341,549)
Net assets attributable to unitholders	-	(575,580,356)	(575,580,356)
Total Liabilities	**(31,943,708)**	**(585,921,905)**	**(617,865,613)**

As at 30 September 2019

	Floating rate £	Non-interest bearing £	Total £
Assets			
Cash and cash equivalents	6,983,983	-	6,983,983
Debtors	-	311,805	311,805
Total assets	**6,983,983**	**311,805**	**7,295,788**
Liabilities			
Loans and other borrowings	(26,184,979)	-	(26,184,979)
Creditors	-	(9,924,109)	(9,924,109)
Net assets attributable to unitholders	-	(584,030,708)	(584,030,708)
Total Liabilities	**(26,184,979)**	**(593,954,817)**	**(620,139,796)**

If interest rates on Bank Loan had been 50 basis points higher/lower and all other variables were held constant, an assumption unlikely to occur due to interest rate correlations with other variables, the Fund's total return and net assets would have been decreased/ increased by £159,719 (2019: £130,925). Considering the effect on cash balances, an increase/decrease in 50 basis points in interest rates as at reporting date would have increased/decreased net assets and income for the year by £30,469 (2019: £34,920). The calculations are based on the balances at the reporting date and are not representative of the year as a whole. A 50 basis point increase/decrease represents the Managers assessment of the possible changes in interest rates within the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

19. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Market risk: Currency risk

The Fund computes its NAV in Sterling and the NAV of Unit Classes other than Sterling Unit Classes are notionally converted to the relevant currency of the Unit Class at the exchange rate prevailing on the Valuation Date. There is, therefore, a currency exchange risk, which may affect the value of the Units and of any income arising from them. The Fund had previously entered into a hedging arrangement with Lloyds Bank Plc which ended on 8 April 2019. Hedging was intended to be passive in nature and any costs involved were borne by the specific currency class. At the year end, in addition to Sterling unit classes, units were also available in Euros, US Dollars and Singapore Dollars.

As at 30 September 2020	Currency	£
F Exit Penalty Accumulation Units - EUR	6,572,914	5,967,781
F Initial Penalty Accumulation Units - EUR	16,848	15,797
G Exit Penalty Accumulation Units - USD	49,777,647	38,554,448
G Iniitial Penalty Accumulation Units - USD	109,721	84,982
I Exit Penalty Accumulation Units - SGD	9,769,650	5,544,322
		45,177,330

As at 30 September 2019	Currency	£
F Exit Penalty Accumulation Units - EUR	8,963,520	7,952,023
F Initial Penalty Accumulation Units - EUR	16,789	14,895
G Exit Penalty Accumulation Units - USD	52,591,518	42,792,122
G Initial Penalty Accumulation Units - USD	102,128	83,099
I Exit Penalty Accumulation Units - SGD	11,757,026	6,922,413
		57,764,552

Operational risks

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as changes in gross domestic product, employment trends, inflation, the availability of banking finance and changes in interest rates, which in turn may impact the demand for caravan rental.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

19. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Operational risks (continuted)

Both rental income and property values may also be affected by other factors specific to the real estate and leisure markets, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

The Directors of the Manager monitor the operating assets monthly using the DCF model received from the investment adviser. The Directors of the Manager have engaged Smith and Williamson, Business Valuers, to review the DCF model on a quarterly basis. The Investment Adviser has engaged the services of independent valuation consultants to conduct a review of the non-operating assets, which are reviewed using the report received from Jones Lang LaSalle Limited.

Liquidity risk

The Fund's constitution provides for the monthly creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time and the repayment of the loan. The Fund's main assets are property assets which are traded in an environment where deal timescales can take place over months. As a result, the Fund may not be able to liquidate quickly some of its properties at an amount close to its fair value in order to meet liquidity requirements.

Cash balances are maintained to ensure that the Fund is able to meet expenses, distributions and requests for redemption of units. Where redemption requests exceed cash available to the Fund, the Manager is entitled to suspend the redemption process until the Fund has been able to realise sufficient funds from the orderly disposal of property.

The Fund has negotiated overdraft facilities for a maximum of £30,000,00 and a £10,000,000, both with Lloyds Banking Group. These facilities are to support liquidity management (see Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

19. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Liquidity risk (continued)

As at 30 September 2020

	Due within 30 days £	Due between 30 days and 60 days £	Due between 60 days and 1 year £	Due after 1 year £	Total £
Debtors	296,339	-	-	-	296,339
Cash and cash equivalents	6,093,888	-	-	-	6,093,888
	6,390,227	**-**	**-**	**-**	**6,390,227**
Net assets due to unitholders	(28,779,018)	(27,340,067)	(208,440,620)	(311,020,651)	(575,580,356)
Loans and other borrowings	(28,851,758)	-	(1,349,169)	(1,742,781)	(31,943,708)
Creditors	(10,356,729)	-	-	-	(10,356,729)
	(67,987,505)	**(27,340,067)**	**(209,789,789)**	**(312,763,432)**	**(617,880,793)**
Total liquidity sensitivity gap	**(61,597,278)**	**(27,340,067)**	**(209,789,789)**	**(312,763,432)**	**(611,490,566)**

As at 30 September 2019

	Due within 30 days £	Due between 30 days and 60 days £	Due between 60 days and 1 year £	Due after 1 year £	Total £
Debtors	311,805	-	-	-	311,805
Cash and cash equivalents	6,983,983	-	-	-	6,983,983
	7,295,788	**-**	**-**	**-**	**7,295,788**
Net assets due to unitholders	(29,201,535)	(27,741,459)	(211,500,829)	(315,586,885)	(584,030,708)
Loans and other borrowings	(291,806)	-	(12,285,598)	(13,607,576)	(26,184,980)
Creditors	(9,924,109)	-	-	-	(9,924,109)
	(39,417,450)	**(27,741,459)**	**(223,786,427)**	**(329,194,461)**	**(620,139,797)**
Total liquidity sensitivity gap	**(32,121,662)**	**(27,741,459)**	**(223,786,427)**	**(329,194,461)**	**(612,844,009)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

19. FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES (CONTINUED)

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. In the event of a default by a tenant, the Fund will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. There are no significant concentrations of credit risk within the Fund other than the concentration of balances held with Lloyds Bank.

Credit risk in respect of other financial assets and is reflected in the carrying value of these assets being set to their fair value, as they represent cash and financial instruments held with the Fund's bankers. The Manager regularly reviews the credit ratings of the Fund's bankers.

Credit risk in relation to the Foreign Exchange contracts and banking is managed by the Board monitoring the risk ratings of the counter party (Lloyds Bank Plc). Their current rating is Moody's A1.

20. NET ASSET VALUE PER UNIT

	2020	**2019**
	£	**£**
Fund net asset value per September valuation	583,354,333	593,891,070
Adjustment to asset valuation on consolidation	(7,773,977)	(9,860,362)
Net asset value per financial statements	**575,580,356**	**584,030,708**

	2020	**2019**
	£	**£**
Units in issue	246,977,030	248,595,550
Net asset value per unit (valuation)	2.3620	2.3890
Net asset value per unit (financial statements)	2.3305	2.3493
<u>Individual Fund class value per unit</u>		
A accumulation value per unit (Valuation)	2.0327	1.9623
A accumulation value per unit (Financial Statements)	2.0056	1.9297
C accumulation value per unit (Valuation)	3.4539	3.3199
C accumulation value per unit (Financial Statements)	3.4078	3.2648
C income value per unit (Valuation)	1.8041	1.7852
C income value per unit (Financial Statements)	1.7801	1.7556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

20. NET ASSET VALUE PER UNIT (CONTINUED)

	2020 £	2019 £
D accumulation value per unit (valuation)	3.5036	3.3620
D accumulation value per unit (Financial Statements)	3.4569	3.3062
E exit accumulation value per unit (Valuation)	2.1024	2.0441
E exit accumulation value per unit (Financial Statements)	2.0744	2.0102
E initial accumulation value per unit (Valuation)	2.2285	2.1558
E initial accumulation value per unit (Financial Statements)	2.1988	2.1200
F exit accumulation value per unit (Valuation)	1.7260	1.6786
F exit accumulation value per unit (Financial Statements)	1.7030	1.6508
F initial accumulation value per unit (Valuation)	0.9411	0.9164
F initial accumulation value per unit (Financial Statements)	0.9285	0.9011
G exit accumulation value per unit (Valuation)	1.6192	1.5802
G exit accumulation value per unit (Financial Statements)	1.5539	1.5539
G initial accumulation value per unit (Valuation)	0.8211	0.8029
G initial accumulation value per unit (Financial Statements)	0.7895	0.7895
I exit accumulation value per unit (Valuation)	1.0813	1.0533
I exit accumulation value per unit (Financial Statements)	1.0358	1.0358
J income value per unit (Valuation)	1.4141	1.3993
J income value per unit (Financial Statements)	1.3761	1.3761
M accumulation value per unit (Valuation)	-	3.3405
M accumulation value per unit (Financial Statements)	-	3.2850
M income value per unit (Valuation)	1.8190	1.7976
M income value per unit (Financial Statements)	1.7678	1.7678

21. DEFERRAL OF REDEMPTIONS

Due to the high volume of redemption requests from investors within some unit classes during March 2020, combined with the impact of the pandemic on the cash generating activities of the parks, the Manager took the decision to instigate the redemption deferral provisions outlined in the Fund prospectus from 1 May 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 September 2020

21. DEFERRAL OF REDEMPTIONS (CONTINUED)

The Manager has an overriding fiduciary responsibility to the interests of all investors in the Fund, as a whole, and to ensure that they are not impacted detrimentally. Therefore, in April, the Manager took the decision, for the small number of unit classes where investors have submitted redemption requests totalling more than 5% of the unit class size, to instigate the redemption deferral provisions outlined in the Fund prospectus (section 8). It is the intention of the Manager to return to paying redemptions in full as soon as possible, but this will depend on the volume of redemptions in coming months; the reopening of the parks and their return to normal operations, and the renewal of marketing activity to institutional investors allowing the Manager to place out redeemed units.

The Manager considered and concluded that the deferred redemptions should not be recognised as a provision as the amount cannot be reliably estimated, as (a) the payment of the redemptions is not certain as the redemption requests can be withdrawn by the unitholders at any time up until payment and (b) the value of the deferred redemptions is dependent on the unit price calculated for the Dealing Day on which the units are actually redeemed and that is in turn dependant on a variety of variables at the Dealing Day.

In the context of the fund as a whole the manager does not consider the use of the redemption deferral provisions to cast doubt on the fund's ability to continue as a going concern.

22. CONTROLLING PARTY

Darwin Property Investment Management (Guernsey) Limited ("the Manager") together with Butterfield Bank (Guernsey) Limited ("the Trustee") are regarded as the controlling parties of the Fund by virtue of them acting in concert under the terms of the Trust Instrument.

23. POST BALANCE SHEET EVENTS

Other than the continuation of the COVID-19 pandemic, there have been no subsequent events.