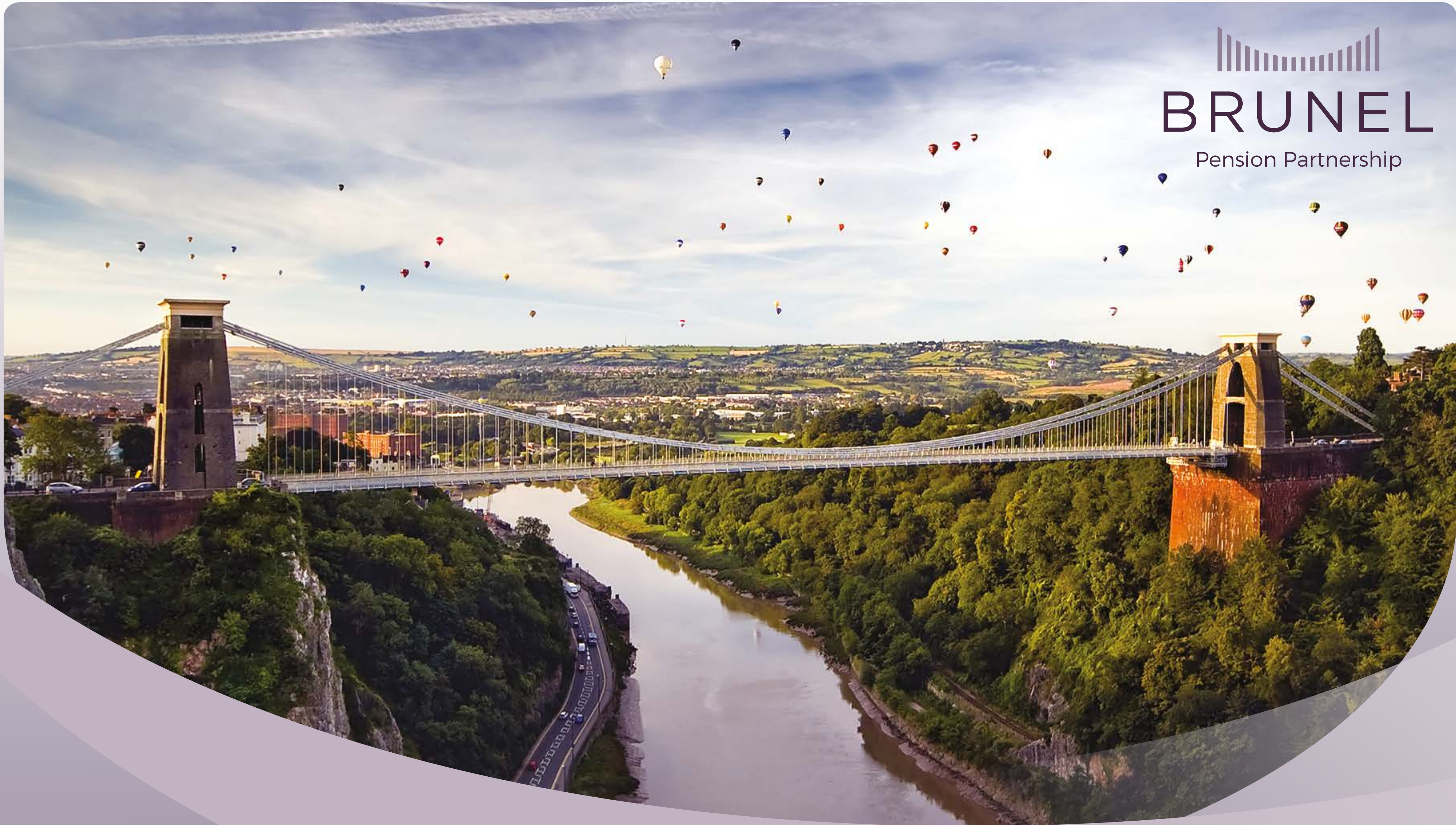

BRUNEL
Pension Partnership

Annual Report & Financial Statements

For the Year Ended 30 September 2018

BRUNEL
Pension Partnership

Brunel Pension Partnership Limited

Annual Report & Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Company registration number 10429110
Authorised and regulated by the Financial Conduct Authority No. 790168

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COMPANY INFORMATION

DIRECTORS

- Laura Jane CHAPPELL
- Michael John CLARK
- Denise Marie-Reine LE GAL
- Mark Robert MANSLEY
- Frederique PIERRE-PIERRE
- Stephen John TYSON
- Dawn Suzanne TURNER
- Joseph Andrew WEBSTER

BANKERS

National Westminster Bank PLC

EXTERNAL AUDITORS

Grant Thornton UK LLP

INTERNAL AUDITORS

Deloitte LLP

TAX ADVISORS

Deloitte LLP

PricewaterhouseCoopers LLP

LEGAL ADVISORS

Eversheds Sutherland

FINANCIAL ADVISORS

PricewaterhouseCoopers LLP

FINANCIAL MARKET ADVISORS

Alpha Financial Markets Consulting UK Limited

CHAIR'S FOREWORD

BRUNEL Pension Partnership Limited (**Brunel** or the Company) completed its first full year of business in 2018. It has been an exciting and busy year with much to celebrate, some examples of which are:

- We gained our **Financial Conduct Authority** (**FCA**) authorisation in March 2018, having submitted at the end of September 2017
- We launched and transitioned circa £6 billion assets under management into our **five available Passive Equity portfolios** with **Legal & General Investment Management**
- We selected our **Authorised Contractual Scheme** (**ACS**) platform providers **FundRock** and we are progressing well with selecting the managers for our **first two Active Equity portfolios** - **UK** and **Low Volatility**

  These first portfolios will realise client savings materially in excess (circa £74 million) of the November 2016 business case which forecasts total net savings of £550 million over 20 years to 2036.
- We were ready to provide **Private Markets** services almost two years ahead of schedule
- We have already been recognised within the **Local Government Pension Scheme** (**LGPS**) and Investment universe for our approach to **Responsible Investment** and as leaders and contributors to our industry

We continue to be true to our **12 investment principles** and I want to, in particular, draw attention to our website **www.brunelpensionpartnership.org** that enables us to deliver on one of those principles - transparency. We publish our annual report and financial statements on our website and we will add other topics and specific annual reports throughout next year, such as our voting record and performance.

In May, we published our **Responsible Investment Policy,** which you can find at **www.brunelpensionpartnership.org/responsible-investment/**

We know that our success to date is achieved through the totality of the partnership, which we value, and which underpins our confidence of continued success.
I look forward to 2019 as we bring on new portfolios as part of making long-term sustainable investments supported by robust and transparent processes.

I am passionate about protecting the interests of our shareholder **LGPS** funds and their member beneficiaries, and forging better futures by investing for a world worth living in.

Denise Le Gal
Chair

1. STRATEGIC REPORT AND BUSINESS REVIEW

REPORT OF THE CEO

Dawn Turner
Chief Executive Officer

BUILDING THE BUSINESS

Strategic decisions were taken in the year, setting the stage for Brunel and our clients to flourish.

Firstly, we determined that the most tax efficient way of providing our Active Equity portfolios was to sponsor and be the delegated portfolio manager of an **Authorised Contractual Scheme** (**ACS**). This UK-based tax transparent vehicle allows our clients to manage tax exposure in the optimum way. We are delighted to be working with **FundRock Management Company S.A.** on this cornerstone set of investment portfolios.

The second significant decision was to accelerate the offering of **Private Markets portfolios**, enabled by appointing an outsourced middle and back office provider. We are very excited to be working with **Colmore PS Ltd** in the provision of this service.

We have delivered our first full transition of assets of just over £6 billion into our **Passive Equity portfolio** managed by **Legal and General Investment Management** (**LGIM**) and are well underway with the first two portfolios with the **ACS**.

By the end of the 2018 calendar year, following nine months of being **FCA**-authorised, Brunel are on track to having almost a third of the circa £29 billion assets of our shareholder clients under its management.

BUSINESS DEVELOPMENT & ACTIVITY

Momentum continued to build during the year. We started by moving into our new offices on the 5th floor of 101 Victoria Street in Bristol in early October 2017. At this point the team comprised the Brunel board and a handful of staff. Naturally, recruitment has been a core part of building the Company. Our strategy of being based in Bristol near transport links has proved effective. Bristol represents an appealing alternative to London for financial professionals. Bristol is also a natural fulcrum for our broadly southwest-based shareholder clients and the pension officer teams.

The organisation chart has filled out and as we have brought in more and more specialist knowledge, we have been able to hone in on and enhance our approach to pooling and regulated investment management. Our culture of open communications and fairness in dealings has allowed Brunel to be dynamic. It has needed to be agile - building a business from scratch requires commitment and strong stakeholders.

We published our Responsible Investment (RI) Policy in May 2018. We are a company that was formed in order to pool the investments of ten LGPS pension funds. Brunel is an example of collaborative success, realising significant savings, and we have sought further collaborations to enhance our voice and influence on the sustainability of financial markets while being part of our local community. This stretches from raising funds for our chosen local charity Above and Beyond (supporting hospitals in Bristol), to supporting IIGCC (Institutional Investors Group on Climate Change), as well as engaging across the whole of the LGPS universe.

FUTURE PLANS & OUTLOOK

Another exciting year lies ahead for Brunel. Although we are delighted to have achieved some substantial milestones, we recognise there are many more to deliver. The foundations have been laid while the governance has been tested and found to be robust. We are excited to see that the strategy we have defined is already delivering client savings.

We have agreed our Business Plan with our shareholders, which has recognised the resources required to continue to deliver the savings achieved to date, operate robustly and equitably within an FCA-regulated environment.

Private Markets will continue to research and find managers to provide for our Secured Income, Infrastructure and Private Equity portfolios. We will be managing the majority of our clients' legacy property funds and will respond to any investment strategy requirements for Private Debt as a result of our client's triennial valuations and/or investments strategy decisions.

In the listed markets we will add to the available portfolios of Passive Equity, UK Active Equity and Low Volatility with Emerging Markets and Developed High Alpha in Active Equity and in other investment services and classes such as Liability-Driven Investments, Diversified Growth Funds, Passive Indexed Linked Gilts and Currency Hedging. We will also start searches for other portfolios to be delivered in 2020.

We will be fulfilling the aims laid out in our Responsible Investment Policy and publishing details of our activities, enabling visibility of our integration and collaboration and thus fulfilling our drive for transparency.

We will be supporting our shareholder clients in the first year of the new CIPFA reporting requirements on performance as part of our core services. We will also respond to additional services that individual funds may require from us as part of our elective service provisions.

Most importantly, we look forward to the strength of our partnership growing, with the governance in place allowing for excellent two-way communications and for the ten funds to work together to maximise the benefits provided by their creation of Brunel, their pool company.

REPORT OF THE CIO

Mark Mansley
Chief Investment Officer

My first full year as **Chief Investment Officer** has been one packed with challenge and opportunity as we move from being essentially a project of ten pension funds to becoming a fully-fledged regulated investment manager, with all the requirements this entails, while maintaining the spirit of long-term partnership that will be crucial to the success of Brunel.

A key starting point has been to develop a suite of policies to ensure our investment practices and procedures are robust and reflect best practice.

They cover key areas such as responsible investment, manager selection, investment risk, manager monitoring, and stewardship.

In developing these policies, we have worked hard to ensure they embed our values and investment principles.

For example, our approach to risk needs to reflect the long-term perspective of our clients and the nature of their liabilities.

This work has highlighted the tension that can exist between a regulated investment business and the traditional focus of pension funds, but we believe we have found a good way forward.

LISTED MARKETS

As discussed earlier, the first set of portfolios Brunel launched were for passive equities. After a detailed and robust tender, which involved understanding the intricate details of the costs and charges involved in running passive portfolios, **LGIM** were selected.

The portfolios were **UK Equities**, **Developed Markets Equities**, **Low Carbon Global Equities** and **Smart Beta Global Equities**.

We were also prepared to offer emerging markets passive, but clients' needs changed, and this option was not taken up.

Our smart beta portfolio was of particular focus, and we worked closely with **LGIM** to evaluate the approaches of the different index providers to multifactor index construction, assessing elements such as simplicity, efficiency, academic support, performance enhancements, and operational efficiency.

The decision in early 2018 to develop an **ACS**, and the subsequent search for an operator to work with was one of the most significant of the year.

Whilst establishing an ACS is a major regulatory and legal challenge and brings with it additional regulatory requirements, it will deliver significant operational advantages and tax transparency and efficiency at a cost that is below the vast majority of third-party fund structures.

We were pleased to identify an operator, FundRock, who shares our sense of partnership and collaboration.

We have worked hard throughout the year to engage fund managers and ensure they understand our needs and priorities.

A series of very successful manager days were held in Q4 2017 to inform managers of our overall strategy, priorities and process, and we continue to actively share information with managers, through our website and press releases.

We held a great number of manager meetings throughout the year but have had to focus on our immediate priorities and thank managers for their forbearance while we work through our substantial transition agenda.

We started work on the first of the set of manager selections for the ACS, for two portfolios: UK Equity and Low Volatility Global Equity.

An open call for expressions of interest saw responses from over 80 managers. Across the two portfolios, 15 managers were invited to tender. The best of these were then subject to extensive investment and operational due diligence.

We also analysed the combination of managers to ensure we have the optimal mix, resulting in a combination which offers an attractive blend of performance, risk and fees.

We are now completing legal contracts and implementation, with an announcement expected by the calendar year end.

PRIVATE MARKETS

On the Private Markets side there has been at least as dramatic a transformation. From virtually nothing at the start of the financial year, a private markets team has been brought together under the leadership of our Head of Private Markets, Richard Fanshawe, and significant milestones achieved, as outlined below.

The first stage was to review and refine Brunel's five Private Markets portfolios, develop an operating model for their implementation and specify key processes. This resulted in a solution which will enable our clients to make £1bn of Private Markets commitments two years earlier than planned. Four detailed portfolio specification "Briefing Notes" were produced to explain the asset class and our approach in more detail, resulting in significant commitments from clients.

Some clients were keen to commit to our Secured Income portfolio quickly, so identifying suitable investment here became a priority. Long-lease property was identified as a key area and after extensive market research and due diligence we were pleased to be able to commit £338m to two Long-Lease Property Funds on behalf of three client funds.

The Private Markets team also identified the potential administrative and operational challenge of running complex **Private Market portfolios**, but noted this could be significantly alleviated by appointing a mid and back office provider, able to handle document management, reporting, cash management and other functions.

Such support will equip the team to focus on identifying the best investments and enable Brunel to achieve substantial additional cost savings by removing multi-managers at several client funds.

A Business Case and shareholder support were secured and a full **Official Journal** of the **European Union** (OJEU) procurement conducted for the services, resulting in the appointment of **Colmore**.

Work is actively continuing to identify opportunities for the **Private Markets portfolios**. Over 130 manager meetings have been held. Several investments across **Private Equity** and **Infrastructure** are in final due diligence with potential commitments before December 2018 with more expected to follow in early 2019.

RESPONSIBLE INVESTMENT

I am immensely pleased with the impact we have had on responsible investment in our first full year, given the developing nature of the organisation. This is thanks to the experience and reputation of **Faith Ward**, **Chief Responsible Investment Officer**.

Working with clients we agreed our **RI policy** which is based on the three pillars of **"To Integrate"**, **"To Collaborate"** and **"To Be Transparent"**, and has identified six key priorities, as mentioned in our **RI Policy**.

We have also developed a detailed stewardship policy to cover voting and engagement in time for the launch of our **ACS**.

Brunel believes that active ownership includes exercising good stewardship that supports the long-term success of all its assets.

TO INTEGRATE

TO COLLABORATE

TO BE TRANSPARENT

Responsible investment is fully integrated into our manager selection process, covering Environmental, Social & Governance (ESG) capabilities, as one would expect, but also culture, conduct, incentive alignment and other wider organisational issues that could be relevant.

For example, in selecting LGIM to manage our passive equity, LGIM's clear commitment to responsible investment, stewardship, and promoting diversity internally as well as externally were significant and reassuring.

Collaboration with others has been a key theme.

The CEO of Brunel continues to chair the Cross Pool Working Group on responsible investment. We are an active member of the Institutional Investors Group on Climate Change (IIGCC) and a key supporter of the Transition Pathway Initiative (TPI) and Climate Action 100+, which support the integration of carbon and climate risk into our due diligence and engagement.

Brunel was the first LGPS pool to become a signatory of the UN backed Principles for Responsible Investment (PRI).

Diversity has clearly been demonstrated to add value to decision-making, whether by asset managers or companies. To promote best practice Brunel is working with the Diversity Project, for which Brunel's Chair, CEO and CRIO are ambassadors.

Brunel is also a member of the 30% Club, which aims to develop a diverse pool of talent for all businesses.

Brunel has been active in providing input to UK policy makers, specifically the FRC on the UK Corporate Governance Code, narrative reporting and UK Stewardship Code as well as being a member of the FRC Investor Advisory Group.

Brunel has also submitted to the Kingman review of the FRC and to the DWP review of Trustee Duties.
Copies of responses and details of advocacy work are publicly available.

Transparency is a core element of our RI approach, and Brunel is committed to decarbonising listed portfolios, providing carbon foot printing to assist in reducing unrewarded carbon risk and low carbon portfolio opportunities.

Brunel advocates strongly for improved transparency and will disclose in line with the recommendations of the Task Force on Climate-related Financial Disclosures.

Brunel will forge better futures by investing for a world worth living in, and by working in collaboration with others.

Our full list of affiliations can be found at the bottom of website home page: **www.brunelpensionpartnership.com**

FINALLY

In a year of significant progress and development the most exciting and rewarding element for me personally has been building up a team of investment professionals who share Brunel's values and vision of the future of investment management and who have worked incredibly hard to deliver the achievements listed above.

I would like to thank them for their efforts over the year.

REPORT OF THE CHAIR OF AUDIT, RISK AND COMPLIANCE COMMITTEE

Mike Clark
Non-Executive Director

Brunel is exposed to a wide range of risks as it develops and implements its business strategy.

We are regulated by the **Financial Conduct Authority** and have a unique governance and ownership model, working closely in partnership with our clients, who are also our shareholders.

Effective risk management is key to Brunel's success.
We actively monitor current risks and scan the horizon for emerging risks.
We place significant reliance on the good conduct of our employees and from inception have developed our culture to help support the **Board** as it discharges its duties effectively, managing our risks within the appetite set by our risk framework.

This strong culture allows us to set out a clear 'three lines of defence' model to define responsibilities and oversight.

The Board is accountable for **Brunel's risk management** and, in conjunction with the **Audit, Risk and Compliance Committee** (ARC), has oversight of the most significant risks facing Brunel.

2018 DEVELOPMENTS

We are moving through Brunel's start-up phase, which will last two to three years, with increasing elements of business as usual.

Identification and management of our key risks is a priority.

Notable milestones include securing and fitting out our office, obtaining **FCA** authorisation as a **MiFID** full scope asset manager, recruiting thirty people and then making our first selection, appointment and transition of clients' investments into the passive portfolios.

Throughout this year, the business has carried out regular risk reporting to the **Executive Committee** (ExCo) and then through to the **ARC** on our key risks, in the context of our risk appetite measures and metrics.

In addition, we look to enhance these measures and tolerances as we build out the Company's operations and learn from our experience of managing these risks.

KEY RISKS

We have defined **22 risk categories** across strategic, financial, operational and conduct risks.

Our exposure to these risks is assessed in the light of the current environment. We take into consideration the views of the internal risk owners, the regulatory, client and political environment together with input from other subject matter experts inside and outside the business.

The **ARC** considers those risks it believes are heightened each quarter and we then undertake further work to ensure those risks are mitigated and managed within tolerance.

Our current key risks are as follows:

Strategic: Business planning risk Fee savings and cost savings delivered to date mean this risk is viewed positively.

Current focus areas include ensuring we have a robust client engagement framework with clear communications around product launches to ensure that clients, with their advisors, can make timely decisions, working together as partners within the pool.

We seek to facilitate a consistent approach to governance across Brunel. We also plan to ensure that the time taken to obtain approval of **Special Reserve Matters** does not significantly constrain Brunel's operations.

Further, an appropriate budget will ensure there is no delay in delivering the fee savings we plan to achieve, and that Brunel can operate effectively.

Strategic: Client and political risk Pooling was a government-led initiative and as such is subject to a degree of political risk. We are working hard to facilitate a good understanding of Brunel's governance with all clients (and in their role as share-holders), and with their advisors.

While Brunel was born in an **LGPS** environment, the necessary shift in thinking so that Brunel is recognised as an **FCA-regulated asset manager** has also been a key focus over the last year. At the national level we fully support the **Scheme Advisory Board**, in particular their work on the **Transparency Code**.

We continue to work closely with stakeholders, regulators and our peers to ensure the ongoing success of pooling.

Operational: People, process and systems risk The creation of a new regulated asset manager naturally brings challenges. New policies, processes and systems need to be agreed, built and implemented.

Brunel acknowledged in the Original Business Case that the operational build-out in the timescales available would be a challenge and this is indeed the case. The team focus is still on working hard to ensure robust and compliant processes are built, in place and adhered to, underpinning our investment activities.

FIRST LINE OF DEFENCE
Brunel Management is responsible for taking, managing & controlling risk

→

SECOND LINE OF DEFENCE
… sets framework & monitors risk-taking, provides oversight & challenges adherence to risk appetite …

→

THIRD LINE OF DEFENCE
…independent challenge from audit provides assurance over the activities of the **FIRST** and **SECOND LINE OF DEFENCE**.

BUSINESS & FINANCIAL REVIEW

WHAT WE DO, AT A GLANCE

Brunel was set up to represent ten local authority pension schemes with ~712,000 members with pension assets ~£29bn and ~2,100 local employers (at 31 March 2018).

- Brunel has ten shareholders, each with a ten percent share of the business
- Brunel's shareholders are Brunel's client funds
- Brunel is one of eight national **Local Government Pension Scheme** (LGPS) pools in England and Wales

BRUNEL will manage the investments for the pension funds of **Avon**, **Buckinghamshire**, **Cornwall**, **Devon**, **Dorset**, **Environment Agency**, **Gloucestershire**, **Oxfordshire**, **Somerset and Wiltshire**.

Brunel is authorised and regulated by the **Financial Conduct Authority** as a full service **MIFID** firm. Clients have signed a comprehensive services agreement with Brunel and we are rapidly building up our activities.

Brunel believes in making long-term, sustainable investments supported by robust and transparent processes. We offer our client funds a broad range of portfolio options with the aim of allowing them the flexibility to meet their own investment strategy needs, while equipping us to manage risk and generate sustainable, long-term returns.

Brunel is set up with a structure of **24 portfolios** (grouped below), which allows clients flexibility to decide their **Strategic Asset** allocation and reflect market developments.

We offer a suite of portfolios specifically selected to provide a reasonable level of consolidation, while at the same time giving our clients the freedom to choose how they allocate their assets.

Brunel's investment team take a long-term view on investment decisions which is aligned to our clients' liability profiles and investment objectives.

As such, environment and social risk considerations, along with good governance and stewardship, are integrated into our decision-making processes.

PASSIVE EQUITIES & BONDS (7 portfolios)	ACTIVE EQUITIES (7 portfolios)
UK	Global Core
Developed	High Alpha Developed
Low Carbon	UK
Smart Beta	Sustainable
Emerging Markets	Emerging Markets
Leveraged Index Linked Gilts	Smaller Companies
Passive Indexed Linked Gilts	Low Volatility
FIXED INTEREST (3 Portfolios)	**PRIVATE MARKETS (5 portfolios)**
Multi Asset Credit	Secured Income
Global Bonds	Property
Sterling Corporate Bonds	Private Debt
ALTERNATIVES (2 portfolios)	Infrastructure
Diversified Growth Funds (DGF)	Private Equity
Hedge Funds	

Each portfolio is outcome-based and intended to offer exposure to a particular asset class or sub class, or particular theme or approach.

Implementation of the portfolios will be outsourced to selected asset managers, with between one and five managers per portfolio.

Brunel has three dedicated areas of investment specialism:

1. **Listed Markets**, these portfolios cover active and passive products.

The active equities portfolios will be within our **ACS**, in which Brunel is both the **Sponsor** and the delegated **Portfolio Manager**. This UK tax transparent vehicle allows our investors to manage tax exposures and benefit from their own **LGPS** tax status rather than that of a fund.

2. **Private Markets** have implemented their client offerings much earlier than originally planned.

The appointment of **Colmore**, as middle- and back-office provider, is a milestone in enabling Brunel to act as a discretionary multi-manager to its ten client funds.

Five portfolios spanning, property, infrastructure, secured income, private equity and debt are in the process of being launched.

3. **Responsible Investment** underpins both the listed and private markets investment processes.

As of 30 September 2018, Brunel had c£6 billion invested in its passive equities products.

Further details can be viewed on our website at:
www.brunelpensionpartnership.org/our-approach/

OUR VALUES & PURPOSE

CULTURE

BRUNEL'S VALUES

We are developing Brunel in such a way that the funds in the partnership will truly value it and benefit from all we do.

Our culture embraces customer service excellence. We will succeed because we are:

CLIENT-FOCUSED

Our clients are at the heart of everything we do.

Our team is dedicated to helping our clients meet their investment objectives.

We are guided by strong governance and a clear investment process.

PROVIDING

Confidence in a team dedicated to helping you progress toward your objectives.

AN INVESTMENT PARTNER YOU CAN TRUST

We champion open and transparent communication with our clients and our peers.

We are innovative and forward-thinking with investment solutions.

We have a passion for the industry and are keen contributors to it.

PROVIDING

Clear understanding of where you are and of your future investment needs aligned to your interests.

A TEAM OF EXPERTS

We value transparency, honesty and excellence.

We believe in responsible citizenship and service to our community.

We have over 300 years of combined experience in investments and sustainable finance.

PROVIDING

Advice you can trust from a team that cares about your objectives and values.

INVESTMENT PRINCIPLES

The primary objective of Brunel is to enable each LGPS fund in the partnership to deliver its fiduciary duty to act in the best long-term interests of their members.

Brunel's Investment Principles provide the framework for all investment management and operations.

The principles meet the Ministry of Housing, Communities and Local Government's Local Government Pensions Scheme Investment Reform Criteria and Guidance and expectations of the Financial Conduct Authority.

They can be applied to all asset classes, although the detail of operation will vary by asset class.

The principles do not impose any restrictions on type, nature of companies or assets held within the Portfolios.

The principles do place an expectation that recognised best practice standards in governance, risk management, stewardship and value for money will be delivered.

The principles are designed to ensure the effective and efficient delivery of each fund's investment strategy and are commensurate with the size of the combined asset pool.

It is anticipated that the principles will support each fund in the delivery of their investment strategy statements.

WE ARE HERE

IN MAKING LONG-TERM, SUSTAINABLE INVESTMENTS SUPPORTED BY ROBUST AND TRANSPARENT PROCESSES

IN COLLABORATION WITH ALL OUR STAKEHOLDERS WE ARE FORGING BETTER FUTURES BY INVESTING FOR A WORLD WORTH LIVING IN.

WE ARE HERE

TO PROTECT THE INTERESTS OF OUR CLIENTS AND THEIR BENEFICIARIES

BRUNEL
Pension Partnership

PRINCIPLES IN BRIEF

- Long-term investors
- Responsible investors
- Best practice governance
- Decisions informed through experts and knowledgeable officers and committees
- Evidence and research at heart of investments
- Leadership and innovation
- Right risk for right return
- Full risk evaluation
- Responsible stewardship
- Cost-effective solutions
- Transparent and accountable
- Collaboration

You can download these in full at **www.brunelpensionpartnership.org/values/**

OUR STRATEGY

At the highest level, our strategy is to realise our cultural values and apply our investment principles in order to achieve Brunel's objectives.

This includes making long-term investments to realise cumulative net savings of at least £550 million to the year 2036.

We will achieve this by establishing the agreed investment portfolios which allow our clients to achieve their strategic investment objectives.

Fundamental to successful delivery of our objectives is to be an attractive employer in the southwest and partner within the investment community.

We have an inclusive workplace, emphasising transparency and partnership.

In all dealings we are fair in decision-making, which is evidence-based.

We are a full scope MIFID firm, making long-term investments on behalf of our LGPS member funds.

Our strategy is to be an efficient, controlled, regulated investment company that has a cohesive and constructive partnership with our LGPS owners.

We operate in a regulated environment, which defines the parameters under which Brunel must operate.

We are owned by ten LGPS funds and understand our clients' operating environment and their expectations of Brunel.

Open and transparent communication underpins our relationships.

Efficiency and control are delivered from the small highly skilled team leveraging outsourced relationships, technology, learning and development within risk tolerances.

Central to the investment strategy are rigorous competitive tender processes to ensure we achieve the best client outcomes.

Acting responsibly is core to our approach and applies in all that we do.

Our strategy is to recognise broader financial risks, which in the long term will influence client outcomes, outsourced relationships and expectations as well as Brunel's behaviour and culture.

OUR OBJECTIVES

The ten funds of Avon, **Buckinghamshire**, **Cornwall**, **Devon**, **Dorset**, the **Environment Agency**, **Gloucestershire**, **Oxfordshire**, **Somerset** and **Wiltshire** came together as Brunel **Pension Partnership** following the directive from government for **LGPS** pension funds in England and Wales to create assets pools of £25 billion.

The work started on developing the pools in September 2015 and by February 2017 the business case was approved on the basis of the following four primary benefits and objectives:

- Establish an investment management company and gain **Financial Conduct Authority** authorisation in oder to be able to start servicing clients by April 2018. This was achieved in March 2018
- Develop investment portfolios that will meet the needs of all its clients' investment strategies, achieved through our signed service agreement
- Make fee savings, while maintaining investment performance, of £27.8 million (8.9 basis points) by 2025, further substantiated through a comprehensive planning cycle in 2018
- Manage transition and operational costs to achieve break even by 2023, and cumulative net savings of £550 million to 2036, further substantiated by a thorough review and update of the **Original Business Case** throughout the summer of 2018.

The review brought into account lessons learnt from starting to deliver services since April 2018 and the successful commercial outcomes of procuring investment managers for our first set of portfolios both in passive and active equities.

The evidence so far enhances our confidence in delivering the net savings of £550 million to 2036 and is now estimated to be up to £200 million more.

MILESTONES

- Moved into our new offices at 101 Victoria Street, Bristol on 09 October 2017
- **First Annual Report** and **Financial Statements** for period ending 30 September 2017 presented to shareholders at our first **AGM**, 31 January 2018
- Partnership was further consolidated with all funds signing the service agreement and delegating selection of managers to Brunel as their **Investment Manager** in February 2018
- **Financial Conduct Authority** authorisation gained in March 2018
- Development stage completed on 31 March 2018 at £0.5 million less than budgeted
- **Custodian State Street** took on board nine of the **LGPS** funds' assets under management and started administrative services in July 2018
- Launch and transition of c£6 billion assets under management into our five available Passive Equity portfolios, of which only four were launched due to client allocations
- **ACS** platform provider **FundRock** selected in June 2018
- Ready to provide **Private Markets** services almost two years ahead of schedule
- Recognised within the **LGPS** and **Investment universe** for approach to **Responsible Investment** and as leaders and contributors to our industry

Brunel is in the process of implementing the following targets:

- Transition of assets into the **Low Volatility** and **UK Active Equity portfolios** in the **ACS**
- Integrating our Private Markets middle and back office provider to launch Brunel's Private Markets portfolios

OVERALL FINANCIAL PERFORMANCE

CORPORATE PERFORMANCE

As planned, Brunel started to provide chargeable services to clients from April 2018.
The first six months of the year were the end of the Company development period, funded by capital.
Accordingly, Brunel reports a planned net loss for the period.

During the year ending 30 September 2018, Brunel provided a chargeable service to clients for six months only, recognising revenues of £3.7m.

Brunel's total costs for the year were £4.9m, against an anticipated spend of £6.3m.

Revenues of £3.7m and total costs for the year of £4.9m represents a loss of £1.2m before tax.

During the year clients provided the second tranche of capital funding, providing an additional £5.4m.

This absorbed a pre-tax £1.2m loss for the year ending 30 September 2018, which had been anticipated.

The capital financing also provided a provision for regulatory capital, working capital and allowed Brunel to pay across a planned and agreed £1m to fund the Brunel employee pension shortfall, associated with staff that transferred with LGPS service from client funds.

The year-end cash balance was £5.5m.

During the year and in line with the Business Plan, Brunel achieved its key performance objectives for the year in terms of:

- developing the Company and achieving FCA authorisation status by 31 March 2018
- the on boarding of nine LGPS clients with State Street Custodian.
- the launch and transition of its passive equities' portfolios in July 2018

The Company continues to adopt the going concern basis in preparing its financial statements.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

This is explained further in the note 3 of the financial statements below.

Our approach to risk management, which has been taken into consideration in the preparation of this statement, is explained in the Report from Chair of Audit, Risk and Compliance Committee.

CLIENT SAVINGS

Brunel's permission granted by the FCA is only to control but not hold client money or assets. Accordingly, our Financial Statements do not reflect client savings but given this is Brunel's core purpose we have included some statements to demonstrate progress.

The Original Business Case assumed net savings of £550m across its portfolios.

By the end of the calendar year we will have six available portfolios.

The estimated fee savings for these have exceeded the Original Business Case by over £70 million, cumulatively by 2036.

DISCLOSURES

Disclosures based on recommendations of the Task Force on Climate-related Financial Disclosures

MANAGING THE RISKS OF CLIMATE CHANGE

Brunel recognises climate change as a systemic risk to the economy, markets and society. It has the potential to significantly impact on the investment returns of our portfolios and, therefore, on our partnership client funds.
As such, climate change has been identified as a strategic and investment priority.

Brunel advocates strongly for improved transparency and will disclose in line with the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD). We have summarised our approach below and commit to developing more extensive disclosures as we roll out our investment strategy and operations.

GOVERNANCE

Our commitment is communicated in our Responsible Investment and Stewardship Policies, which are approved by the Brunel Board. The Board is collectively accountable, but operational accountability on a day-to-day basis is held by the Chief Responsible Investment Officer.

Brunel's Board, Executive and Investment team all strongly advocate for effective management of climate change through speaking at events, sharing expertise and ensuring it is integrated into all our own investment and operation practices.

STRATEGY

Brunel's framework for assessing the impacts of climate change encompasses adaptation and physical risks (the risks posed by the consequences of climatic change) as well those risks and opportunities arising from the transition to a low carbon economy (risks from addressing the root causes of climate change).

We recognise the power of collaboration and are members of, among others, Climate Action 100+ and Principles for Responsible Investment.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES RISK MANAGEMENT

Brunel does not support complete disinvestment, but is committed to decarbonising listed portfolios, providing carbon foot printing to assist in reducing unrewarded carbon risk and low carbon portfolio opportunities for clients. Climate risk is evaluated as part of all Brunel's portfolios, across all asset classes.

Our Chief Responsible Investment Officer co-chairs the Transition Pathway Initiative (TPI) which assesses how listed companies in high carbon sectors are preparing for the transition to a low-carbon economy.
This tool is used to evaluate risk of individual holdings and portfolios and to inform our stewardship activities.

METRICS AND TARGETS

The investments that Brunel manages will form the most significant climate impact for the Partnership. However, we are also committed to capturing emissions arising from our own operations.

The focus for 2019 is the design and implementation of mechanisms to capture all our climate-related metrics through risk, accounting, investment and reporting systems at Brunel.

For example:

- Capturing operational emissions data relating to travel, energy and water use
- All manager selection and manager monitoring including the requirement to provide climate and carbon risk analytics and encouraging disclosures based on the TCFD recommendations
- Clear voting stance linked to annual engagement plan
- Developing capabilities to provide the following information to each client fund:
  - Details and case studies of positive low carbon opportunities
  - Carbon foot printing of all listed portfolios
  - Fossil fuel exposure of all listed portfolios
  - Development of other carbon and climate change-related metrics for asset classes

Once we have established the mechanisms to capture all the metrics required, Brunel will seek to set targets appropriate to its sphere of influence.

OTHER DISCLOSURES: Gender Pay

Brunel has less than 250 employees, so is not required to disclose its gender pay gap.

However, as Brunel is committed to being transparent and an attractive employer the Remuneration Committee have voluntarily disclosed gender pay gaps.

Brunel acknowledge a gender pay gap. This has occurred because the lower quartile entirely comprises female members of staff.

Brunel is committed to giving staff opportunities to develop and this is most pertinent as a new company.

Several members of the team are on development contracts providing planned means to progress, which will contribute to narrowing the gender pay gap.

We are proud to have a pipeline of talent with clear routes of development and progression for all.

We feel we demonstrate this simply with the 50/50 ratio of male and female in our Board membership.

Brunel has reviewed gender pay equality and disclose that there is no gender pay inequality at senior and mid-level responsibilities.

Where gender pay differentials occur, particularly within lower responsibility roles, they are understood and are being addressed by development plans.

Brunel has, where possible, adopted hiring practises which have an awareness of the gender pay gap, are gender balanced and look for a gender balanced cohort of candidates as well as seeking a balance on the much broader range of diversity and inclusion considerations.

As of the snapshot date (31 March 2018) Brunel had 29 employees, which is a small sample and so the data is very sensitive: e.g. a single position represents 3% of the population, and a quartile is just seven people.

Accordingly, small differences can make pronounced impacts on the outcomes.

As of the snapshot date Brunel had more female staff than male staff, which skews the median result.

WOMEN'S MEAN HOURLY RATE:

Women's mean hourly rate is 18% lower than men's. In other words when comparing mean hourly rates, women earn 82p for every £1 that men earn.

WOMEN'S MEDIAN HOURLY RATE:

Women's median hourly rate is 43% lower than men's.

When comparing median hourly rates, women earn 57p for every £1 that men earn.

NO STAFF RECEIVE BONUS PAY.

WOMEN MAKE UP THE FOLLOWING SHARE OF EACH QUARTILE:

50% of Upper

57% of Upper Middle

29% of Lower Middle

100% of Lower

Brunel discloses a gender pay gap in alignment with the regulations.

Accordingly, this is as of 31 March 2018.

In the 2019 cycle our disclosure will be filed with the **Government Equalities Office (GEO)** in addition to being included in this report.

AWARDS & AFFILIATIONS

We have a number of strategic partnerships and affiliations across the business such as core markets, private markets and responsible investment.

Our **Responsible Investment** partnership is founded on our shared investment principles, which can be found in the **Responsible Investment** (RI) **Policy** on our **website www.brunelpensionpartnership.org**.
Our external partnerships and associations are detailed in **Annex 1** of the **RI Policy**.

We are delighted and humbled that in our first year our team and certain individuals have been recognised for continued leadership within the **LGPS** and the investment and finance industry.

- **CIO Mark Mansley** received the **Funds Europe** award for **CIO of the Year** in the category of Institutional Manager
- **Chair Denise Le Gal** won Outstanding Contribution of the **Year at the LAPF Investment awards**
- **Chair Denise Le Gal** received the **Pension Personality of the Year** at Institutional Investor's Peer-to-Peer Awards

At the same awards, **Chief Responsible Investment Officer (CRIO) Faith Ward** received the award for **best ESG Programme** on behalf of our **Responsible Investment team** and **Brunel as a whole.**

- **CEO Dawn Turner** received the prestigious **Industry Champion award** at the **19th annual Pension & Investment Provider** Awards as well as appearing in the **Financial News' top 100 most influential women in finance** list for a second year
- **CRIO Faith Ward** was named as the **person** who **made the most positive industry contribution to SRI/Corporate Governance** in the **2017 IRRI ranking**.

Brunel was one of the five shortlisted organisations in the Finance for the Future's Investing and Financing awards.

Judges selected the amazing Fonkoze Financial Services of Haiti as winners while stating that Brunel is "one to watch."

2. CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

- MEMBERSHIP OF BOARD / COMMITTEES / ATTENDANCE

SHAREHOLDER GROUP ENGAGEMENT

STAKEHOLDER ENGAGEMENT

OPERATING MODEL

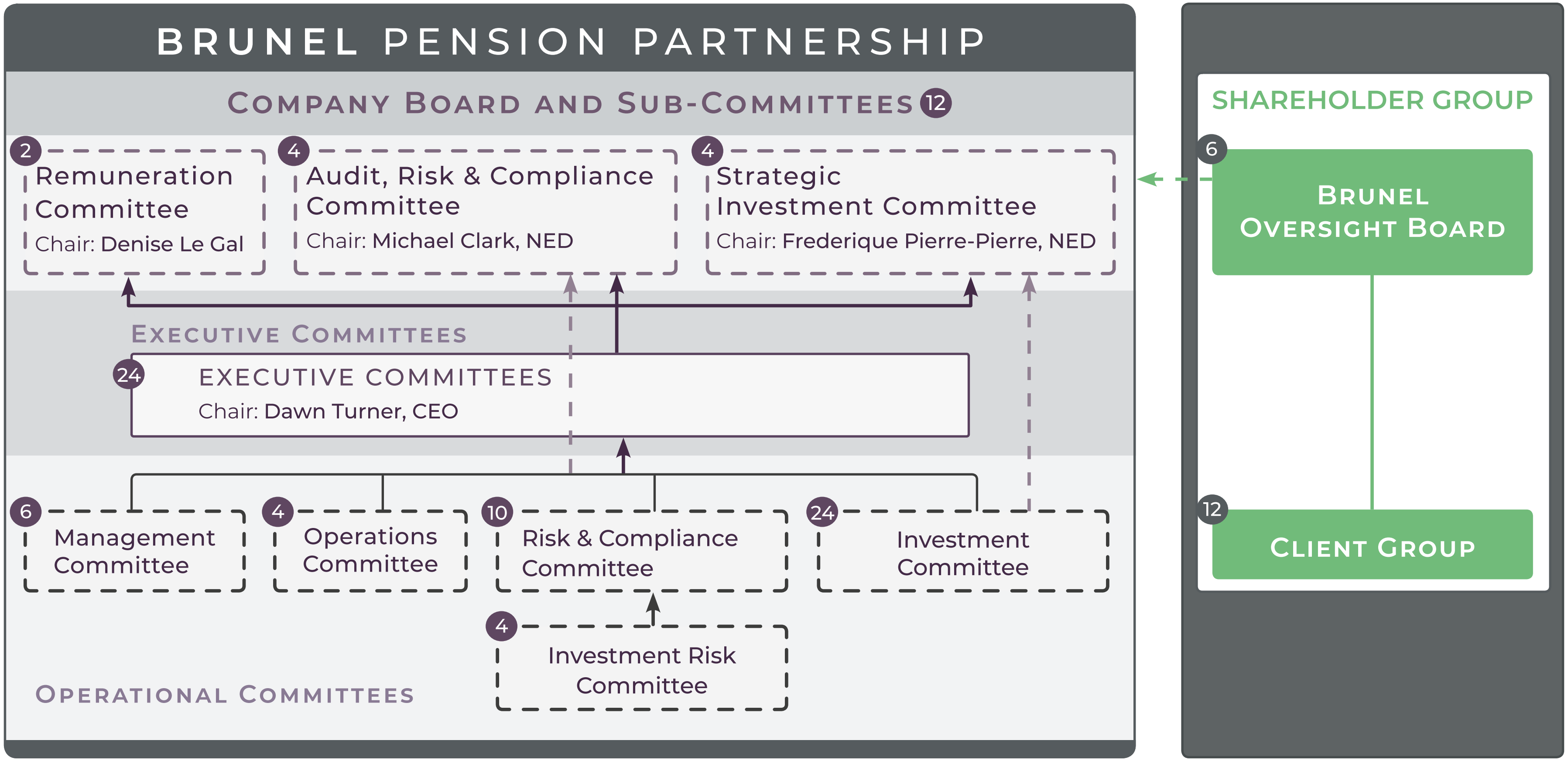
THE AUTHORISED CONTRACTUAL SCHEME (ACS)

PRIVATE MARKETS

- DIRECTORS' REPORT
- REPORT OF THE INDEPENDENT AUDITOR

BRUNEL GOVERNANCE

- The Board of Brunel consists of four Independent Non-Executive Directors (NEDs), including the Chair, and four Executive Directors
- Independent Non-Executive Directors chair all Board sub-committees and are the only permanent members
- Executive members of the Board are the CEO, CIO, COO and CCRO
- The Board of Brunel has gender equality (four male / four female)
- Oversight Board is one representative from each Pensions Committee (10 in total) & two member representative observers
- Client Group is Client Fund Officers



SHAREHOLDER GROUP ENGAGEMENT

There has been excellent engagement from our **Shareholder Group**, which has enabled Brunel to work in partnership through a range of topics. This includes updating aspects of the **Remuneration Policy**, which is important to being able to attract and retain talent, and the **Pricing Policy**, which explains how services will be charged to clients. It was also agreed to accelerate the **Private Markets** offering. Lastly, shareholder approval of the revised **Business Plan** provides the resource needed to deliver the service clients need.

During the year there have been five **Brunel Oversight Board (BOB)** meetings, which have all been attended by a representative of each client fund.

During the year there have been **12 Client Group meetings**, which have been attended by a representative of each client fund with the exception of one client at one meeting. Agreed delegates from the Client Group also meet less formally, to move technical topics forward.

The engagement process enables both **Client Group** and **BOB** to carry out the responsibilities within their terms of reference of representing the shareholders in oversight and assurance of Brunel.

STAKEHOLDER ENGAGEMENT

In addition to the required governance meetings, the Brunel team have held Investment Management engagement days and a series of Stakeholder Engagement Days.

The Investment Management days were held in November 2017 to engage directly with the Investment Manager community. The purpose was to outline our proposed timeline for engagement and the portfolio design. This gave the Investment Managers clarity about when they could expect to hear from us and what we aim to achieve.

Stakeholder Engagement days were also held in November 2017 and planned for November 2018. These days have been held at three locations across the geographical reach of the pool and gave pension committee and board members an opportunity to directly engage with senior members of the Brunel team. The days focused on providing information in relation to the annual business plan as well as providing information on the governance arrangements that provide oversight and assurance on their behalf.

OPERATING MODEL

The main developments in Brunel's operating model during the year are the decision to establish an **Authorised Contractual Scheme (ACS)** and to bring forward the implementation of the Private Markets portfolios.

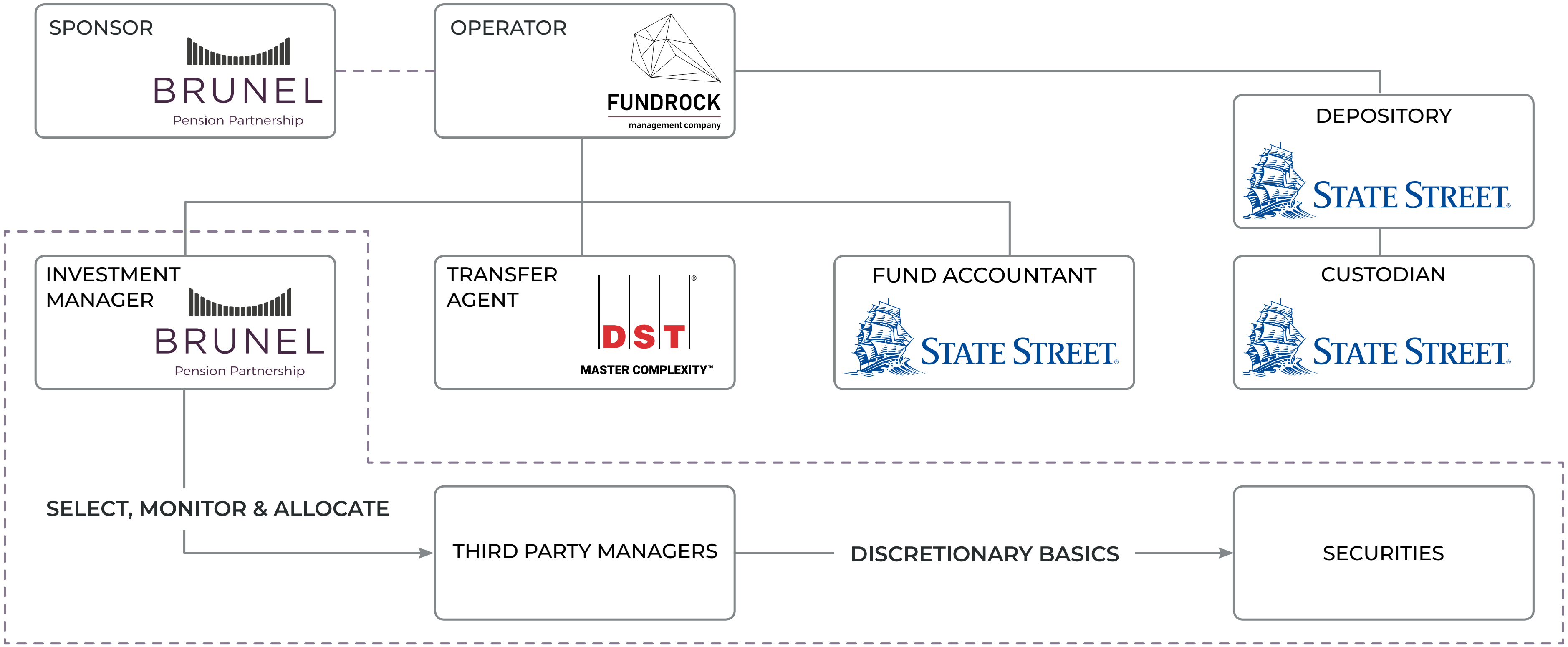
THE AUTHORISED CONTRACTUAL SCHEME (ACS)

Brunel has a dual role of being both the sponsor and the appointed delegated portfolio manager. In turn Brunel sub-delegates portfolio management to appointed third-party managers. **FundRock** retains overall regulatory responsibility for **Risk Management** of the vehicle and, while delegating portfolio management, is ultimately accountable to the **FCA** for the vehicle.

State Street play a critical role, as the depositary must ensure that the securities within the vehicle are held secure, record keeping is accurate, and the fund is operating within agreed parameters.

DST, the transfer agent, enables transacting with the fund in a controlled manner.

The close partnership within this regulatory construct allows clients to be confident the **ACS** will operate in a controlled way, providing efficiency in operations and tax treatment.



OPERATING MODEL
The Authorised Contractual Scheme (ACS)

PRIVATE MARKETS

Brunel's Private Markets offering was planned to start from 2020.

Private Markets team recruitment was completed by May 2018 with the full complement of five staff dedicated to managing private markets investments.

The team has significantly accelerated plans and therefore savings.

The top priority of the private markets team was to launch the five distinct Portfolios outlined in the Client Service Agreement.

These are:

- INFRASTRUCTURE
- PRIVATE EQUITY
- PRIVATE DEBT
- PROPERTY
- SECURED INCOME

The specification for each of these Portfolios was agreed with Client Group.

Given the amount of new money and estimated unwind from existing holdings, Brunel will pursue a single Portfolio per asset class to maximise and preserve the benefits of scale that pooling has created.

All investments will be in line with Brunel's company-wide Responsible Investment policy.

Having assessed the various possible delivery methods, client needs and feedback (where given), the knowledge acquired during the ACS Operator procurement and the model employed by incumbent providers on behalf of Brunel clients, Brunel has chosen to act as a discretionary multi-manager to its ten client funds, not as a General Partner of a formal Limited Partnership vehicle.

The private markets team will build a portfolio of investments as detailed in individual Portfolio Briefing Notes.

Each client will effectively have a separate account with Brunel providing a complete solution from investment origination to post-investment monitoring.

Clients will be committed to investments pro-rata and in their own name. To deliver this fully discretionary service Brunel needs to outsource certain key functions. This is in keeping with Brunel's corporate operating model.

The chosen operating model gives Brunel the flexibility to tailor future investments to existing client holdings and gives Brunel the ability to opt clients out of investments that would conflict with documented client fund guidelines.

The diagram depicts Brunel's operating model, governance and oversight by the Investment function.

The Investment team is subject to Brunel's overarching governance arrangements as necessitated to comply with **FCA** authorisation.

PRIVATE MARKETS TEAM

- **Investment Review Group made up of Brunel's PM Team of 5**
- Input from **CIO & CRIO** on an ongoing ad-hoc basis, prior to taking opportunities to wider **BIC**

BIC

- Entire **Brunel Investment team - both Public & Private Markets,** plus members of **Operations, Risk, Client Relations**

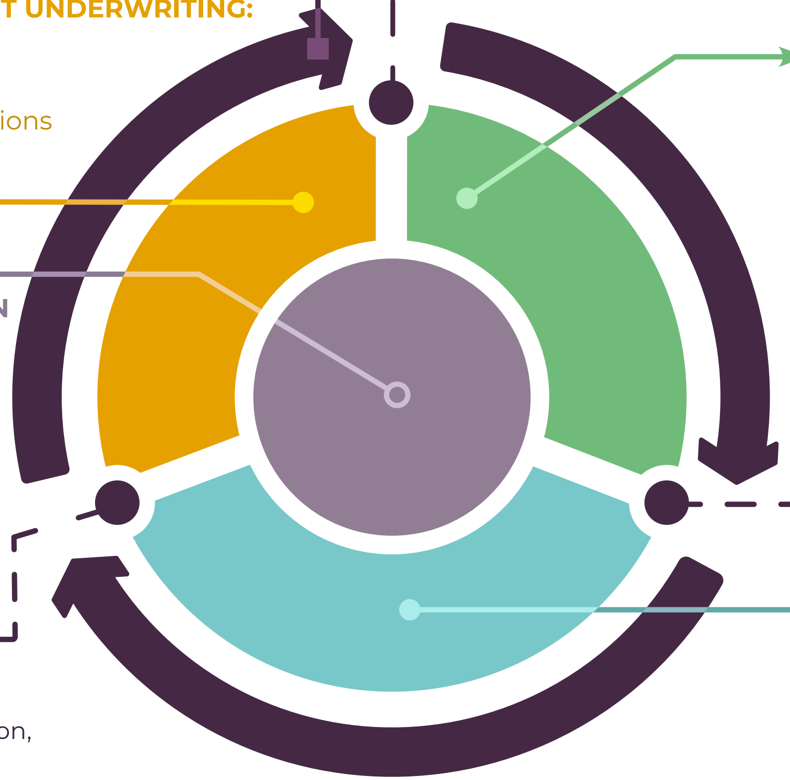
- BIC approves all investment: Input from **SIC & Client Investment Sub-Group** as required

PORTFOLIO & RISK MANAGEMENT ADVISOR
PM TEAM & BIC INVESTMENT UNDERWRITING:

- Sourcing
- Due diligence
- Investment recommendations
- Legal negotiations

MID & BACK OFFICE ADMINISTRATOR
INVESTMENT MANAGEMENT

- Communication with other LPs
- Quarterly monitoring report
- Company level performance
- Capital calls
- Manager, market & company level updates
- Review of quarterly financials



PORTFOLIO CONSTRUCTION

- Pacing analysis
- Forward calendar
- House view
- Sourcing
- Screening
- Due diligence
- Portfolio rebalancing

- Monitor existing portfolio and develop portfolio insights

RISK, RESEARCH, ANALYTICS & PERFORMANCE

- Portfolio diversification
- Purchase price multiple
- Market overview
- Capital allocation and pacing
- Performance attribution
- Benchmark
- Risk analysis

- Capital allocation and pacing recommendation, market overview

NOTE: **BRUNEL Investment Committee (BIC)**, is the operational committee below the **Strategic Investment Committee (SIC)**.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors of **Brunel Pension Partnership Limited (Brunel)** present their report and the financial statements for the year ended 30 September 2018.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year.

Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 31 of the Company’s Articles of Association outlines an indemnity provision for all directors and relevant officers.

The Company also has in place Directors & Officers Professional Indemnity Insurance to provide an amount of cover for any relevant loss.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £2,117,182 (2017: £2,335,338).

No dividends were paid during the year (2017: nil) and no recommendation is made to pay a final dividend.

EXPECTED FUTURE DEVELOPMENTS

Expected future developments are set out in the strategic report.

This includes the launch and transitioning of the UK Active Equity, Low Volatility this calendar year, with the development of the Emerging Markets and Developed High Alpha portfolios for Active Equity following these.

The Private Markets team will continue to research and find managers for portfolios which include Secured Income, Infrastructure, and Private Equities of which Clients have already committed £1,061 million.

POLITICAL OR CHARITABLE DONATIONS

During the financial year the Company did not make any political or charitable donations.

Brunel staff have selected a charity to support each year and donations come directly from people within Brunel and any external supporters rather than direct from Brunel itself.

DIRECTORS

The directors who served during the year and their appointment / resignation dates were:

NAME:	APPOINTED:	RESIGNED:
Denise Marie-Reine Le Gal	18 July 2017	-
Michael John Clark	18 July 2017	-
Stephen John Tyson	18 July 2017	-
Frederique Pierre-Pierre	18 July 2017	-
Dawn Suzanne Turner	18 July 2017	-
Laura Jane Chappell	18 July 2017	-
Mark Robert Mansley	18 July 2017	-
Joseph Andrew Webster	01 October 2017	-

BOARD ATTENDANCE

The list below shows the attendance at board meetings by board directors during the year.

There were **5 formal Board meetings** held during the financial year ending 30 September 2018.

DIRECTOR	MEETINGS
Denise Marie-Reine Le Gal	4/5
Michael John Clark	5/5
Stephen John Tyson	5/5
Frederique Pierre-Pierre	4/5
Dawn Suzanne Turner	5/5
Laura Jane Chappell	5/5
Mark Robert Mansley	5/5
Joseph Andrew Webster	3/5

PENSION SCHEME

The Company participates as an **Admitted Body** in the **Wiltshire Pension Fund (the 'Fund')** which operates a defined benefit pension scheme.

As at 30 September 2018, the actuary has reported a pension deficit of £454,000.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this **Directors' report** is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information

POST BALANCE SHEET EVENTS

There have been no significant events that affect the Company since the 30 September 2018.

INDEPENDENT AUDITORS

At the **Annual General Meeting** held on 31 January 2018, **Grant Thornton UK LLP** was reappointed as auditor of the Company, in accordance with s487 of the Companies Act 2006.

Grant Thornton UK LLP have expressed their willingness to continue in office as auditor.

Following the finalisation of the 2017-18 external audit, **Grant Thornton UK LLP** will be proposed for reappointment as auditor of the Company at the Annual **General Meeting** on 31 January 2019.

This report was approved by the Board on 13 December 2018 and signed on its behalf.

Joe WEBSTER
Director and Chief Operating Officer
07 January 2019

REPORT OF THE INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUNEL PENSION PARTNERSHIP LIMITED

OPINION

We have audited the financial statements of Brunel Pension Partnership Limited (the 'Company') for the year ended 30 September 2018, which comprise of the Statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

WHO WE ARE REPORTING TO

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

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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information.

The other information comprises the information included in the financial statements, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 36 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**.

This description forms part of our auditor's report.

Paul FLATLEY
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square, London, EC2A 1AG

07 January 2018

3. FINANCIAL STATEMENTS

- STATEMENT OF TOTAL COMPREHENSIVE INCOME
- STATEMENT OF FINANCIAL POSITION
- STATEMENT OF CASH FLOWS
- STATEMENT OF CHANGES IN EQUITY
- NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF TOTAL COMPREHENSIVE INCOME

Brunel Pension Partnership Limited

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	NOTE	2018	FROM 18 JULY TO 30 SEPTEMBER 2017
		£	£
TURNOVER		**3,752,325**	**-**
Cost of sales	14	(1,312,285)	-
GROSS PROFIT		**2,440,040**	**-**
Administrative expenses	15	(3,657,413)	(2,806,183)
Finance charges		(834)	(264)
LOSS BEFORE TAXATION		**(1,218,207)**	**(2,806,447)**
Taxation	19	170,065	471,109
Loss for the year/period		(1,048,142)	(2,335,338)
OTHER COMPREHENSIVE INCOME		**(1,048,142)**	**(2,335,338)**
Actuarial gains and losses	21	(1,288,000)	-
Tax on items of other comprehensive income	19	218,960	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		**(2,117,182)**	**(2,335,338)**

BRUNEL Pension Partnership

STATEMENT OF FINANCIAL POSITION

Brunel Pension Partnership Limited

AS AT 30 SEPTEMBER 2018

	NOTE	2018	2017
		£	£
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	8	330,924	288,696
Intangible assets	9	222,202	-
Long term debtors	10	49,750	49,750
TOTAL		**602,876**	**338,446**
Deferred tax asset	19	860,134	479,990
CURRENT ASSETS			
Debtors	11	962,453	110,240
Cash at bank	12	5,500,838	2,454,185
TOTAL		**6,463,291**	**2,564,425**
TOTAL ASSETS		**7,926,301**	**3,382,861**
LIABILITIES			
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	13	3,434,821	2,709,318
Deferred tax	19	-	8,881
TOTAL		**3,434,821**	**2,718,199**

	NOTE	2018	2017
		£	£
NON-CURRENT LIABILITIES			
Net defined benefit obligations	21	454,000	-
Provisions for other liabilities	20	90,000	-
TOTAL		**544,000**	-
TOTAL LIABILITIES		**3,978,821**	**2,718,199**
NET CURRENT ASSETS		**3,028,470**	**(153,774)**
NET ASSETS		**3,947,480**	**664,662**
EQUITY			
CAPITAL AND RESERVES			
Called up share capital	22	20	10
Share premium account	22	8,399,980	2,999,990
Retained earnings	23	(4,452,520)	(2,335,338)
TOTAL EQUITY		**3,947,480**	**664,662**

The financial statements were approved by the board on 13 December 2018 and signed on its behalf on 07 January 2019

Joe WEBSTER
Director and Chief Operating Officer
07 January 2019

STATEMENT OF CASH FLOWS

Brunel Pension Partnership Limited

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	NOTE	2018	From 18 JULY TO 30 SEPTEMBER 2017
		£	£
CASH FLOWS USED IN OPERATING ACTIVITIES			
Total comprehensive income for the year/period		(1,048,142)	(2,335,338)
ADJUSTMENTS FOR:			
Depreciation of tangible assets	8	92,491	945
Amortisation of intangible assets	9	38,542	-
Taxation	19	(170,065)	(471,109)
Decrease / (increase) in trade and other debtors	10 & 11	(852,214)	(159,990)
Increase / (decrease) in creditors	13	725,503	2,709,318
POST-EMPLOYMENT BENEFITS LESS PAYMENTS		(834,000)	-
CASH FROM OPERATIONS		**(2,047,885)**	**(256,174)**
INCOME TAXES PAID		**-**	**-**
NET CASH USED IN OPERATING ACTIVITIES		**(2,047,885)**	**(256,174)**

	NOTE	2018	From 18 JULY TO 30 SEPTEMBER 2017
		£	£
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of tangible assets	8	(44,719)	(289,641)
Purchase of intangible assets	9	(260,744)	-
NET CASH USED IN INVESTING ACTIVITIES		**(305,463)**	**(289,641)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary share capital		**5,400,000**	**3,000,000**
NET CASH GENERATED FROM FINANCING EQUIVALENTS		**5,400,000**	**3,000,000**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,046,653**	**2,454,185**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		**2,454,185**	**-**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		**5,500,838**	**2,454,185**

STATEMENT OF CHANGES IN EQUITY

Brunel Pension Partnership Limited

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL
	£	£	£	£
Issue of share capital	10	2,999,990	-	**3,000,000**
Loss for the period	-	-	(2,335,338)	**(2,335,338)**
Balance at 01 October 2017	10	2,999,990	(2,335,338)	**664,662**
Issue of share capital	10	5,399,990	-	**5,400,000**
Loss for the year	-	-	(2,117,182)	**(2,117,182)**
BALANCE AT 30 SEPTEMBER 2018	**20**	**8,399,980**	**(4,452,520)**	**3,947,480**

Please see note 23 and 24 below.

NOTES TO THE FINANCIAL STATEMENTS

Brunel Pension Partnership Limited

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. COMPANY INFORMATION

The Company is a private company limited by shares and is registered in England and Wales.

Registered Number: 10429110

Registered office: 101 Victoria Street, Bristol, BS1 6PU

Authorised and regulated by the Financial Conduct Authority No. 790168

2. STATEMENT OF COMPLIANCE

During the year the company obtained authorisation from the FCA as a MIFID firm based on which it has become ineligible to take small companies' exemptions. Accordingly, these financial statements have been prepared in accordance with applicable 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 with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain defined benefit plan financial instruments as specified in the accounting policies below. Financial statements are presented in Sterling (£).

3. GOING CONCERN

The Company continues to adopt the going concern basis in preparing its financial statements.

The Company meets its day-to-day working capital requirements through current cash levels and agreed capital funding. The service model launched in April 2018 defined a cost-plus basis which is to be received in advance of delivering the service.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performances, show that the Company should be able to operate within the level of its current cash levels.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the approval of the financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

4.1 TANGIBLE ASSETS

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method.

The rates applicable are:

- Computer hardware 3 years
- Furniture and equipment 5 years

4.2 INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over the estimated useful lives, using the straight-line method.

The Internal Control Environment is a bespoke software application that has been developed for Brunel on the Salesforce platform.

The cost of this has been amortised over the term of the contract with Salesforce ending on 30/11/2020, using the straight-line method and forms a charge within the Administration Expenses.

4.3 IMPAIRMENT OF ASSETS

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.4 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

4.5 CREDITORS

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4.6 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Payments under operating leases are charged to the Statement of Total Comprehensive Income on a straight-line basis over the period of the lease. Lease incentives are credited to the Statement of Total Comprehensive Income to reduce the lease expense on a straight-line basis over the period of the lease.

4.7 PENSIONS

The Company participates in a defined benefit plan administered by **Wiltshire Council**. A defined benefit plan defines the pension benefit that the employee will receive on retirement usually dependent upon several factors including but not limited to age, length of service and remuneration.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the estimated present value of the **Company's share** of the estimated defined benefit obligation at the balance sheet date less the **Company's share** of the fair value of plan assets at the balance sheet date out of which the obligations are to be met.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to estimate the defined benefit obligation.

The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

(4.7 PENSIONS Continued)

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, compromises:

a) The increase in net pension benefit liability arising from employee service (including transfers received) during the period; and

b) The cost of plan introductions, benefit changes, curtailments and settlements

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the Company's share of plan assets. This cost is recognised in the Statement of Comprehensive Income within admin expenses.

4.8 PROVISIONS FOR LIABILITIES

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

4.9 TAXATION

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Brunel's business plan stipulates that revenues will be earnt on a cost-plus basis, defining the income as probable.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

4.9 Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

4.10 TURNOVER

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover comprises of budgeted cost plus a mark-up of 5% as agreed in the Services Agreement with clients.

4.11 EQUITY

Equity instruments issued by the company are recorded at a level representing the value of the proceeds received. Share capital represents the nominal value of shares that have been issued.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the **Company financial statements** requires management to make judgements and estimates. The items in the financials where these judgements and estimates have been made include:

Deferred taxation

The financial statements include estimates with regards to timing of future cashflows with respect to deferred taxation as disclosed in note 4.9 and 19.

Pension Valuation

Estimations of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.
An actuary is engaged to provide the **Company** with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
Note 4.7 and 21 detail this further.

Restoration Provision

The financial statements include an estimate in relation to our site restoration obligations.
Details relating to this are detailed in note 20.

6. AUDITORS REMUNERATION

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £40,000 (2017: £40,000) ex VAT.

Fees payable to the Company's auditor in respect of other audit related services were £7,500 (2017: £nil) ex VAT. These services relate to the provision of a client assets report to the Financial Conduct Authority.

7. DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2018	2017
	£	£
Wages and salaries	1,506,093	62,676
Social security costs	180,783	7,711
Other pension costs	262,212	8,547
	1,949,088	**78,934**

The Company operates a defined benefit pension scheme for the benefit of the employees and executive directors.

The assets of the scheme are administered by the **Wiltshire Pension Fund**.

Pension payments recognised as an expense during the year amount to £429,414 (2017: £8,547).

Employee contributions are recognised as an expense during the year, these amount to £262,212 (2017: £8,547).

Not included in these tables are FRS102 pension cost adjustments made at the 2018 year end that bring the expense to £429,413 (2017: nil).

The average number of employees, including directors, during the year was 23 (2017: 1).

Remuneration in respect of key personnel was as follows:

	2018	2017
	£	£
Emoluments	459,778	-
Social security costs	57,208	-
Pension contributions to defined benefit scheme	77,469	-
	594,455	**-**

Remuneration in respect of directors was as follows:

	2018	2017
	£	£
Emoluments	671,875	79,203
Social security costs	83,531	9,804
Pension contributions to defined benefit scheme	83,190	7,846
	838,596	**96,853**

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2018	2017
	£	£
Emoluments	125,000	11,250
Social security costs	16,106	1,459
Pension contributions to defined benefit scheme	22,125	1,991
	163,231	**14,700**

8. TANGIBLE FIXED ASSETS

	FURNITURE AND EQUIPMENT	COMPUTER HARDWARE	TOTAL
	£	£	£
COST			
AT 01 OCTOBER 2017	**248,519**	**41,122**	**289,641**
Additions *	111,945	22,774	**134,719**
Disposals	-	-	**-**
AT 30 SEPTEMBER 2018	**360,464**	**63,896**	**424,360**
DEPRECIATION			
AT 01 OCTOBER 2017	**-**	**945**	**945**
Provided in the year	72,666	19,825	**92,491**
Disposals	-	-	**-**
AT 30 SEPTEMBER 2018	**72,666**	**20,770**	**93,436**
NET BOOK VALUE AT 30 SEPTEMBER 2018	**287,798**	**43,126**	**330,924**
NET BOOK VALUE AT 30 SEPTEMBER 2017	**248,519**	**40,177**	**288,696**

* Includes £90,000 on account of estimated cost of site restoration obligations included in Furniture and Equipment.

9. INTANGIBLE FIXED ASSETS

	INTERNAL CONTROL ENVIRONMENT	TOTAL
	£	£
COST		
AT 01 OCTOBER 2017	-	-
Additions	260,744	**260,744**
Disposals	-	-
AT 30 SEPTEMBER 2018	**260,744**	**260,744**
AMORTISATION		
AT 01 OCTOBER 2017	-	-
Provided in the year	**38,542**	**38,542**
Disposals	-	-
AT 30 SEPTEMBER 2018	**38,542**	**38,542**
NET BOOK VALUE AT 30 SEPTEMBER 2018	**222,202**	**222,202**
NET BOOK VALUE AT 30 SEPTEMBER 2017	**-**	**-**

The Internal Control Environment (ICE) asset stated above is a bespoke Customer Relationship Management environment built on the Salesforce platform, developed by Alpha Financial Markets Consulting UK Limited (Alpha).

The tools on ICE are essential for the delivery of Brunel's core services and allows the efficient management of clients and dealing services. It also assists in mitigating risks in the provision of services, as required for an FCA authorised company.

10. LONG TERM DEBTORS

	2018	2017
	£	£
Lease Deposit*	49,750	49,750
	49,750	**49,750**

* The deposit is not expected to mature until the end of the lease on 31/07/2027 and no earlier than the break-date on 31/07/2022. Based on this, it has been reclassified from Debtors in 2017 figures.

11. DEBTORS

DUE WITHIN ONE YEAR	2018	2017
	£	£
Input VAT	142,197	88,196
Accrued Income	175,894	22,044
Prepayments	208,941	-
Trade debtors*	435,421	-
	962,453	**110,240**

* Trade debtor amounts are solely due from related parties.

12. CASH AT BANK AND IN HAND

	2018	2017
	£	£
Cash at bank and in hand	5,500,838	2,454,185
	5,500,838	**2,454,185**

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Payroll Costs	43,442	13,855
Output VAT	357,687	-
Social Security Costs	66,124	29,194
Accruals	929,532	489,479
Deferred Revenue	1,787,996	-
Trade Creditors	206,018	-
Deferred Rent	44,022	-
Amounts due to Shareholders	-	2,176,790
	3,434,821	**2,709,318**

14. COST OF SALES

	2018	FROM 18 JULY TO 30 SEPTEMBER 2017
	£	£
Strategic Transition Management	30,000	-
Research Fees	7,000	-
Custodian & Administrator Services	632,024	-
Fund investment advice	66,000	-
Data Views, Sources & Benchmarks	16,977	-
Costs associated to Investment team activities*	560,284	-
	1,312,285	-

* Costs associated to Investment team activities include direct salaries and an apportionment of overheads. This amount includes staff costs of £460k, and an apportionment of Operating Lease rentals of £16k.

15. ADMINISTRATIVE EXPENSES

	2018	2017
	£	£
Statutory Audit fees	40,000	40,000
Fee for non-audit services: Client Asset Assurance	7,500	-
Legal Fees	68,320	1,413,381
Consulting & Advisory	461,267	-
Operating Lease Rentals	55,960	11,977
Directors Emoluments	838,277	220,856
Staff costs*	596,052	29,465
Depreciation	56,898	945
Amortisation	30,012	-
Other Expenses	1,324,707	358,777
Consulting & Advisory costs relating to the setup of Brunel	178,420	952,583
	3,657,413	**3,027,984**

* Brunel recognises a provision of £26,169 for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months.

The provision is measured at the salary cost payable for the period of absence.

Costs associated to Investment team activities have been classified as Cost of Sales in the Statement of Comprehensive Income.

16. OPERATING LEASE COMMITMENTS

The Company has total future commitments in respect of non-cancellable operating lease on office space of £317,849 (2017: £359,307), to the break date of 31/07/2022.

	2018
	£
In the next year (ending 30/09/2019)	82,917
Later than one year and not later than five years (01/10/2019-30/09/2023)	234,932
TOTAL	**317,849**
	2017
	£
In the next year (ending 30/09/2018)	41,459
Later than one year and not later than five years (01/10/2018-30/09/2022)	317,849
TOTAL	**359,308**

17. TRANSACTIONS WITH RELATED PARTIES

Brunel recognised a £2.2m related party cost in the previous financial period associated with the setup of the business. The actual cost came through in 2018 financial year and offset the accrual.

During the year, Brunel reimbursed its shareholders a further £178,000 relating to development costs of the Company.

Brunel's shareholders paid £5,363,987 (2017: £Nil) for Core Services, of which £1,787,996 was income received in advance relating to the October – December 2018 Quarter. £440 was received in relation to an elective service delivered to one client.

Payments of £3,568 (2017: £1,300) were made to **Wiltshire Council for Payroll** and **HR services** in the financial year, of which £1,123 was a year end accrual.

Transactions with related parties that the directors of Brunel are associated with are as follows:

- Payment of Directors salaries
- Payment of pension contributions to the **Wiltshire Pension Fund** for Executive Directors

Further information in note 7.

18. CONTINGENT LIABILITY

On Brunel's admission to the **Local Government Pension Scheme (LGPS)** with the **Wiltshire Pension Fund**, the employees of Brunel will have the opportunity to become members of the **LGPS**, which is a **Defined Benefit pension scheme**, and aggregate any previous pension provision.

To date, eight out of a possible 13 with previous **LGPS** service have opted to aggregate their benefit and the liabilities have been recognised in these financial statements.
The remaining are still within their 12-month elective period and these liabilities if aggregated will be recognised in the financial accounts statements for the period ending September 2019.

It is impractical to estimate the financial effect of this contingent liability, as the value will be determined by the employee's decision to aggregate their pension service. Brunel also doesn't have access to its employees previous pension service records and the values are not reasonably predicted by averages since tenure may vary significantly.
This uncertainty will be clarified within 12 months of the employees start date with Brunel.
Transfer Values will be paid into the Wiltshire Pension Fund from other **LGPS** funds on the outcome of each members decision; at which point the liability arises, calculated by the actuary.

19. TAXATION

	2018	FOR THE PERIOD 18 JULY TO 30 SEPTEMBER 2017
	£	£
Current Tax:	-	-
DEFERRED TAX:		
Origination and reversal of timing differences	(187,543)	(526,533)
Adjustment in respect of previous periods	(2,264)	-
Effect of changes in tax rates	19,742	55,424
TOTAL DEFERRED TAX	**(170,065)**	**(471,109)**
Total tax per income statement	(170,065)	(471,109)
OTHER COMPREHENSIVE INCOME ITEMS:		
Deferred tax current year credit	(218,960)	-
	(218,960)	**-**

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom at 19% (2017: 19%). The differences are explained as follows:

	2018	FOR THE PERIOD 18 JULY TO 30 SEPTEMBER 2017
	£	£
Loss for the year/period before tax:	(1,218,219)	(2,806,447)
Tax on loss at standard UK tax rate of 19% (2017: 19%):	(231,462)	(533,225)
EFFECTS OF:		
Expenses not deductible	43,918	6,692
Adjustments from previous periods	(2,264)	-
Tax rate changes	19,743	55,424
TAX CREDIT FOR THE YEAR/PERIOD	**(170,065)**	**(471,109)**
TAX ON RESULTS ON ORDINARY ACTIVITIES:	**(170,065)**	**(471,109)**
DEFERRED TAX ASSETS:		
Provision at start of period	(471,109)	-
Adjustment in respect of prior years	(2,265)	-
Deferred tax charge to income statement for the period	(167,801)	(471,109)
Deferred tax charge in OCI for the period	(218,960)	-
PROVISION AT END OF YEAR/PERIOD	**(860,135)**	**(471,109)**

(19. TAXATION Continius)

	BOOKED 30 SEP 2018	BOOKED 30 SEP 2017
	£	£
Fixed asset timing differences	(4,524)	8,881
Fixed asset timing differences - pension	(7,385)	-
Losses	(848,226)	(479,990)
	(860,135)	**(471,109)**
DEFERRED TAX ASSETS:		
Recoverable within 12 months	(860,135)	(479,990)
	(860,135)	**(479,990)**
DEFERRED TAX LIABILITIES:		
Payable within 12 months	-	8,881
	-	**8,881**

20. PROVISIONS FOR OTHER LIABILITIES

Brunel has an obligation for the restoration of its office space on termination of its lease.

A provision of £90,000 for dilapidations has been recognised which represents the management's best estimate of the site restoration costs at the end of the lease term as outlined in note 16.

The timing of this cost is uncertain as it would only become payable on vacating the current Brunel offices, and the earliest this cost could arise would be at the rent review date in on 31/7/2022.

	SITE RESTORATION OBLIGATIONS
	£
As at 1 October 2017	-
Provision made in the year	90,000
As at 30 September 2018	**90,000**

21. PENSION COMMITMENTS

Brunel participates in the Local Government Pension Scheme (LGPS) administered by the Wiltshire Pension Fund, on behalf of Wiltshire Council.

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972.

The benefits under the scheme are based on the length of membership and the average salary.

Each member contributes a proportion of their salary, within a 5.5% to 12.5% range depending on their rate of pay.

Brunel, as the employing body, also contributes in to the scheme at 17.7% of the employee's salary.

LGPS is accounted for as a defined benefits scheme.

The liabilities of the LGPS attributable to Brunel are included in the statement of Financial Position on an actuarial basis using the projected unit method - i.e. an assessment of future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

The schemes in the UK typically expose Brunel to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk as follows:

- Investment risk – the present value of the defined benefit schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on plan assets is below this rate, a deficit will be created;
- Interest risk – a decrease in the bond interest rate will increase the scheme liability but this will be partially offset by an increase in the return of the plan's debt instruments;
- Longevity risk – the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability; and
- Salary risk – the present value of the defined benefit scheme liability is calculated by reference to the future salaries of plan participants, as such, an increase in the salary of the plan participants will increase the plan's liability.

This is a funded scheme, meaning that Brunel and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

Brunel joined the LGPS on inception of the Company on 18 July 2017 although the admission agreement was signed in the financial year ended 30 September 2018.

Pension costs have been charged to the Total Comprehensive Income on the basis required by FRS 102.

This includes a one-off contribution of £1m, which was paid in the year ended 30 September 2018 as a funding shortfall payment in line with the original capital financing plans for Brunel.

Costs for 2017 described below (£14,000) are recognised in the 2018 Financial Statements, as the admission agreement was signed in the financial year ended 30 September 2018.

POST-EMPLOYMENT BENEFITS SUMMARY

	2018	2017
	£	£
Net Assets	2,521,000	5,000
Net Liabilities	(2,975,000)	(19,000)
	(454,000)	**(14,000)**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	2018	2017
	£	£
Defined benefit obligation at start of period	19,000	-
Current service cost	391,000	15,000
Interest expense	8,000	-
Contributions by plan participants	124,000	5,000
Benefits paid	1,133,000	-
REMEASUREMENTS:		
Changes in financial assumptions	(82,000)	(1,000)
Other Experience	1,382,000	-
DEFINED BENEFIT OBLIGATION AT END OF PERIOD	**2,975,000**	**19,000**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	2018	2017
	£	£
Fair value of plan assets at start of period	5,000	-
Interest income	5,000	-
Return on plan assets in excess of interest income	11,000	-
Contributions from the employer	1,243,000	-
Contributions from employees	124,000	5,000
Benefits paid	1,133,000	-
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**2,521,000**	**5,000**

The actual return on plan assets over the period ending 30 September 2018 was 8.8%.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

GAIN/(LOSS)	2018	2017
	£	£
Return on plan assets (excluding amounts included in net interest cost)	11,000	-
Experience gains and losses on the plan liabilities	(1,382,000)	-
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	82,000	1,000
TOTAL AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME	**(1,289,000)**	**1,000**

The cost recognised in the statement of Other Comprehensive Income for 2018 is £1,288,000 which includes total cost of £1.289m for 2018 and a gain of £1,000 for 2017.

ASSETS

Assets in the Wiltshire Pension Fund are valued at a fair value, principally market value for investments and consists of the following categories, by proportion:

	2018	2017
	%	%
Equities	71%	71%
Bonds	14%	14%
Property	13%	13%
Cash	2%	2%
TOTAL ASSETS	**100%**	**100%**

None of the fair values of the assets shown above include any of the Company's own financial instruments or any property occupied by, or other assets used by the Company.

ASSUMPTIONS

	30 SEP 2018	30 SEP 2017	18 JUL 2017
	% pa.	% pa.	% pa.
Discount rate	2.9%	2.8%	2.7%
Salary increase rate	3.0%	3.0%	3.0%
Pension Increase Rate (CPI)	2.4%	2.4%	2.4%
AVERAGE LIFE EXPECTANCIES	**MALES**	**FEMALES**	
Current Pensioners	22.5 years	24.9 years	
Future Pensioners *	24.1 years	26.7 years	

* Figures assume members aged 45 as at the last formal valuation date.

SENSITIVITY ANALYSIS

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

CHANGE IN ASSUMPTIONS AT 30 SEPTEMBER 2018:	APPROXIMATE % INCREASE TO DEFINED BENEFIT OBLIGATION	APPROXIMATE MONETARY AMOUNT £
0.5% decrease in Real Discount Rate	14%	430,000
0.5% increase in the Salary Increase Rate	4%	110,000
0.5% increase in the Pension Increase Rate (CPI)	10%	312,000

22. CALLED UP SHARE CAPITAL

	2018	2017
Authorised, allotted and fully paid:		
20 ordinary shares of £1 each	20	10
	20	**10**

Shares issued during the year have full rights in the Company with respect to voting, dividends and distributions.
During the year, 10 ordinary shares of £1 each were issued at £540,000 per share.

ORDINARY SHARES	2018
	NUMBER
At 01 October 2017	10
Share issue	10
AT 31 OCTOBER 2018	**20**

23. RESERVES

Called-up share capital represents the nominal value of shares that have been issued. Share premium account includes any premiums received on issue of share capital. Retained earnings includes all current and prior period retained losses.

24. POST BALANCE SHEET EVENTS

There are no known Post Balance Sheet Events at the point of publication.

EMAIL

info@brunelpp.org

www.brunelpensionpartnership.org

BY POST

Brunel Pension Partnership Ltd

101 Victoria Street, Bristol, BS1 6PU

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@BrunelPP