



LEONARDO

 **FUTUREPLANNER**

REPORT AND FINANCIAL  
STATEMENTS

**YEAR ENDED 5 APRIL 2017**

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**LEONARDO FUTUREPLANNER**

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**(formerly known as Finmeccanica FuturePlanner to 30 October 2016)**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 5 APRIL 2017**

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# LEONARDO FUTUREPLANNER

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## CONTENTS

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	<b>Page</b>
<b>Trustees and their advisers</b>	<b>1</b>
<b>Chair's Introduction</b>	<b>2</b>
<b>Trustees' report</b>	<b>3 - 14</b>
<b>Chair's Statement</b>	<b>15 - 17</b>
<b>Statement of Trustees' responsibilities</b>	<b>18</b>
<b>Independent Auditor's report to the Trustees</b>	<b>19</b>
<b>Fund account</b>	<b>20</b>
<b>Statement of net assets (available for benefits)</b>	<b>21</b>
<b>Notes to the financial statements</b>	<b>22 - 34</b>
<b>Auditor's Statement about Contributions</b>	<b>35</b>
<b>Summary of Contributions</b>	<b>36</b>

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## LEONARDO FUTUREPLANNER

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### TRUSTEES AND THEIR ADVISERS YEAR ENDED 5 APRIL 2017

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<b>Trustees</b>	Martin Flavell, Chairman (Company Nominated) John Archbold (Company Nominated) Paul Rees (Company Nominated) Brian Airlie (Member Nominated) Adam Collins (Member Nominated) (resigned on 23 April 2017)
<b>Secretary to the Trustees</b>	Mike Nixon
<b>Scheme Address</b>	Leonardo FuturePlanner Box 205 Lysander Road Yeovil, Somerset BA20 2YB
<b>Principal Employer</b>	Finmeccanica UK Limited (05360430) to 30 October 2016 Lysander Road Yeovil, Somerset BA20 2YB  Leonardo MW Ltd (02426132) from 31 October 2016 Sigma House Christopher Martin Road Basildon Essex SS14 3EL
<b>Scheme Administrator and administration address</b>	Aon Hewitt Limited Briarcliff House Kingsmead Farnborough Hampshire GU14 7TE
<b>Statutory Auditor</b>	RSM UK Audit LLP
<b>'At retirement' Provider</b>	FIL Retirement Services Limited
<b>Investment Manager</b>	Old Mutual Wealth Life Assurance Company Limited
<b>Investment Advisor</b>	P-Solve Investments Limited
<b>Banker</b>	Bank of Scotland
<b>Solicitor</b>	Burges Salmon LLP

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# LEONARDO FUTUREPLANNER

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## CHAIR'S INTRODUCTION YEAR ENDED 5 APRIL 2017

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### Chair's Introduction

I am pleased to present the tenth annual report and accounts for Leonardo FuturePlanner.

It has been a further year of change for FuturePlanner as we take on a new name as a consequence of the Leonardo in the UK initiative. During the plan year all of our employed members (other than those working for joint venture companies) became employees of Leonardo MW Ltd which is also our new sponsoring employer. These changes took effect from 31 October 2016. Please look out for some changes to our brand identity that we will be making, including a revised website that will be introduced during this next year.



We have seen some further evolution in the way members take their retirement benefits following on from the Government's 'freedom & choice' changes which came into effect from April 2015. In particular we introduced from 1 November 2016 an option for members to take 75% of their benefits in a single taxable lump sum (known in the jargon as an Uncrystallised Funds Pension Lump Sum or UFPLS), recognising that members might find this flexibility helpful. The first 25% normally remains tax free as a lump sum under current HMRC rules in the normal way.

Our joint investment committee with the sister Leonardo UK schemes continues to work well in governing our investment strategy. It was a positive year for returns, with the Long Term Growth Fund growing by 19.1%. All of the blend growth funds are ahead of their long term targets since inception (25 October 2011) by 4% per annum or more. You can find more information about investment performance on page 10. We also completed some changes to our 'pick & mix' range of funds for those who actively manage their investment, with two low risk funds changing from 'Government Bond' to 'Annuity Protection' from 1 July 2016, so that they better suit the needs of those close to retirement who are looking to purchase an income for life.

The Pensions Regulator has introduced a new Code of Practice for DC schemes like FuturePlanner. We have been working through an assessment that shows how we comply with the Code and you will find more information about this on pages 15 to 17 in this report. This includes our second formal review of how we provide 'value for members' in terms of the charges that apply to the funds FuturePlanner offers.

The innovative and effective nature of our investment strategy was recognised by 'Portfolio Institutional' magazine as we were named 'Best DC Scheme' for 2016. We also continue to hold the Pension Quality Mark Plus standard.

I would like to thank the Trustees, our support staff and service providers for their hard work and, in particular, thank Adam Collins who has now ended his term of office as a member nominated Trustee.

MARTIN FLAVELL  
Chair of the Trustees



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# LEONARDO FUTUREPLANNER

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## TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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### Introduction

The Trustees present their report for the year ended 5 April 2017, which together with the audited financial statements, comprise the annual report and financial statements.

Leonardo FuturePlanner ("the scheme") is an occupational defined contribution pension scheme and is administered by Aon Hewitt Limited in accordance with the governing Deed and Rules dated 1 July 2013. Prior to 31 October 2016 the Scheme was known as Finmeccanica FuturePlanner.

### Trustees and Advisers

The present Trustees and their advisers are shown on page 1.

The Rules of Leonardo FuturePlanner provide that there shall be at least two Trustees. The current Trustee structure is for three Trustees to be nominated by the Principal Employer and two Trustees to be nominated by the members. The Rules of Leonardo FuturePlanner provide that once Trustees have been selected, they are appointed by Leonardo MW Limited. Trustees are able to resign on one month's written notice or can be removed by the Principal Employer (with the agreement of all other Trustees in the case of a Member-Nominated Trustee). The latest process for Trustees to be nominated by members is currently underway and will result in the number of appointments being brought back to two (following the resignation of Adam Collins).

There were no changes to the advisors during the year. A notice has been received from Aon Hewitt Limited dated 15 May 2017 to terminate their appointment as Scheme administrator. PS Administration Limited were appointed by the Trustees to be the replacement administrator through a Letter of Intent dated 23 June 2017 with the transition likely to be concluded by the end of 2017.

### Trustee meetings

The Trustees met six times during the year and four times in the new joint investment committee with the sister schemes which use the same DC investment strategy. 96% attendance was achieved at these meetings.

The Trustees are in contact between meetings to discuss any issues arising and for urgent matters. For valid decisions to be taken, a minimum of two Trustees must be present at a meeting comprising at least as many Company-Nominated Trustees as Member-Nominated Trustees. Decisions require the support of a majority of the Trustees present with the Chairman having a casting vote.

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# LEONARDO FUTUREPLANNER

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## TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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### Participating Employers

The Principal Employer of Leonardo FuturePlanner was Finmeccanica UK Limited to 30 October 2016 and then Leonardo MW Ltd from 31 October 2016.

Leonardo FuturePlanner is provided for all eligible employees of the Principal Employer, and Participating Employers listed below:

AgustaWestland Limited (00604352)  
Lysander Road  
Yeovil  
Somerset  
BA20 2YB  
*Adhered from 1 November 2007 and ceased on 17 February 2017*

Aviation Training International Limited (03490323)  
Coldharbour Business Park  
Sherborne  
Dorset  
DT9 4JW  
*Adhered from 1 November 2007*

Telespazio VEGA UK Limited (07420777)  
350 Capability Green  
Luton  
Bedfordshire  
LU1 3LU  
*Adhered from 1 December 2010*

### Communication

A comprehensive website – [www.futureplanner.co.uk](http://www.futureplanner.co.uk) – provides access to key information about Leonardo FuturePlanner, including modelling tools, latest news and interactive newsletter. Email alerts are sent to members on an occasional basis to highlight new developments.

A programme of 'mid life' training is provided onsite to members to improve understanding of the Scheme. During the year 2 sites were visited with sessions attended by around 50 members. Consultative committees are also given regular briefings on developments and performance of key suppliers.

### Scheme changes

The principal employer was changed to Leonardo MW Ltd (previously Finmeccanica UK Ltd) by a Deed of Substitution dated 31 October 2016 which also re-named the Scheme Leonardo FuturePlanner.

There was one Amendment to the Rules of the Scheme during the year by a Deed dated 1 November 2016. This made it possible for the Trustees to allow members to draw a taxable cash sum at retirement, known as an Uncrystallised Funds Pension Lump Sum (or UFPLS).

The Deed also corrected a clause in the Death Benefits Trust rule that could have provided for a lump sum payment that would be 'unauthorised' under HMRC regulations.

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## LEONARDO FUTUREPLANNER

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### TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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#### Scheme Membership

Details of the membership of the Scheme as at 5 April 2017 are given below:

	Active members 2017	Members with preserved benefits 2017	Total 2017
Membership at the start of the year	2,511	879	3,390
Adjustments to members	(8)	25	17
New entrants in the year	497	-	497
Retirements	(3)	(12)	(15)
Deaths	(1)	(1)	(2)
Members leaving with preserved benefits	(376)	372	(4)
Member leaving with no further liabilities	(7)	-	(7)
Trivial commutation	-	(1)	(1)
Transfers out	-	(488)	(488)
Total membership at the end of the year	<u>2,613</u>	<u>774</u>	<u>3,387</u>

These membership figures do not include movements notified to the Administrator after the completion of the annual renewal.

Adjustments to the members at the start of the year are in respect of late notifications to the Administrator after the completion of the prior year annual renewal, and updates in respect of data cleansing.



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# LEONARDO FUTUREPLANNER

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## TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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FuturePlanner has been used to auto enrol employees who are not currently in a qualifying pension scheme. The staging dates reached and number of new members enrolled for participating employers are set out in the table below:

Employer	Staging date	New members
AgustaWestland Limited	1 July 2013	51
Selex ES Limited	1 September 2013	310
Aviation Training International Limited	1 May 2014	1
Telespazio VEGA UK Limited	1 July 2014	0
Finmeccanica UK Limited	1 November 2016	0

Auto enrolled employees may subsequently opt out and become a member with preserved benefits (whose contributions paid to the date of opt out would be retained in the Retirement Account). These employees would be re-enrolled at the next triennial re-enrolment exercise. These exercises have subsequently fallen due and the results are as follows:

Employer	Re-enrolment date	New members
AgustaWestland Limited	1 June 2016	1
Selex ES Limited	1 June 2016	22
Aviation Training International Limited	1 May 2017	0

### Review of the financial developments during the year as shown by the audited financial statements

The financial statements on pages 20 to 34 show that the value of the Scheme's assets increased by £20,083,983 to £97,132,435 as at 5 April 2017. The increase was comprised of net additions from dealings with members of £6,645,377 together with return on investments of £13,438,606.

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 20 to 34.

### Investment Managers

As required by the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles (SIP) setting out their policy on investment, which includes the Trustees' policy on Socially Responsible Investment. A copy of the SIP is available on request.

The Trustees have no separate custodians for the Scheme as the Investment Manager makes its own custodial arrangements for the assets underlying the funds they manage.

The investment management fee is included in the daily price, therefore no invoices are issued.

### Employer-related investments

The investments of Leonardo FuturePlanner are invested in accordance with Section 40 of the Pensions Act 1995. FuturePlanner held no (or negligible) employer-related investments during the year.

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# LEONARDO FUTUREPLANNER

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## TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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### Contributions

A Payment Schedule was in place from 1 July 2013.

Our administrator, Aon Hewitt Limited, has made changes to its operating model and has reported some errors made during 2015 under its previous model. A remediation project was completed during the year which corrected errors found and make good any losses made by members.

The compensation received from Aon Hewitt is disclosed in note 8 to the financial statements.

### Transfers

£3.8m of the transferred amount relates to around 400 former members whose benefits were transferred to a buy-out policy with FIL Life Insurance Limited (known as 'Fidelity') from 6 December 2016 under Rule 25. The buy out exercise is completed on a periodic basis and a further phase affecting approximately 70 members is scheduled for after the year end.

### Additional Voluntary Contributions (AVCs)

There is provision for members to pay AVCs in order to increase their retirement savings. AVCs benefit from tax relief and members have the same investment fund choices as are available for their normal Leonardo FuturePlanner contributions. Members are able to commence or change their AVCs on one month's notice at any time.

### Expression of Wish Forms

The Trustees wish to remind members that they can indicate to the Trustees the persons to whom they wish any lump sum benefits and pension benefits to be paid in the event of their death. The Trustees will then be able to take members' wishes into account, although they are not obliged to do so. Members are also urged to review their Expression of Wish Form should their circumstances change.

During the year arrangements were made for Expression of Wish Forms to be held electronically. Members may wish to check their annual Benefits Statement which indicates the date of the latest form held on their record.

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# LEONARDO FUTUREPLANNER

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## TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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### Investment Report

#### Market Background

The financial markets were subject to high levels of uncertainty over the 12 months to 31 March 2017, buffeted by geopolitical and macroeconomic events, but there were steady signs of a generally improving global economy, and the value of most return-seeking assets increased substantially over the year. At the same time, the yield on UK government bonds fell significantly.

The market recovery staged from the beginning of March 2016 slowed on the approach to the UK referendum on continued membership of the European Union. The referendum result, announced on Friday 24 June, surprised the financial markets. Sterling weakened against all major currencies, gilt yields dropped, and all major equity markets fell heavily.

After the initial plummet, however, most major equity markets began to recover. The FTSE100 index, with its strong weighting to companies with non-sterling revenues, was perceived as likely to benefit from the fall in sterling, and ended June higher than it started.

Meanwhile economic reports showed more improvement, albeit modest. Notably the oil price staged a significant recovery, largely because producers were disciplined in cutting production but also because of increased demand.

The strongest and most consistent signs of economic growth were in the US, but here the equity markets were held back over the autumn by uncertainty around the US presidential election. When the result was the victory of Donald Trump, with his plans to cut taxes, increase infrastructure spending and loosen financial regulation, US and other equity markets rallied strongly.

The rally continued through to March, but paused with Trump's failure to push through repeal of Obamacare, which may reduce his administration's chances of enacting his proposed tax reforms and infrastructure spending. Meanwhile political uncertainty continued elsewhere, with the UK triggering Article 50 to start negotiations for its exit from the European Union.

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# LEONARDO FUTUREPLANNER

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## TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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### Investment strategy

The Scheme's assets are all invested through a unit-linked insurance policy, designed for company pension schemes. The unit-linked policy invests in a wide range of investments through a number of investment managers. The Scheme's investment strategy comprises nine "member funds", which are made available to members through the "Default Lifestyle" arrangement and/or on a self-select, or "Pick 'n' Mix" basis. The funds in which the member funds themselves invest are known as "underlying funds".

The member funds are invested in a wide range of "underlying investments" (through the underlying funds) in different asset classes, including stocks and shares (equities), bonds, cash and other types of investment. The value of the member funds is worked out daily and will rise or fall. Members' investments are directly linked to the performance (after any applicable fees or charges) of the underlying funds in which money is invested.

For example, members may invest in the FuturePlanner Cash Fund – this is a member fund. This fund is itself 100% invested in the LGIM Sterling Liquidity Cash Fund – this is an underlying fund. The LGIM fund will hold various cash investments – these are underlying investments.

The value of the total policy is also worked out daily, based on the total number of units each member has in the unit-linked policy. As the value of the underlying funds rises or falls, so will the value of members' holdings in the policy. The policy can be cashed in on any working day that reflects up to date market valuations.

The investment strategy includes a number of options for members. The "Default Lifestyle" arrangement switches members across four member funds, called Core Funds. Each Core Fund is made up of a variety of underlying funds, managed by different investment managers. Each Core Fund also has its own risk and return objective, thereby taking account of members' changing needs as they approach retirement.

For members who choose not to use the Default Lifestyle arrangement, the investment strategy includes a range of self-select, or "Pick 'n' Mix" funds. This range includes three of the Core Funds underlying the Default Lifestyle arrangement (Long Term Growth Fund, Stable Growth Fund, Cautious Growth Fund), as well as five funds broadly representing more traditional equities, bonds, cash and property.

To facilitate the investment strategy, an "investment platform" is necessary. The Trustees have appointed Old Mutual Wealth Life Assurance Limited ("OMW") as provider and therefore assets are held by OMW. P-Solve Investments Limited ("P-Solve") is the investment advisor and has been appointed by the Trustees to carry out asset allocation and selection of the underlying managers in the member funds.

The underlying funds comprise a series of funds managed by professional investment managers (the "underlying managers"): BlackRock and Legal & General Investment Management. The portfolios of underlying investments are held by independent corporate custodians.

All assets held by the Scheme are held through Pooled Investment Vehicles ("PIVs"). Member funds are PIVs whilst the underlying funds consist of PIVs and segregated accounts which are a combination of PIVs and directly held financial instruments.

# LEONARDO FUTUREPLANNER

## TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

### Investment Performance

Performance of the Scheme's assets against the objectives to 31 March 2017 is shown below:

Fund	Return		
	12 months %	3 years % p.a.	since inception % p.a.
<b>FuturePlanner Long Term Growth Fund</b>	19.1	10.5	10.5
Long-Term Target	7.3	5.9	6.5
Short-Term Benchmark	20.0	10.5	12.0
<b>FuturePlanner Stable Growth Fund</b>	16.8	8.9	9.4
Long-Term Target	6.3	4.9	5.5
Short-Term Benchmark	18.1	9.8	10.5
<b>FuturePlanner Cautious Growth Fund</b>	17.6	11.5	10.1
Long-Term Target	5.3	3.9	4.5
Short-Term Benchmark	17.7	11.8	8.5
<b>FuturePlanner Retirement Protection Fund</b>	13.4	10.6	7.4
Benchmark	13.0	10.7	7.7
<b>FuturePlanner Cash Fund</b>	0.2	0.3	0.3
Benchmark	0.2	0.3	0.4
<b>FuturePlanner Global Equity Fund</b>	21.2	9.4	11.8
.Benchmark	20.6	9.5	12.3
<b>FuturePlanner Corporate Bond Fund</b>	10.2	7.5	7.0
Benchmark	9.6	7.5	7.5
<b>FuturePlanner Annuity Protection Fund</b>	14.7	14.4	9.0
Benchmark	11.9	10.7	n/a
<b>FuturePlanner Inflation-Linked Annuity Protection Fund</b>	18.5	13.2	8.4
Benchmark	16.5	n/a	n/a

Source: Old Mutual Wealth, underlying fund managers. Performance is shown net of fees deducted from assets. Since inception numbers are as at 25 October 2011.

Past performance is not a guide to future returns. The value of investments and the income from them can fall as well as rise and members may not get back the full amount originally invested.

# LEONARDO FUTUREPLANNER

## TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

Long-term targets and short-term benchmarks as at 31 March 2017 are shown below:

<b>Fund</b>	<b>Long-Term Target</b>	<b>Target/BM</b>	<b>Short-Term Benchmark</b>
FuturePlanner Long Term Growth Fund	CPI + 5% p.a.		Composite benchmark of indices: 65% Equity, 25% High Yield Bonds, 5% Gilts, 5% Cash
FuturePlanner Stable Growth Fund	CPI + 4% p.a.		Composite benchmark of indices: 50% Equity, 35% Broad Bonds, 10% Gilts, 5% Cash
FuturePlanner Cautious Growth Fund	CPI + 3% p.a.		Composite benchmark of indices: 40% Equity, 30% Broad Bonds, 25% Gilts, 5% Cash
FuturePlanner Retirement Protection Fund	Composite of underlying Annuity Protection and Cautious Growth benchmarks	Cash,	No benchmark
FuturePlanner Cash Fund	Seven Day LIBID		No benchmark
FuturePlanner Global Equity Fund	30% FTSE All-Share Index, 60% FTSE All-World Developed, 10% Emerging Market Equities		No benchmark
FuturePlanner Corporate Bond Fund	iBoxx £ Non-Gilts Total Return Index		No benchmark
FuturePlanner Annuity Protection Fund	Composite benchmark of corporate bonds and gilts		No benchmark
FuturePlanner inflation-Linked Annuity Protection Fund	Composite benchmark of index-linked corporate bonds and gilts		No benchmark

### Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustees have prepared a Statement of Investment Principles, which sets out its policy on investment issues, including risks, performance targets, diversification of investments and details of the key elements of the investment arrangements of the Scheme. A copy of this statement is available for inspection and may be obtained on request from the contact listed on page 13 for further information about the Scheme.

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# LEONARDO FUTUREPLANNER

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## TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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### Compliance Statement

#### HM Revenue & Customs registration

Leonardo FuturePlanner is a registered pension scheme (reference number 00692742RW) in accordance with The Finance Act 2004. This means that the contributions paid by both the Employers and the members qualify for full tax relief, and enables income earned from investments by the Trustees to receive preferential tax treatment.

#### Pension Tracing

The Scheme is registered with the Pension Tracing Service which maintains a list of up to date addresses of schemes to assist ex-members trace their rights if they have lost contact with the previous employers' Scheme. The address for the Pension Tracing Service is:

The Pension Tracing Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU

08000 271 300  
<https://www.gov.uk/find-lost-pension>

#### Resolving difficulties/Internal Dispute Resolution

It is expected that most queries relating to benefits can be resolved with the Scheme's administration office. In the event that a complaint cannot be resolved members can make a formal complaint using the Scheme's Internal Dispute Resolution (IDR) procedure details of which can be obtained from the address on page 1. The Pensions Advisory Service (TPAS) can assist members in taking their complaint through the IDR procedure. TPAS is an independent organisation which can help members of the public deal with pension problems. The name and address of the local TPAS adviser can be obtained from any local Citizens Advice Bureau or from:

The Pensions Advisory Service Limited  
11 Belgrave Road  
London  
SW1V 1RB  
0300 123 1047  
[enquiries@pensionsadvisoryservice.org.uk](mailto:enquiries@pensionsadvisoryservice.org.uk)  
[www.pensionadvisoryservice.org.uk](http://www.pensionadvisoryservice.org.uk)

If the complaint is not resolved satisfactorily, the Government appointed Pensions Ombudsman can investigate complaints of injustice by bad administration either by the Trustees or the Scheme Administrators, or disputes of fact of law. The Pensions Ombudsman can be contacted at:

The Pensions Ombudsman  
11 Belgrave Road  
London  
SW1V 1RB  
020 7630 2200  
[enquiries@pensions-ombudsman.org.uk](mailto:enquiries@pensions-ombudsman.org.uk)  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

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## LEONARDO FUTUREPLANNER

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### TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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#### **The Pensions Regulator**

The Pensions Regulator (TPR) is the UK regulator of work-based pension schemes.

TPR's role is to act to protect the interest of pension scheme members and to enforce the law as it applied to occupational pensions.

The regulations set out clearly the areas that TPR covers and the powers that are vested in it. For example, TPR can prohibit or disqualify Trustees for acting unlawfully, and can impose fines on wrongdoers.

TPR can be contacted at:

The Pensions Regulator  
Napier House  
Trafalgar Place  
Brighton  
BN1 4DW

0345 600 0707  
customersupport@tpr.gov.uk  
www.thepensionsregulator.gov.uk

#### **The Pension Protection Fund**

The Pension Protection Fund is a statutory fund run by the Board of the Pension Protection Fund, a statutory corporation established under the provisions of the Pensions Act 2004. The Pension Protection Fund became operational on 6 April 2005.

#### **Scheme Information**

The Trust Deed and Rules, the Scheme details and a copy of the Payment Schedule and Statement of Investment Principles are available for inspection, free of charge, by contacting the Trustees at the address shown for enquiries below:

Box 205  
Lysander Road  
Yeovil, Somerset  
BA20 2YB  
futureplanner@aon.co.uk

Any information relating to the members' own pension position, including estimates of transfer value, should be requested from the administrators of the Scheme at the address detailed on page 1.



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## LEONARDO FUTUREPLANNER

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### TRUSTEES' REPORT YEAR ENDED 5 APRIL 2017

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#### Further information

Further information about Leonardo FuturePlanner is available on request by contacting the Scheme Administrator, Aon Hewitt Limited (futureplanner@aon.co.uk or 0345 8500688). In particular the Rules which govern Leonardo FuturePlanner and the Statement of Investment Principles are available for inspection on request to Aon Hewitt Limited.

Individual benefit statements are provided to Leonardo FuturePlanner members on an annual basis. In addition to the information shown on the benefit statement, members can request details of the amount of their current transfer value. Such a request can be made once in each Scheme year.

Members also have access to the Leonardo FuturePlanner website at [www.futureplanner.co.uk](http://www.futureplanner.co.uk) which contains further information and a copy of the Member Booklet.

If you have a complaint in relation to Leonardo FuturePlanner you should in the first instance contact the Scheme Administrator, Aon Hewitt Limited (futureplanner@aon.co.uk or 0345 8500688).

#### Data Protection

The Data Protection Act 1984 covered information, which was held electronically, i.e. computer-based information. The Data Protection Act 1998 extends data protection laws to cover paper-based records held for individuals and new restrictions on the processing of sensitive personal data to which individuals must have given express consent. Sensitive information can include information on, for example, the health of a member.

Your personal data will be used by Leonardo FuturePlanner advisers to administer Leonardo FuturePlanner and the provision of your risk benefits, and may be passed to other professional providers or advisers in order to maintain the risk benefits provided by the Life Offices who underwrite the relevant insurance.

The Trustees, the Companies and Leonardo FuturePlanner's advisers each have a legal obligation and a legitimate interest to process data relating to members for the purpose of administering and operating Leonardo FuturePlanner, which includes passing on data to third parties, as mentioned above.

The Trustees and the Companies are regarded as "Data Controllers", for the purposes of the Data Protection Act 1998, in relation to the process referred to above. The advisers appointed by the Trustees are "Data Processors".

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# LEONARDO FUTUREPLANNER

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## CHAIR'S STATEMENT

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### Investment strategy

The Trustees have in place a Statement of Investment Principles (“SIP”) which governs decisions about investments and sets out the aims and objectives of the Scheme’s investment strategy, including full information about the default investment strategy. In particular it covers:

- the Trustees’ investment policy, including policies on risk, balancing and realising assets, return and ethical investing; and
- how the default investment strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries.

Generally, the Trustees review the default strategy on an ongoing basis, particularly in response to any significant changes in investment market conditions, member demographics or the regulatory framework. The most recent change to the default strategy was made from 1 April 2015. The performance of the funds underlying the default investment strategy is formally reviewed quarterly.

You can see the SIP at [www.futureplanner.co.uk](http://www.futureplanner.co.uk) (follow ‘how to invest?’ then ‘The Trustees’ role’).

### Value for members review

The Trustees are committed to ensuring that members get value for money (i.e. the costs and charges deducted from members’ pots provide good value in relation to the benefits and services provided) and keep value for members generally in mind on an on-going basis, including as an item on the Scheme’s risk register. The Trustees undertake an annual value for members assessment with support from its advisers.

For the purpose of this assessment, the Trustees looked at whether the total cost of Scheme membership represented value for money, whether the investment risk profile is tailored to the needs of members, the level of contributions in the light of the membership profile, the degree of flexibility available and the level of contributions.

The sources of fees can be categorised between investment management charges, additional expenses and investment platform charges. The Trustees considered, among other items, the absolute level of charges, the competitiveness of charges relative to the marketplace and the level of service provided to members. The Trustees also note that the costs of administering Plan benefits are met by the employer.

In accordance with the Pensions Regulator’s guidance for DC schemes in this area, it was concluded that, with an average fee of 0.55% for the default funds, FuturePlanner represents value for its members. In particular value for members is demonstrated through:

- A bespoke investment strategy that takes account of membership needs and controls risk based on the time to retirement and the need for protection to increase.
- Good investment performance, with the funds on average performing broadly in line with the fund objectives as advised to members.
- Risk management within the blend funds based on delegation of day to day decisions and asset allocation.
- Robust internal controls and operations covering business continuity plans, internal and external audit of the funds and a wide range of investment operations.

The average fee compares favourably to the charge cap set by the Government of 0.75%.

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# LEONARDO FUTUREPLANNER

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## CHAIR'S STATEMENT

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The Trustees also consider that value for members is demonstrated through:

- The 'two for one' matching contribution structure with the level of maximum employer contribution above the average for 'blue chip' employers.
- Compliance with auto-enrolment with employer contributions significantly above the required level.
- Flexibility to change contributions up or down in any month and to make unlimited online switches with no administration charge.
- Achievement of the Pension Quality Mark Plus external standard.

### Charges

The total expense ratios (TER, defined as the annual management charge plus any additional fees for fund management expenses) for the funds available for selection by members of the Scheme are:

<b>Fund</b>	<b>TER</b>
Long Term Growth	0.54%
Stable Growth	0.60%
Cautious Growth	0.51%
Retirement Protection	0.39%
Global Equity Fund	0.27%
Corporate Bond Fund	0.22%
Government Bond Fund	0.25%
Government Index Linked Bond Fund	0.25%
Cash Fund	0.25%

The default investment strategy is constructed using the top four funds in the list above. The average TER a member would pay across each year in the default investment strategy is 0.55% (assuming a 40 year working lifetime). The average charge for members selecting their own funds (using the 'pick and mix' range) is 0.26%.

### Transaction Costs

The Trustees consider the impact of transaction costs on investment and support industry efforts to improve disclosure of these costs in a cost-effective, scalable manner, using automated processes.

Transaction costs are complex and are incurred when investments are brought and sold. They are an essential part of generating investment returns and managing risk. They are associated with actions of members as well as the Trustees, the fiduciary manager and investment managers.

There were no changes made by the Trustees to the fund range in the year and therefore no transaction costs arising from this.

Transaction costs arise from the 'lifestyle' switching between blend funds within the default investment strategy. The worst case scenario would be that this costs 0.48% over the full cycle, or on average 0.01% per annum. This is considered reasonable in the context of the risk management received through the default strategy. The actual cost is likely to be less than this because the figure does not take account of netting trades (units being switched between investors in and out of the fund at the time of the trade).

Transaction costs are incurred within the blend funds as allocations are varied by the fiduciary manager between underlying managers and securities. Frictional costs occur within the underlying funds themselves due to the buying and selling of assets by the investment managers. In both cases it is not yet possible to disclose the costs but the managers are working to accommodate this in future.

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# LEONARDO FUTUREPLANNER

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## CHAIR'S STATEMENT

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### **Financial transactions**

Core financial transactions are processed by the various service providers to the Trustees. These providers are appointed under agreements with specific service standards. The providers issue quarterly reports against these standards which are reviewed at the Trustees meetings to confirm that transactions have been processed promptly and accurately.

Our administrator, Aon Hewitt Limited, has made changes to its operating model and reported some errors made during 2015 under its previous model. The errors cover matters such as post-trade reconciliation of units and errors in 'lifestyle' investment switching from inconsistent target retirement dates or missed switches. A remediation project to correct errors found and make good any losses made by members was completed during the year.

### **Knowledge and understanding**

The Pensions Act 2004 requires the Trustees to be conversant with key documents and to have knowledge and understanding of areas of importance in pensions. The Trustees have spent time reviewing the contents of the various constitutional documents in order to satisfy the legislative requirements.

Trustee meetings include updates on changes in the law or regulatory guidance which are of relevance to the Plan from the internal Pensions Management team, the administrator, the investment consultant, the investment platform provider, the auditor and other service providers as appropriate. Trustees participate in external training events depending on the assessment of their training needs and a formal trustee training day is held each year jointly with the sister UK pension schemes in the Leonardo group.

MARTIN FLAVELL  
Chair of the Trustees

Date:

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## LEONARDO FUTUREPLANNER

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### STATEMENT OF TRUSTEES' RESPONSIBILITIES

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The Scheme's Trustees are responsible for obtaining audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice including FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland) and for making available certain other information about Leonardo FuturePlanner in the form of an annual report.

Pension scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Financial Statements and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised November 2014).

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a payment schedule showing the rates of contributions payable to Leonardo FuturePlanner by or on behalf of the Employers and the active members of Leonardo FuturePlanner and the dates on or before which such contributions are to be paid.

The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of Leonardo FuturePlanner and for monitoring whether contributions are made to Leonardo FuturePlanner by the Employer in accordance with the Payment Schedule. Where breaches of the Schedule occur, the Trustees are required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and the Members.

The Trustees have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of Leonardo FuturePlanner and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

MARTIN FLAVELL  
Chair of the Trustees

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# LEONARDO FUTUREPLANNER

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## INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF LEONARDO FUTUREPLANNER

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### Opinion on financial statements

We have audited the financial statements of Leonardo FuturePlanner ("the Scheme") for the year ended 5 April 2017 on pages 20 to 34 which comprise the fund account, the statement of net assets (available for benefits) and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 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:

- show a true and fair view of the financial transactions of the Scheme during the year ended 5 April 2017, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Financial Statements and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 18, the scheme's trustees are responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

This report is made solely to the scheme's trustees as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's trustees 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 scheme and the scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**RSM UK Audit LLP**  
Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

Date:

# LEONARDO FUTUREPLANNER

## FUND ACCOUNT FOR THE YEAR ENDED 5 APRIL 2017

	Note	2017 £	2016 £
<b>Contributions and Benefits</b>			
Employee contributions	<b>5</b>	130,027	130,125
Employer contributions	<b>6</b>	14,631,618	13,537,657
		<u>14,761,645</u>	<u>13,667,782</u>
Transfers in	<b>7</b>	671,867	220,657
Other income	<b>8</b>	149,127	242,051
		<u>15,582,639</u>	<u>14,130,490</u>
Benefits paid or payable	<b>9</b>	(764,146)	(951,924)
Payments to and on account of leavers	<b>10</b>	(7,036,111)	(1,527,870)
Other payments	<b>11</b>	(724,787)	(713,780)
Administrative expenses	<b>12</b>	(412,218)	(433,286)
		<u>(8,937,262)</u>	<u>(3,626,860)</u>
<b>Net additions from dealings with members</b>		<u>6,645,377</u>	<u>10,503,630</u>
<b>Returns on investments</b>			
Investment income	<b>13</b>	2,116	8,611
Change in market value of investments	<b>14</b>	13,436,490	(376,745)
		<u>13,438,606</u>	<u>(368,134)</u>
<b>Net returns on investments</b>		<u>13,438,606</u>	<u>(368,134)</u>
<b>Net increase in the fund during the year</b>		<u>20,083,983</u>	<u>10,135,496</u>
<b>Net assets of the scheme</b>			
<b>At 6 April</b>		<u>77,048,452</u>	<u>66,912,956</u>
<b>Net assets of the scheme</b>		<u>97,132,435</u>	<u>77,048,452</u>
<b>At 5 April</b>		<u>97,132,435</u>	<u>77,048,452</u>

The notes on on pages from 22 to 34 form an integral part of these financial statements.

## LEONARDO FUTUREPLANNER

### STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 5 APRIL 2017

	Note	2017 £	2016 £
<b>Investment assets</b>			
Pooled investment vehicles	16	94,129,132	74,284,545
Cash in transit	14	5,361	34,164
<b>Total investments</b>		<u>94,134,493</u>	<u>74,318,709</u>
<b>Current assets</b>	18	3,128,642	3,063,972
<b>Current liabilities</b>	19	<u>(130,700)</u>	<u>(334,229)</u>
<b>Net Assets at 5 April</b>		<u><u>97,132,435</u></u>	<u><u>77,048,452</u></u>

The financial statements summarise the transactions of Leonardo FuturePlanner and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay benefits which fall due after the end of the scheme year.

The notes on pages from 22 to 34 form an integral part of these financial statements.

These financial statements were approved by the Trustees and were signed on their behalf by:

Trustee:

Trustee:

Date:

Date:



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# LEONARDO FUTUREPLANNER

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

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### 1. GENERAL INFORMATION

The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by employers and employees are normally eligible for tax relief, and income and capital gains earned by the Scheme receive preferential tax treatment.

### 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and the guidance set out in the Statement of Recommended Practice (Revised November 2014).

The Trustees have elected to adopt early the amendments to FRS 102 fair value hierarchy disclosures issued in March 2016.

### 3. ACCOUNTING POLICIES

The following principal accounting policies have been adopted in the preparation of the financial statements.

#### 3.1 Accruals concept

The financial statements have been prepared on an accruals basis. The principal accounting policies, all of which were adopted last year and this year, unless otherwise indicated, are as follows:

#### 3.2 Contributions and benefits

Contributions, including voluntary contributions, are generally accounted for on an accruals basis in the payroll period to which they relate.

AVCs are accounted for on an accruals basis, and the resulting investments are included within the net assets statement on the basis of values provided by the AVC investment managers.

Benefits to members are accounted for in the period in which they fall due, whenever the members' wishes are known.

#### 3.3 Transfers to and from other schemes

Individual transfer values to and from other pension schemes are included in the financial statements when member liability is accepted or discharged, which is usually when payment is made or received.

Group transfers are accounted for on the accruals basis when the Trustees have agreed to accept the liability for members' benefits.

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# LEONARDO FUTUREPLANNER

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

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### 3. ACCOUNTING POLICIES (continued)

#### 3.4 Investment income

Interest on bank deposits is accounted for as it accrues.

#### 3.5 Valuation of investments

Investments are stated at market value.

Pooled Investment Vehicles are stated at bid prices quoted by the fund's manager at the year end date as advised to the Trustees by the Investment Managers.

#### 3.6 Administrative and investment management expenses

Administration and investment management expenses are accounted for on an accruals basis.

#### 3.7 Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP).

### 4. TAXATION

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

### 5. EMPLOYEES' CONTRIBUTIONS

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Normal	<u>130,027</u>	<u>130,125</u>

# LEONARDO FUTUREPLANNER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

### 6. EMPLOYER'S CONTRIBUTIONS

	2017 £	2016 £
Normal	8,120,311	7,595,174
Additional Voluntary Contributions	1,099,434	925,670
Smart Contributions	3,915,685	3,652,737
Augmentations	44,648	-
Expense Contributions	1,451,540	1,364,076
	<b>14,631,618</b>	<b>13,537,657</b>
	<b>14,631,618</b>	<b>13,537,657</b>

Employer's expense contributions are contributions towards the costs of death in service cover and administration and are ongoing under the Payment Schedule.

Employer's Smart contributions are the contributions the Employer pays on behalf of the members who participate in the Smart Salary Sacrifice arrangement.

Employee AVC contributions are also paid via Smart and are invested in the same way as other contributions.

### 7. TRANSFERS IN

	2017 £	2016 £
Individual transfers in from other schemes	671,867	220,657
	<b>671,867</b>	<b>220,657</b>

### 8. OTHER INCOME

	2017 £	2016 £
Claims on term insurance policies	146,024	218,664
Other income	3,103	23,387
	<b>149,127</b>	<b>242,051</b>
	<b>149,127</b>	<b>242,051</b>

Other income of £23,387 includes amounts received in recompense from Aon Hewitt following a delay in investment of contributions.

## LEONARDO FUTUREPLANNER

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

#### 9. BENEFITS

	2017 £	2016 £
Commutations and lump sum retirement benefits	180,530	152,033
Purchase of annuities	371,989	395,371
Lump sum death benefits	211,627	404,520
	<u>764,146</u>	<u>951,924</u>

#### 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2017 £	2016 £
Buy-out of deferred members	3,778,019	-
Individual transfers to other schemes	3,256,565	1,527,870
Refunds	1,527	-
	<u>7,036,111</u>	<u>1,527,870</u>

Buy-out of deferred members refers to the bulk exercise processed during the year. The first stage of the exercise included 399 members and as a result £3.8m was transferred across to Fidelity. The second stage of the exercise was carried out in April 2017 and saw a further £0.6m transferred to Fidelity.

#### 11. OTHER PAYMENTS

	2017 £	2016 £
Premiums on term insurance policies	<u>724,787</u>	<u>713,780</u>

# LEONARDO FUTUREPLANNER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

### 12. ADMINISTRATIVE EXPENSES

	2017 £	2016 £
Administration and processing	243,849	323,458
Audit fee	5,868	10,890
Legal fees	18,998	11,039
TPR levy	4,358	3,789
Bank charges	1,281	660
Investment advice	12,181	(13,099)
Trustee liability insurance	3,291	2,760
Other administration expenses	122,392	93,789
	<u>412,218</u>	<u>433,286</u>

Other administration expenses relate to Optum which provide the Employee Assistance Program, Pensions Quality Mark (PQM) responsible for the PQM with PLSA and Shilling as Communication Consultants.

The negative amount shown in the Investment advice figures is in relation to returned fees from P-Solve (£15,099). The returned fees were in regards to the overpayment in previous periods.

### 13. INVESTMENT INCOME

	2017 £	2016 £
Bank Interest	<u>2,116</u>	<u>8,611</u>

# LEONARDO FUTUREPLANNER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

### 14. INVESTMENTS

#### MOVEMENTS IN INVESTMENTS

	Value at 06/04/2016	Purchases at cost	Sales proceeds	Change in market value	Value at 05/04/2017
	£	£	£	£	£
Pooled investment vehicles	74,284,545	23,060,060	(16,651,963)	13,436,490	94,129,132
	<u>74,284,545</u>	<u>23,060,060</u>	<u>(16,651,963)</u>	<u>13,436,490</u>	<u>94,129,132</u>
Cash in transit	34,164				5,361
	<u>74,318,709</u>				<u>94,134,493</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Investments purchased by Leonardo FuturePlanner are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The Investment Manager holds the investment unit on a pooled basis for the Trustees. Leonardo FuturePlanner's administrator allocates investment units to members. The value of the units held in the name of the Trustees as at 5 April 2017 is £94,129,132 (2016: £74,284,545). The total value of AVC investments as at 5 April 2017 was £ 5,155,627 (2016: £3,988,617).

Defined contribution assets are allocated to provide benefits on behalf of the members who paid contributions and do not form part of a common pool of assets available for members generally. FuturePlanner held no (or negligible) employer-related investments during the year.

### 15. TRANSACTION COSTS

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. Indirect transaction costs are incurred through the bid-offer spread on investments within Pooled Investment Vehicles. The amount of indirect transaction costs are not separately provided to the Scheme.

# LEONARDO FUTUREPLANNER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

### 16. POOLED INVESTMENT VEHICLES

	2017	2016
	£	£
Equities	4,808,621	3,827,575
Bonds	1,954,958	1,751,337
Cash	775,113	927,031
Diversified Growth Funds	86,590,440	67,778,602
	94,129,132	74,284,545

### 17. CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Scheme's net assets as at 5 April 2017:

	2017		2016	
	Market value		Market value	
	£		£	
FuturePlanner Stable Growth Fund	30,255,752	31 %	22,514,218	29 %
FuturePlanner Cautious Growth Fund	26,922,733	28 %	22,279,468	29 %
FuturePlanner Long Term Growth Fund	23,039,898	24 %	17,226,990	22 %
FuturePlanner Retirement Protection Fund	6,372,057	7 %	5,757,925	7 %
	6,372,057		5,757,925	

### 18. CURRENT ASSETS

	2017	2016
	£	£
Sundry debtors	-	15,834
Trustee bank account (designated)	1,270,111	1,528,580
Prepayments	9,132	26,068
Trustee bank account (undesignated)	1,503,043	1,241,422
Prepaid Life Assurance	331,109	231,183
VAT recoverable	15,247	20,885
	3,128,642	3,063,972

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## LEONARDO FUTUREPLANNER

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

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#### 19. CURRENT LIABILITIES

	2017 £	2016 £
Accrued benefits	23,768	67,423
Accrued expenses	95,902	261,293
Due to Employer	5,513	5,513
Tax Due to HMRC	5,517	-
	<u>130,700</u>	<u>334,229</u>

#### 20. RELATED PARTY TRANSACTIONS

Three Trustees are contributing members of the Scheme. Contributions in respect of these members are paid in accordance with the normal Scheme rules.

Governance services are provided by an in house pensions team based at Leonardo MW Ltd which is the Principal Employer. Costs of the governance service are agreed with Leonardo MW Ltd and are met from the employer expense contribution. Trustees who are pensioners of the group receive remuneration from Leonardo MW Ltd and this is included in the costs of the governance service.

The Trustees are not aware of any material related party transactions that require disclosure in the financial statements, other than those already disclosed.



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# LEONARDO FUTUREPLANNER

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

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### 21. INVESTMENT RISK

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

**Market risk:** this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value of future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

#### **Risk assessment**

The Scheme is subject to various types of risks but member level risk exposures will be dependent on the member funds invested in by members. The main types of risks include (but are not limited to) credit risk and market risk, arising from the underlying investments in the underlying funds. Market risk is composed of currency, interest rate and other price risk.

The Trustees consider risks at a member fund level to be more important, recognising the benefit of diversification and offsetting risks within the investment funds.

Risks are classified as "Direct" if they relate to an investment held directly by the Scheme, or "Indirect" if they relate to an investment held by one of the pooled underlying funds.

All member funds would be exposed to different risks to some degree (for example, a large shift in interest rates could affect equity markets). The main risk exposures of each of the member funds within the investment strategy are set out below.

## LEONARDO FUTUREPLANNER

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

#### 21. INVESTMENT RISK (continued)

Fund	Credit (Direct)	Credit (Indirect)	Currency	Interest Rate	Other Price
FuturePlanner Long Term Growth Fund	+	+	+	+	+
FuturePlanner Stable Growth Fund	+	+	+	+	+
FuturePlanner Cautious Growth Fund	+	+	+	+	+
FuturePlanner Retirement Protection Fund	+	+	+	+	+
FuturePlanner Cash Fund	+	-	-	+	+
FuturePlanner Global Equity Fund	+	-	+	-	+
FuturePlanner Corporate Bond Fund	+	+	-	+	+
FuturePlanner Government Bond Fund	+	+	-	+	+
FuturePlanner Government Index Linked Bond Fund	+	+	-	+	+

+ significant exposure

- insignificant or no exposure

Fund	Value at 5 April 2017 £	Value at 5 April 2016 £
FuturePlanner Long Term Growth Fund	23,039,897	17,226,990
FuturePlanner Stable Growth Fund	30,255,752	22,514,218
FuturePlanner Cautious Growth Fund	26,922,733	22,279,468
FuturePlanner Retirement Protection Fund	6,372,057	5,757,925
FuturePlanner Cash Fund	775,113	927,575
FuturePlanner Global Equity Fund	4,808,622	3,827,575
FuturePlanner Corporate Bond Fund	814,631	770,238
FuturePlanner Government Bond Fund	787,128	817,071
FuturePlanner Government Index Linked Bond Fund	353,199	164,028
<b>Total assets</b>	<b>94,129,132</b>	<b>74,284,545</b>

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# LEONARDO FUTUREPLANNER

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

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### 21. INVESTMENT RISK (continued)

#### Credit risk

All assets of the Scheme are subject to direct credit risk in relation to Old Mutual Wealth (OMW) through the Scheme's holding in unit linked insurance funds provided by OMW. Direct credit risk relates to insolvency of OMW or the underlying managers or the custodians used by the underlying managers to hold fund assets.

OMW is authorised by the Prudential Regulation Authority, regulated by the Financial Conduct Authority and the Prudential Regulation Authority and maintains capital for its policy holders. In the event of default by OMW, the Trustees are able to apply for compensation as the Scheme is protected by the Financial Services Compensation Scheme ("FSCS").

As well as the regulatory environment in which the investment platform operates, direct credit risk is mitigated at the investment platform level by the assets backing the Scheme's policy being ring-fenced from those of OMW the investment platform provider.

Direct credit risk in the underlying funds operated by the underlying managers is mitigated by the underlying investments being ring-fenced from those of the underlying manager and through the regulatory environments in which the underlying managers operate. The amount that can be claimed from FSCS by the Trustees in the event of an insolvency of the underlying manager will depend on the structure of the underlying fund. In the event of a custodian becoming insolvent, the level of asset recovery will depend on the custody agreement in place between the underlying manager and the custodian.

The Trustees carry out due diligence checks on the appointment of the investment platform and new investment managers and, on an ongoing basis, monitor any changes to the regulatory and operating environments of both.

The Scheme's investments are all held in pooled investment vehicles. At the end of the Scheme year, the total value of member funds subject to direct credit risk was £94.1m (2016: £74.3m).

The Scheme is also subject to indirect credit risk arising on the underlying investments held by the underlying funds, including the segregated accounts. Credit risk is mitigated by utilising investment managers whose mandate includes one or more of the following:

- invest in government bonds where the credit risk is minimal;
- invest in corporate bonds which are rated at least investment grade;
- diversification of the underlying investments.

#### Currency Risk

Some member funds are subject to indirect currency risk because some of the underlying investments are held in overseas markets via pooled investment vehicles or segregated accounts. The Trustees regard currency risk as one which can, in some cases, add value and have delegated management of this risk to their investment advisor.

There is no direct exposure to currency risk. All member and underlying funds are priced in GBP and no foreign denominated assets are held directly.

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## LEONARDO FUTUREPLANNER

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

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#### 21. INVESTMENT RISK (continued)

##### Interest Rate Risk

Some member funds are subject to indirect interest rate risk because some of the underlying investments are held in bonds or cash through pooled vehicles or segregated accounts. If interest rates fall the value of these investments will rise (all else equal) and vice versa.

The Scheme manages this risk through the following:

- diversification, where appropriate, to reduce the impact of a change in interest rates; or
- allowing the risk, where appropriate, in recognition that a change in interest rates will likely be correlated with a change in annuity rates and therefore this degree of "matching" is desirable.

No assets are subject to direct interest rate risk as no interest rate sensitive investments are held directly.

##### Other Price Risk

All assets are subject to indirect other price risk, including those held in segregated accounts. Other price risk arises in relation to risks not mentioned above, such as those affecting equity markets, property, non-investment grade bonds, etc.

The Scheme manages this risk by making available member funds with a diverse portfolio of investments across various markets, designed to minimise the overall price risk. Members may also invest in funds with a higher degree of overall price risk should they choose.

No assets are subject to direct other price risk as no price sensitive investments are held directly.

# LEONARDO FUTUREPLANNER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2017

### 22. FAIR VALUE

The fair value of finance instruments has been disclosed using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for an identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability either directly or indirectly;

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

	Level 1 £	At 2017 Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	94,129,132	-	94,129,132
Cash in transit	5,361	-	-	5,361
	5,361	94,129,132	-	94,134,493
	5,361	94,129,132	-	94,134,493
		<i>At 2016</i>		
	<i>Level 1</i> £	<i>Level 2</i> £	<i>Level 3</i> £	<i>Total</i> £
Pooled investment vehicles	-	74,284,545	-	74,284,545
Cash in transit	34,164	-	-	34,164
	34,164	74,284,545	-	74,318,709
	34,164	74,284,545	-	74,318,709

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## LEONARDO FUTUREPLANNER

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### AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS FOR THE YEAR ENDED 5 APRIL 2017

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**Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustees of Leonardo FuturePlanner**

#### **Statement about contributions payable under the Payment Schedule**

We have examined the summary of contributions payable to Leonardo FuturePlanner on page 36, in respect of the scheme year ended 5 April 2017.

In our opinion the contributions for the scheme year ended 5 April 2017 as reported in the attached summary of contributions on page 36 and payable under the Payment Schedule have in all material respects been paid at least in accordance with the Payment Schedule dated 1 July 2013.

#### **Scope of work on statement about contributions**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 36 have in all material respects been paid at least in accordance with the Payment Schedule. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the Payment Schedule.

#### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities on page 18, the scheme's trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a Payment Schedule showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the Payment Schedule.

It is our responsibility to provide a statement about contributions paid under the Payment Schedule and to report our opinion to you.

This statement is made solely to the scheme's trustees as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme and the scheme's trustees as a body, for our audit work, for this statement, or for the opinions we have formed.

**RSM UK Audit LLP**  
Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB

Date:

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## LEONARDO FUTUREPLANNER

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### SUMMARY OF CONTRIBUTIONS FOR THE YEAR ENDED 5 APRIL 2017

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#### Summary of Contributions payable under the Payment Schedule in respect of the Scheme year ended 5 April 2017

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustees. It sets out the employer and member contributions payable to Leonardo FuturePlanner under the Payment Schedule dated 1 July 2013 in respect of the Scheme year ended 5 April 2017. The Scheme Auditor reports on contributions payable under the Payment Schedule in the Auditor's Statement about Contributions.

#### Contributions payable under the Payment Schedule in respect of the Scheme Year

	£
Employer's:	
normal contributions	8,120,311
smart contributions	3,915,685
expense contributions	1,451,540
augmentations	44,648
Employees':	
normal contributions	130,027
Total contributions payable under the Payment Schedule	<u>13,662,211</u>

Reconciliation between contributions payable under the Payment Schedule and contributions reported in the financial statements respect of the Scheme Year

Contributions payable under the Payment Schedule (as above)	13,662,211
Contributions payable in addition to those due under the Payment Schedule:	
Employer's Additional Voluntary Contributions	<u>1,099,434</u>
Total contributions reported in the financial statements	<u><u>14,761,645</u></u>

Trustee: \_\_\_\_\_ Trustee: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_