

LEONARDO FUTUREPLANNER

Report and Financial Statements for the year ended 5 April 2018

Scheme Registration No: 00692742RW



Albion, Fishponds Road, Wokingham, Berkshire RG41 2QE

XPS Administration is a trading name of PS Administration Limited.
Registered in England and Wales No. 09428346. Registered Office: 11 Strand, London WC2N 5HR

Part of XPS Pensions Group

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LEONARDO FUTUREPLANNER

TRUSTEE AND ADVISERS

Trustee: Martin Flavell, Chair * (Resigned 20 February 2018)
Brian Airlie ** (Resigned 20 February 2018)
John Archbold * (Resigned 20 February 2018)
Michael Brinson ** (Appointed 6 December 2017,
Resigned 20 February 2018)
Adam Collins ** (Resigned 23 April 2017)
Paul Rees * (Resigned 20 February 2018)
Leonardo FuturePlanner (Trustee) Ltd (Appointed 20 February 2018)

Trustee Directors: Martin Flavell, Chair * (Appointed 20 February 2018)
Brian Airlie ** (Appointed 20 February 2018)
John Archbold * (Appointed 20 February 2018,
Resigned 11 August 2018)
Paul Rees * (Appointed 20 February 2018)
Michael Brinson ** (Appointed 20 February 2018)

* *Company Nominated*

** *Member Nominated*

Secretary to the Trustee: Louise Dale

Scheme Address: Leonardo FuturePlanner
Leonardo MW Ltd
Box 205
Lysander Road
Yeovil
Somerset BA20 2YB

Principal Employer: Leonardo MW Ltd (02426132)
Sigma House
Christopher Martin Road
Basildon
Essex SS14 3EL

Participating Employers: Aviation Training International Limited (03490323)
Telespazio VEGA UK Limited (07420777)

Auditor: RSM UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Legal Advisers: Burges Salmon LLP
One Glass Wharf
Bristol, BS2 0ZX

Bankers: Barclays Bank plc (From November 2017)
Bank of Scotland (Until November 2017)

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TRUSTEE AND ADVISERS (continued)

<i>Investment Manager:</i>	Old Mutual Wealth Life Assurance Company Limited 4th Floor Old Mutual House Portland Terrace Southampton SO14 7AY
<i>'At Retirement' Providers:</i>	FIL Retirement Services Limited
<i>Consultants & Administrators:</i>	XPS Administration (formerly PS Administration Limited) Albion Fishponds Road Wokingham Berkshire RG41 2QE (Appointed 1 December 2017)
	AON Hewitt Limited Briarcliff House Kingsmead Farnborough Hampshire GU14 7TE (Resigned 1 December 2017)
<i>Investment Advisors:</i>	River and Mercantile Investments Limited T/A River and Mercantile Solutions (formerly P-Solve Investments Ltd) 11 Strand London WC5N 5HR
<i>Independent value for member assessors:</i>	Lane Clark & Peacock LLP 95 Wigmore Street London W1U 1DQ

CHAIR'S INTRODUCTION

YEAR ENDED 5 APRIL 2018

I am pleased to present the Report and Financial Statements for Leonardo FuturePlanner (the "Scheme") for the year ended 5 April 2018.

The dominant project for the Trustee during the year has been the transition to a new administrator, XPS Administration. This was successfully completed on 1 December 2017. You can check how your pension is progressing and make changes online through XPS Administration's mypension.com service where you will also find interactive modellers which allow you to look at your potential retirement options.



The Scheme's three growth focused 'blend' funds achieved a positive return over the year. However, due particularly to a difficult first quarter of 2018, the returns are behind the long term inflation plus objectives for the year, for example, by 5% in the case of the Long Term Growth fund. The 'blend' funds remain well ahead of their long term targets since inception (25 October 2011) by 2.5% per annum or more. The portfolio moved to a more de-risked position towards the end of the year because of concerns about economic momentum and credit conditions so it may be challenging for the funds to achieve the inflation plus objectives over the next 12 month period. The Trustee aims to achieve the target returns over the long term in a risk controlled way. You can find more information about investment performance on page 12.

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 13 to 16 in this report. This includes our third formal review of how we provide 'value for members', particularly in relation to the charges that apply to the funds FuturePlanner offers. This latest review has included an independent assessment phase through a third party advisor who found the Scheme to be "market leading" and rated it "excellent" relative to six of their nine criteria. We are addressing aspects of the assessment where we feel improvement is possible.

In February 2018, the Trustee board changed to a Corporate Trustee structure, making the five individual Trustees each a Trustee Director of the Trustee Company. This was to simplify the structure and bring it in line with the other Leonardo pension schemes. Leonardo FuturePlanner (Trustee) Ltd has the same responsibilities and duties as the previous individual Trustees.

Adam Collins left the Company in April 2017 with Michael Brinson being appointed our new member nominated Trustee in December 2017. Brian Airlie was re-appointed for a further term as the second member nominated Trustee. John Archbold has left the Company and consequently resigned as a Trustee Director. A new Trustee Director will be announced in due course.

I would like to express my thanks to all the Trustee Directors and our advisers for their significant contribution to the management of the Scheme and I look forward to working with them over the coming year.

MARTIN FLAVELL
Chair of the Trustee



LEONARDO FUTUREPLANNER

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2018

The Trustee presents to the members its annual report and financial statements for the year ended 5 April 2018.

Scheme Information

The Leonardo FuturePlanner ("the Scheme") is governed by the Definitive Trust Deed, dated 1 July 2013, including subsequent amendments. Prior to 31 October 2016 the Scheme was known as Finmeccanica FuturePlanner.

The Scheme provides pensions and lump sum benefits on retirement and death for those employees who are members of the Scheme, and is governed by a Trust Deed and Rules.

The Scheme provides defined contribution pensions. The Scheme is open to new employees.

Trustees are appointed and removed from office by the Principal Employer in accordance with the Trust Deed. They have the responsibility for ensuring that the Scheme is properly run in accordance with its governing documents, and in the best interests of the members.

During the year, the Trustee changed to a sole Corporate Trustee, Leonardo FuturePlanner (Trustee) Limited. The initial Trustee Directors were the individuals who served as Trustees immediately prior to the change.

Under the provisions of the Pensions Act 2004, at least one-third of the Trustee must be nominated by Scheme members. In accordance with these provisions two Member Nominated Trustee Directors have been appointed.

During the year the Trustee met regularly to review the management of the Scheme and to monitor the performance of the investment managers, administrators and advisers.

Membership

The number of members as at the year end was:

Active members at 6 April 2017		2,613
Adjustments*	77	
New joiners	532	
Retirement	(3)	
Deferred	(324)	
Transfer Out**	(71)	
Refunds/ Opt outs	(8)	
Death	(4)	
Active members at 5 April 2018		2,812
Deferred pensioners at 6 April 2017		774
Adjustments*	(81)	
From Active	324	
Retirement	(23)	
Transfer Out**	(63)	
Refunds/ Opt outs	(1)	
Death	(1)	
Deferred pensioners at 5 April 2018		929
Total members at 5 April 2018		3,741

*Adjustments to the opening balances are due to updates to records following the change in administrator.

**Included in the Transfer Out figures above is four transfers out that are in progress but have not yet been paid out of the Scheme.

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FuturePlanner has been used to auto-enrol employees who are not currently in a qualifying pension scheme.

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. The results of the most recent exercises are set out below:

Employer	Re-enrolment date	New members
Leonardo MW Ltd (including former AgustaWestland Ltd employees)	1 June 2016	23
Aviation Training International Ltd	1 May 2017	0
Telespazio VEGA UK Ltd	1 November 2017	0

The minimum contribution level required under auto-enrolment legislation increased from 6 April 2018. The participating employers comply with the auto-enrolment requirements by satisfying alternative quality standards as set out in the Regulations and a certificate has been issued to confirm this for the period 1 April 2018 to 30 September 2019. As provided for under this certificate all jobholders paying less than the Scheme's default level were auto-escalated to this level as at 1 April 2018.

Scheme Changes

The Trustee appointed XPS Administration as the Scheme Administrator on 1 December 2017. The change resulted from the notice given on 15 May 2017 by the previous administrator, Aon Hewitt Ltd, of its intention to withdraw from the market and terminate its appointment.

There have been no other changes to the Scheme during the year.

Financial Development of the Scheme

Changes in the Scheme's net assets during the year were as follows:

	£
Net assets at 5 April 2017	97,132,435
Net additions from dealings with members	10,299,744
Net returns on investments	<u>2,260,489</u>
Net assets at 5 April 2018	<u>109,692,668</u>

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

Taxation Status

The Scheme is a registered pension scheme within the meaning of Section 153 of the Finance Act 2004.

Enquiries

All enquiries about the Scheme and individual benefit entitlements should be addressed to the Scheme Trustee c/o XPS Administration, Albion, Fishponds Road, Wokingham, Berkshire RG41 2QE.

E-mail futureplanner@xpsgroup.co.uk.

A comprehensive website, 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, pensions management visited major sites to promote the Scheme to members and answer questions. Consultative committees are also given regular briefings on developments and performance of key suppliers.

The Pensions Advisory Service (TPAS)

If you have general requests for information or guidance concerning your pension arrangements contact:

The Pensions Advisory Service
11 Belgrave Road
London SW1V 1RB

Tel: 0800 011 3797

Website: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

If a member has a complaint against the Scheme that has not been resolved to his or her satisfaction through the Scheme's Dispute Procedure, the government appointed Pensions Ombudsman can investigate complaints of injustice caused by bad administration, either by the Trustee or Scheme administrators, or disputes of fact or law. The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487

Email: enquiries@pensions-ombudsman.org.uk

Website: www.pensions-ombudsman.org.uk

The Pensions Regulator (tPR)

The Pensions Regulator can intervene if they consider that a scheme's trustees, advisers, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton BN1 4DW

Tel: 0345 600 0707

Email: customersupport@tpr.gov.uk

Website: www.thepensionsregulator.gov.uk

The Pension Scheme Registry

The Scheme is registered with the Pension Scheme Registry which is part of the Pensions Regulator's office. The registration number is 00692742RW. The data held by the Registry is used by the Pension Tracing Service to assist former members of schemes to trace their scheme benefits. The Pension Tracing Service can be contacted at:

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

Tel: 0800 731 0193
Website: www.gov.uk/find-lost-pension

INVESTMENT REPORT

Market background

Most return seeking assets rose strongly over the year as economic fundamentals increasingly asserted themselves, with synchronised economic growth and rising corporate profits across all of the main regions, although elections and policymakers disrupted the markets from time to time. Emerging market equity and debt benefited from a weakening US dollar and generated outstanding returns for the year ended March 2018, with US and Japanese equities also performing particularly well. February and March 2018 saw heavy falls across the board in equities, return-seeking bonds and property, temporarily wiping out several months' worth of gains, but return-seeking asset prices were still up over the year as a whole.

Gilt yields moved up and down, with a Brexit-fuelled falling trend occasionally interrupted by the Bank of England, first talking yields up then actually raising the base rate in November for the first time in more than a decade. In January 2018 yields rose strongly, following the passing of an important Brexit milestone the previous month, but then fell again.

Internationally, the dollar's growing weakness had been a signal feature of 2017, fuelled in part by disappointment with the new President's lack of legislative progress and caution over US rate rises. This trend continued in the first three months of 2018, although it was more volatile.

US yields were rising in the second half of 2017, driven by a growing expectation that the US Federal Reserve would hike the Federal Funds target rate more quickly than the market had been pricing in, in an attempt to forestall a future rise in the rate of inflation. This expectation escalated into fear in late January 2018 when US wage rise figures were stronger than expected. As well as pushing yields up, it triggered steep falls in US equities and return-seeking assets as a whole. The fear of a US-centred trade war sent these assets down again in March, despite economic fundamentals continuing to post positive results.

In Japan, over the 12-month period as a whole investors saw the Japanese yen alternately strengthen and weaken against the other major trading currencies. Japanese monetary policy is expected to remain loose for some time, fostering a trend of yen weakness, but short-term Japanese government bonds are still regarded as a safe haven, causing the yen to strengthen at times of stress. This was starkest in the third quarter of 2017, when investors were rattled by North Korean nuclear missile testing.

The currency moves affected Japan's equity market. A snap general election in October gave Prime Minister Shinzo Abe a mandate to press ahead with his economic reforms, and this, combined with the sight of improving economic fundamentals, got the better of temporary sentiment. Japanese equities rose over the 12-month period as a whole.

Over the 12 months emerging market equities were buoyed by two factors – positive economic momentum, which also helped to boost the price of oil and industrial metals, and the falling US dollar. The major emerging economic power, China, saw the consolidation of its leadership in the hands of Xi Jinping, who in October was re-elected general secretary of the Chinese communist party, and investors felt reassured the country would continue to manage its economic growth.

Economic fundamentals were improving even more vigorously in Europe, where falls in unemployment were accompanied by strong and rising economic activity, rising inflation and improving economic sentiment. The equity market had been held back in the early months of 2017 by fears that extreme/populist politics might be on the rise, but these fears were eased by the sight of centrist politicians winning key elections, and from March to May European equities rallied strongly, although they drifted slightly down over the summer as the euro rallied.

INVESTMENT REPORT (continued)

Market background

By September the positive backdrop had emboldened the European Central Bank to confirm its intention to start tapering the bond-buying programme that has been stimulating the eurozone economy since 2010. The ECB's president, Mario Draghi, announced that the bank would continue buying bonds at least until September 2018, but at half the previous rate.

This helped the euro, which continued to strengthen against the other major trading currencies in the last few months of 2017, but eurozone equities went nowhere until the beginning of 2018. Then, like return-seeking assets everywhere else, eurozone equities rose strongly for most of January, fell sharply from then to mid-February, and then fell further in March. Over the 12 month period as a whole they rose only slightly.

Statement of Investment Principles

A Statement of Investment Principles has been produced as required under Section 35 of the Pensions Act 1995 and a copy is available on request. All investments made during the year were in accordance with this Statement.

The Trustee periodically reviews its investment managers' policies with regard to the exercising of voting rights attached to investments. The Trustee may request the investment managers to exercise these rights in a certain manner, subject to the Trustee acting in the best financial interest of the Scheme's beneficiaries. Where the Scheme's assets are held in pooled investments, the Trustee accepts that it is the manager of the pooled investments who exercises the voting rights attached to the underlying investments on behalf of all participants in the pooled funds.

The Trustee may make its views known to the investment managers on social, environmental and ethical factors and may ask them not to hold certain investments but any request will have regard to the Trustee's duty to act in the best financial interest of the Scheme's beneficiaries. The Trustee accepts that the policy on social, environmental and ethical factors is set by the fund manager in respect of the pooled investments held.

Investment Strategy

The Trustee determines its investment strategy after taking advice from their investment adviser. It has delegated the management of the investments to the investment manager listed on page 2.

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 fund 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.

INVESTMENT REPORT (continued)

Investment Strategy (continued)

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 Trustee has appointed Old Mutual Wealth Life Assurance Limited ("OMW") as provider and therefore assets are held by OMW. River and Mercantile Solutions Investments Limited ("River and Mercantile Solutions") is the investment advisor and has been appointed by the Trustee 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.

INVESTMENT REPORT (continued)

Investment Performance

The manager and total Scheme performance to 5 April 2018 was as follows.

	1 year	3 years	* Since inception
	%	% p.a.	% p.a.
FuturePlanner Long Term Growth Fund	2.4	6.4	9.2
<i>Long-Term Target</i>	2.4	6.7	6.7
<i>Short-Term Benchmark</i>	7.4	7.0	10.7
FuturePlanner Stable Growth Fund	2.1	5.7	8.2
<i>Long-Term Target</i>	6.4	5.7	5.7
<i>Short-Term Benchmark</i>	3.7	6.5	9.4
FuturePlanner Cautious Growth Fund	1.5	5.9	8.7
<i>Long-Term Target</i>	5.4	4.7	4.7
<i>Short-Term Benchmark</i>	3.5	6.6	7.7
FuturePlanner Retirement Protection Fund	0.7	4.3	6.4
<i>Benchmark</i>	1.8	4.9	6.8
FuturePlanner Cash Fund	0.1	0.2	0.3
<i>Benchmark</i>	0.2	0.3	0.3
FuturePlanner Global Equity Fund	6.3	6.9	10.9
<i>Benchmark</i>	7.6	7.7	11.5
FuturePlanner Corporate Bond Fund	1.1	3.4	6.1
<i>Benchmark</i>	1.2	3.5	6.5
FuturePlanner Annuity Protection Fund	1.1	6.0	7.8
<i>Benchmark</i>	1.4	7.1	8.6
FuturePlanner Inflation-Linked Annuity Protection Fund	0.0	5.7	7.1
<i>Benchmark</i>	1.2	7.2	8.6

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.

Employer Related Investments

There were no employer related investments during the year.

For and on behalf of the Trustee

.....
Trustee Director

.....
Date

GOVERNANCE STATEMENT FOR LEONARDO FUTUREPLANNER

Governance requirements apply to defined contribution (“DC”) pension arrangements like Leonardo FuturePlanner, to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement to describe how the governance requirements have been met in relation to:

- the default investment arrangement;
- a value for members assessment;
- charges and transaction costs borne by members;
- the requirements for processing financial transactions; and
- Trustee knowledge and understanding.

This statement covers the period from 6 April 2017 to 5 April 2018.

Investment strategy

The Trustee has 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 Trustee’s 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 Trustee reviews 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 (within library/trustee documents).

Value for members review

The Trustee considers that members get value for money, as the costs and charges deducted from members’ pots provide good value in relation to the benefits and services provided.

The Trustee keeps value for members generally in mind on an on-going basis, including as an item on the Scheme’s risk register. The Trustee undertakes an annual value for members’ review which consists of two phases; a self-assessment facilitated by our investment advisors and then an independent assessment through a third party adviser.

Value for members – self-assessment

The self-assessment 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 transaction costs incurred by members.

GOVERNANCE STATEMENT (continued)

The sources of fees can be categorised between investment management charges, additional expenses and investment platform charges. The Trustee 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 Trustee also notes that the costs of administering Scheme 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 annual fee of 0.63% for the default funds, FuturePlanner represents value for its members as it offers above average service levels while passing on an average level of charge to 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 through delegation of day to day investment decisions and asset allocation to a fiduciary manager and investment managers.
- 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%.

Value for members – independent assessment

The independent phase of the review assesses the Scheme relative to nine criteria. It found that the Scheme is "excellent" in relation to six of the criteria; the Scheme design, the default investment arrangement, administration, governance, investment range and communications. It is rated "good" in relation to two criteria: charges for blended funds and post-retirement services.

However the review found the Scheme to be "poor" in relation to the criteria for non-blended fund charges. The Trustee recognises that this is an area for discussion and will consider further the balance in value the members receive depending on the type of investment strategy they choose.

Overall the review considers the Scheme to be "market leading and ahead of ... peers" with the communications and website being "some of the best ... of any DC scheme".

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:

Fund	TER
Long Term Growth	0.61%
Stable Growth	0.66%
Cautious Growth	0.56%
Retirement Protection	0.41%
Global Equity Fund	0.26%
Corporate Bond Fund	0.22%
Fixed Annuity Protection Fund	0.25%
Index-Linked Annuity Protection Fund	0.25%
Cash Fund	0.25%

GOVERNANCE STATEMENT (continued)

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 Trustee has sought to obtain transaction costs from the investment managers for all the funds in the period covered by this statement. Although a prescribed method of calculating transaction costs came into force from 3 January 2018, the investment managers do not yet have all the data required to provide transaction costs on this new basis. Whilst transaction costs are not able to be fully included in this statement, the Trustee recognises the importance of obtaining these figures and will continue to work with its investment managers with the aim of providing transaction cost figures in the next statement.

Transaction costs are complex and are incurred when investments are bought 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 Trustee, the fiduciary manager and investment managers.

Transaction costs arise from the 'lifestyle' switching between blend funds within the default investment strategy. The worst case scenario would be that this costs 0.40% over the full cycle, or on average 0.01% per annum. This is considered reasonable in the context of the risk management associated with 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.

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

Financial transactions

Core financial transactions are processed by the various service providers to the Trustee. These providers are appointed under agreements with specific service standards. The providers issue quarterly reports against these standards which are reviewed at the Trustee meetings.

During the year XPS Administration were appointed as the administrator. The service standard provides for contributions to be invested in member Retirement Accounts no later than required by regulatory guidance. Over the first full quarter of their appointment XPS Administration achieved this comfortably with contributions invested between 4 and 7 working days after final amounts have been received.

For members claiming benefits, service standards have been agreed typically of between 5 and 10 working days, depending on the type of transaction. In the first full quarter of their appointment XPS Administration completed 97.9% of the reported tasks within the standards.

The Trustee is satisfied that core financial transactions were processed promptly and accurately.

GOVERNANCE STATEMENT (continued)

Knowledge and understanding

The Trustee has a training policy with the objective of ensuring that Trustee Directors understand their duties and that their knowledge is at a level to enable them to take decisions with the level of skill and competence that members can expect from someone familiar with the issues concerned.

New Trustees are briefed by the Chairman and Secretary to the Trustee and familiarise themselves with Plan documentation, including the Rules, SIP and all other documents setting out the Trustee's current policies as appropriate to ensure that they have a good working knowledge of these documents.

Within six months of appointment, Trustee Directors are able to attend an introductory training course through an external provider. Within two years of appointment Trustee Directors are expected to complete the Pensions Regulator's Trustee Toolkit.

On an ongoing basis all Trustee Directors aim to complete at least two days (fourteen hours) training per year during the course of their appointment. One day of training is provided on a collective basis to address joint needs. Other training opportunities are selected on the basis of the individual needs of each Trustee Director.

Trustee Directors review their own knowledge and understanding at least annually and are supported by the Secretary in selecting suitable training opportunities. Individual training logs are kept to assess compliance with the policy.

For and on behalf of the Trustee

.....
Trustee Director

.....
Date

STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- 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 its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year, and
- contain the information specified in Regulation 3A of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension Schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Payment Schedule showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Payment Schedule. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF LEONARDO FUTUREPLANNER

Opinion

We have audited the financial statements of Leonardo FuturePlanner for the year ended 5 April 2018 which comprise the fund account, the statement of net assets (available for benefits) and the 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 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 2018, and of the amount and disposition at that date of its assets and liabilities, other than the 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 Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

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 Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Scheme's Trustee is responsible for the other information. 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.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF LEONARDO FUTUREPLANNER (continued)

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 in 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.

Responsibilities of Trustees

As explained more fully in the Trustee's responsibilities statement set out on page 17, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines 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 Trustee is responsible for assessing the Scheme'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 Trustee either intends to liquidate the Scheme 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 <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's Trustee 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 Trustee those matters we are required to state to it 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 Trustee 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 2018

	Note	2018 £	2017 £
CONTRIBUTIONS AND BENEFITS			
Employer contributions		16,340,412	14,631,618
Employee contributions		145,473	130,027
Total contributions	3	16,485,885	14,761,645
Transfers in	4	561,114	671,867
Other income	5	594,206	149,127
		<u>17,641,205</u>	<u>15,582,639</u>
Benefits payable	6	1,818,447	764,146
Payments to and on account of leavers	7	3,997,110	7,036,111
Other payments	8	857,595	724,787
Administrative expenses	9	668,309	412,218
		<u>7,341,461</u>	<u>8,937,262</u>
NET ADDITIONS FROM DEALINGS WITH MEMBERS		<u>10,299,744</u>	<u>6,645,377</u>
RETURNS ON INVESTMENTS			
Investment income	10	1,932	2,116
Change in market value of investments	11	2,258,557	13,436,490
NET RETURNS ON INVESTMENTS		<u>2,260,489</u>	<u>13,438,606</u>
NET INCREASE IN THE FUND FOR THE YEAR		12,560,233	20,083,983
NET ASSETS AT 5 APRIL 2017		<u>97,132,435</u>	<u>77,048,452</u>
NET ASSETS AT 5 APRIL 2018		<u>109,692,668</u>	<u>97,132,435</u>

The notes on pages 22 to 30 form an integral part of these financial statements.

LEONARDO FUTUREPLANNER

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 5 April 2018

	Note	2018 £	2017 £
INVESTMENT ASSETS	11		
Pooled investment vehicles	12	106,512,811	94,129,132
Cash deposits		<u>1,300,206</u>	<u>5,361</u>
TOTAL NET INVESTMENTS		107,813,017	94,134,493
CURRENT ASSETS	16	2,159,227	3,128,642
CURRENT LIABILITIES	17	<u>(279,576)</u>	<u>(130,700)</u>
NET ASSETS AT 5 APRIL 2018		<u>109,692,668</u>	<u>97,132,435</u>

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

The notes on pages 22 to 30 form an integral part of these financial statements.

These financial statements were approved by the Trustee on . . . 18.09/2018.(date)

Signed on behalf of the Trustee

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 5 April 2018

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Occupational Pensions 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).

2. ACCOUNTING POLICIES

(a) *Accounting Convention*

The financial statements are prepared on an accruals basis.

(b) *Contributions*

Employee contributions, including AVCs, are accounted for when they are deducted from pay by the employer, except for the first contribution due where the employee has been auto-enrolled by the employer, in which case it is accounted for when received by the Scheme.

Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions.

Employer augmentations are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a receipts basis.

(c) *Payments to Members*

Benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

Individual transfers in or out are accounted for when the member liability is accepted or discharged which is normally when the transfer is paid or received.

Opt outs are accounted for when the Scheme is notified of the opt-out.

(d) *Expenses*

Expenses are accounted for on an accruals basis. The Scheme bears all the costs of administration.

(e) *Investment Income*

Interest receivable is taken into account on an accruals basis.

(f) *Investments*

Investments are included at fair value as follows.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager.

(g) *Currency*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2018

3. CONTRIBUTIONS	2018 £	2017 £
Employer contributions		
Normal	8,833,098	8,120,311
Additional voluntary	1,632,920	1,099,434
Smart contributions	4,321,807	3,915,685
Augmentation	-	44,648
Expense contributions	<u>1,552,587</u>	<u>1,451,540</u>
	<u>16,340,412</u>	<u>14,631,618</u>
Employee contributions		
Normal	87,102	130,027
Additional voluntary	<u>58,371</u>	<u>-</u>
	<u>145,473</u>	<u>130,027</u>
	<u>16,485,885</u>	<u>14,761,645</u>

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 contributions the Employer pays on behalf of the members who participate in Smart Salary Sacrifice agreement.

Members can pay additional voluntary contributions (AVCs). Employer AVC contributions are paid via Smart and are invested in the same way as other contributions.

4. TRANSFERS IN	2018 £	2017 £
Individual transfers in from other schemes	<u>561,114</u>	<u>671,867</u>
5. OTHER INCOME	2018 £	2017 £
Other income	24,422	3,103
Claims on term insurance policies	<u>569,784</u>	<u>146,024</u>
	<u>594,206</u>	<u>149,127</u>

Other income of £24,422 includes amounts received in recompense from AON Hewitt for administration errors.

6. BENEFITS PAYABLE	2018 £	2017 £
Commutation of pensions and lump sum retirement benefits	588,732	180,530
Purchase of annuities	354,172	371,989
Lump sum death benefits	569,783	159,923
Refunds of contributions on death	<u>305,760</u>	<u>51,704</u>
	<u>1,818,447</u>	<u>764,146</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2018

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS	2018	2017
	£	£
Refunds of contributions	-	1,527
Buy-out of deferred members	565,794	3,778,019
Individual transfers out to other schemes	3,431,316	3,256,565
	<u>3,997,110</u>	<u>7,036,111</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 in 2017. The second stage of the exercise was carried out in April 2017 and saw a further £0.6m transferred to Fidelity.

8. OTHER PAYMENTS	2018	2017
	£	£
Premiums on term insurance policies	<u>857,595</u>	<u>724,787</u>

9. ADMINISTRATIVE EXPENSES	2018	2017
	£	£
Administration	368,794	243,849
Legal fees	107,142	18,998
Trustee fees & expenses	9,301	3,291
Communication & website design	94,350	-
Investment advice	27,450	12,181
Audit fees	17,387	5,868
PPF levy	5,599	4,358
Other fees	35	-
Miscellaneous expenses	38,251	123,673
	<u>668,309</u>	<u>412,218</u>

10. INVESTMENT INCOME	2018	2017
	£	£
Interest on cash deposits	<u>1,932</u>	<u>2,116</u>

11. RECONCILIATION OF INVESTMENTS					
	Value at	Purchases	Sales	Change in	Value at
	5.4.2017	at cost	proceeds	market value	5.4.2018
	£	£	£	£	£
Pooled investment vehicles	94,129,132	<u>24,619,224</u>	<u>(14,494,102)</u>	<u>2,258,557</u>	106,512,811
Cash in transit	5,361				1,300,206
	<u>94,134,493</u>				<u>107,813,017</u>

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty.

Indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect transaction costs are not separately provided to the Scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2018

11. RECONCILIATION OF INVESTMENTS (continued)

Investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. For members who invest in the Leonardo FuturePlanner managed fund the investment manager holds the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting.

Defined Contribution assets are allocated to members and the Trustee as follows:

	2018 £	2017 £
Members	106,512,811	94,129,132
Trustee	<u>-</u>	<u>-</u>
	<u>106,512,811</u>	<u>94,129,132</u>

The total value of AVC investments held within the pooled investments as at 5 April 2018 was £6,472,019 (2017: £5,155,627).

12. POOLED INVESTMENT VEHICLES

The Scheme's investments in pooled investment vehicles at the year end comprised:

	2018 £	2017 £
Equity	5,415,048	4,808,621
Bonds	1,888,137	1,954,958
Cash	875,423	775,113
Diversified Growth Funds	<u>98,334,203</u>	<u>86,590,440</u>
	<u>106,512,811</u>	<u>94,129,132</u>

13. FAIR VALUE DETERMINATION

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2018

13. FAIR VALUE DETERMINATION (continued)

The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

	At 5 April 2018			
	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	106,512,811	-	106,512,811
Cash	<u>1,300,206</u>	<u>-</u>	<u>-</u>	<u>1,300,206</u>
	<u>1,300,206</u>	<u>106,512,811</u>	<u>-</u>	<u>107,813,017</u>

	At 5 April 2017			
	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	94,129,132	-	94,129,132
Cash	<u>5,361</u>	<u>-</u>	<u>-</u>	<u>5,361</u>
	<u>5,361</u>	<u>94,129,132</u>	<u>-</u>	<u>94,134,493</u>

14. INVESTMENT RISK DISCLOSURES

(a) Investment risks

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 or 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 Trustee determines its 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 Trustee manages 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 Trustee by regular reviews of the investment portfolio.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2018

14. INVESTMENT RISK DISCLOSURES (continued)

Further information on the Trustee's approach to risk management, credit and market risk is set out below.

(i) Investment strategy

The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their employer, will provide a retirement amount with which the member can purchase a pension annuity (or other type of retirement product). The SIP outlines the investment objectives and strategy for the assets of the Scheme.

The Trustee has an investment management agreement in place with Old Mutual Wealth Life Assurance Limited (OMW) that sets out guidelines for the underlying investments held by the funds. The day to day management of the underlying investments of the funds is the responsibility of Old Mutual Wealth, including the direct management of credit and market risks. River and Mercantile Solutions Limited ("River and Mercantile Solutions") is the investment advisor and has been appointed by the Trustee to carry out asset allocation and selection of the underlying managers in the member funds. The Trustee monitors the underlying risks by regular investment reviews with OMW.

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.

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.

(ii) Credit risk

All assets of the Scheme are subject to direct credit risk in relation to 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 Trustee is 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 the investment platform provider.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2018

14. INVESTMENT RISK DISCLOSURES (continued)

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 Trustee 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 Trustee carries out due diligence checks on the appointment of the investment platform and new investment managers and, on an ongoing basis, monitors any changes to the regulatory and operating environments of both. The Scheme's investments are all held in pooled investment vehicles. As at 31 March 2018 the total value of member funds subject to direct credit risk was £106.5m (2017: £94.1m).

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.

(iii) 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 Trustee regards 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.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2018

14. INVESTMENT RISK DISCLOSURES (continued)

(v) 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.

15. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Fund:

	2018		2017	
	£	%	£	%
FuturePlanner Stable Growth Fund	33,587,746	30.6	30,255,752	31.1
FuturePlanner Cautious Growth Fund	30,715,591	28.0	26,922,733	27.7
FuturePlanner Long Term Growth Fund	26,577,469	24.2	23,039,898	23.7
FuturePlanner Retirement Protection Fund	7,453,397	6.8	6,372,057	6.6

16. CURRENT ASSETS

	2018	2017
	£	£
Bank balance	1,816,750	2,773,154
Contributions receivable - employer	3,275	-
Other assets	43,763	9,132
Tax recoverable by the Employer	61,993	15,247
Life assurance paid in advance	233,446	331,109
	<u>2,159,227</u>	<u>3,128,642</u>

Included in the bank balance is £1,586,638 (2017: £1,503,043) which is not allocated to members.

All contributions receivable relate to the month of March 2018 and were paid in full to the Scheme within the timescale required by the Payment Schedule currently in force.

The tax recoverable by the Employer is VAT on administrative expenses which the Employer reclaims and reimburses to the Scheme.

17. CURRENT LIABILITIES

	2018	2017
	£	£
Unpaid benefits	161,410	23,768
Accrued expenses	118,166	95,902
Tax payable	-	5,517
Due to employer	-	5,513
	<u>279,576</u>	<u>130,700</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2018

18. RELATED PARTIES

Four of the five current Trustee Directors were contributing members of the Scheme during the Scheme year. Their contributions were calculated and paid to the Scheme in accordance with the Scheme rules.

Management and 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 by the Scheme. For 2018 these costs amounted to £160,000 (2017: £160,000).

Trustee Directors who are pensioner members of a Leonardo group pension scheme receive remuneration from Leonardo MW Ltd for governance services. Trustee remuneration for 2018 totalled £9,875 (2017: £8,900).

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

19. POST BALANCE SHEET EVENTS

During the year, Old Mutual Wealth confirmed its intention to withdraw from the institutional platform market. Transition to Mobius Life has been agreed and will commence in November 2018.

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 TRUSTEE OF LEONARDO FUTUREPLANNER

Statement about contributions payable under the Payment Schedule

We have examined the summary of contributions payable to Leonardo FuturePlanner on page 32, in respect of the Scheme year ended 5 April 2018, to which this statement is attached.

In our opinion the contributions for the Scheme year ended 5 April 2018 as reported in the attached summary of contributions on page 32 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 32 in the attached summary of contributions 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 the Auditor

As explained more fully on page 17 in the Statement of Trustee's Responsibilities, the Scheme's Trustee is 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 Trustee is 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.

Use of our statement

This statement is made solely to the Scheme's Trustee 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 Trustee those matters we are required to state to it 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 Trustee 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 18/9/18

LEONARDO FUTUREPLANNER

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

During the year, the contributions paid to the Scheme by the employer under the Payment Schedule were as follows:

	£
Employer normal contributions	8,833,098
Employer Smart contributions	4,321,807
Employer expense contributions	1,552,587
Employee normal contributions	<u>87,102</u>
Total contributions paid	<u>14,794,594</u>
Reconciliation to the financial statements:	
Contributions paid under the Payment Schedule	14,794,594
Employer Additional Voluntary Contributions	1,632,920
Members' Additional Voluntary Contributions	<u>58,371</u>
Contributions receivable per the financial statements	<u><u>16,485,885</u></u>

This summary was approved by the Trustee on 18/9/18 (date)

Signed on behalf of the Trustee