

LEONARDO FUTUREPLANNER

Report and Financial Statements for the year ended 5 April 2019

Scheme Registration No: 00692742RW



Albion, Fishponds Road, Wokingham, Berkshire RG41 2QE

XPS Administration is a trading name of XPS Administration Limited
Registered No. 9428346. Registered Office: Phoenix House, 1 Station Hill, Reading RG1 1NB

Part of XPS Pensions Group

TABLE OF CONTENTS

Trustee and Advisers	2
Chair's Introduction	4
Trustee's Report	5
Investment Report	9
Statement of Trustee's Responsibilities	12
Independent Auditor's Report	13
Fund Account	15
Statement of Net Assets	16
Notes to the Financial Statements	17
Independent Auditor's Statement about Contributions	26
Summary of Contributions paid in the year	27
Governance Statement	28

TRUSTEE AND ADVISERS

Trustee:	Leonardo FuturePlanner (Trustee) Ltd
Trustee Directors:	Martin Flavell, Chair * Brian Airlie ** Wendy Allen * (Appointed 25 February 2019) Michael Brinson ** Paul Rees * Sian Riches ** (Appointed 10 December 2018) Clare Roberts * (Appointed 30 October 2018) Robert Sawford ** (Appointed 10 December 2018) * <i>Company Nominated</i> ** <i>Member Nominated</i>
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) (Ceased participation 31 December 2018) 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

Investment Managers:

Mobius Life Limited
7th Floor
20 Gresham Street,
London EC2V 7JE

(Appointed 30 January 2019)

Old Mutual Wealth Life Assurance Company Limited
4th Floor
Old Mutual House
Portland Terrace
Southampton SO14 7AY

(Resigned 29 January 2019)

'At Retirement' Providers:

FIL Retirement Services Limited

Consultants & Administrators:

XPS Administration Limited
Albion
Fishponds Road
Wokingham
Berkshire RG41 2QE

Investment Advisors:

River and Mercantile Investments Limited
T/A River and Mercantile Solutions
One Aldermanbury Square
London EC2V 7HR

CHAIR'S INTRODUCTION

YEAR ENDED 5 APRIL 2019

I am pleased to present the Report and Financial Statements for Leonardo FuturePlanner (the "Scheme") for the year ended 5 April 2019.

We have completed the first full year with our new administrator, XPS, and have been very pleased with the service provided to the Trustee and members. You now have the ability to 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.



Following the external Value for Members assessment undertaken last year, we have been working hard to improve certain areas of the Scheme. The Trustee has introduced a change within its default investment strategy, so members can choose one of four investment strategies during the last 3 years before target retirement age, to tailor their investment strategy to suit their retirement needs. We also offer a staged Uncrystallised Fund Pension Lump Sum (UFPLS) at retirement which allows members to take their fund as two taxable lump sum payments within two years after retiring.

The Scheme's three growth focused 'blend' funds achieved a positive return over the year, but were behind the long term inflation plus objectives, for example by 1.89% in the case of the Long Term Growth Fund. This was due to a very difficult last quarter of 2018. The 'blend' funds remain well ahead of their long term targets since inception (25 October 2011) by 1.9% 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. This means 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 11.

We review annually how we comply with The Pensions Regulator's Code of Practice for DC schemes. You will find more information about this on pages 28 to 31 in this report. This includes our formal review of how we provide "value for members", particularly in relation to the charges that apply to the funds FuturePlanner offers.

John Archbold left the Company in August 2018, with Clare Roberts being appointed as a Company nominated Trustee Director in October 2018 in his place.

During the year, the Trustee Board has been expanded from five Trustee Directors to eight. This is to reflect the growth in FuturePlanner and the desire to widen the range of experience on the Trustee Board. Wendy Allen has been appointed as a fourth Company nominated Trustee Director, with Sian Riches and Robert Sawford being appointed as member nominated Trustee Directors.

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
Leonardo FuturePlanner (Trustee) Limited



Date:.....

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2019

The Trustee presents to the members its annual report and financial statements for the year ended 5 April 2019.

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.

The Trustee is a sole Corporate Trustee, Leonardo FuturePlanner (Trustee) Limited. The Trustee Directors are listed on page 2. During the year the Trustee Board was increased from five to eight Directors.

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 four 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 2018		2,812
New joiners	838	
Retirement	(4)	
Deferred	(372)	
Refunds/ Opt outs	(19)	
Death	(3)	
Active members at 5 April 2019		<u>3,252</u>
Deferred pensioners at 6 April 2018		929
Adjustments*	(67)	
From Active	372	
Retirement	(31)	
Transfer Out**	(390)	
Death	(2)	
Deferred pensioners at 5 April 2019		<u>811</u>
Total members at 5 April 2019		<u>4,063</u>

**Adjustment to the deferred opening balances is due to a record closure for one member who never commenced service and 66 members whose records were merged.*

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

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
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 2019.

Scheme Changes

Aviation Training International Limited (ATIL) was a joint venture company, the share capital of which was owned in equal proportions by Leonardo MW Ltd and The Boeing Company (Boeing). Following the sale by Leonardo MW Ltd of its shares in ATIL to Boeing, ATIL ceased to participate in the Scheme with effect from 31 December 2018.

During the year, the Trustee created a change in investment options within its default investment strategy. Members are now able to choose one of four investment strategies during the last 3 years before target retirement age, to tailor their investment strategy to suit their retirement needs.

A staged Uncrystallised Fund Pension Lump Sum (UFPLS) has also been introduced within the retirement options offered by the Scheme. Members are now able to take their fund as two taxable lump sum payments within two years of retiring.

Financial Development of the Scheme

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

	£
Net assets at 5 April 2018	109,692,668
Net additions from dealings with members	11,241,765
Net returns on investments	<u>6,167,985</u>
Net assets at 5 April 2019	<u>127,102,418</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 Limited
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 training workshops 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.

Money & Pensions Service (MPS)

The MPS is a new service which has been introduced in 2019 combining pension guidance, money guidance and debt advice. These services are currently provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. As 2019 progresses an integrated service will be offered. If you have general requests for information or guidance concerning your pension arrangements please contact:

Money & Pensions Service
Holborn Centre
120 Holborn
London EC1N 2TD

MPS Tel: 0115 965 9570

Email: contact@singlefinancialguidancebody.org.uk

Website: www.moneyandpensionservice.org.uk

The Pensions Advisory Service
11 Belgrave Road
London SW1V 1RB

TPAS Tel: 0800 011 3797

Website: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

Early Resolution Service

The early resolution service is available to assist with any difficulty that has not been resolved or to assist with a potential complaint

Tel: 0800 917 4487

Email: helpline@pensions-ombudsman.org.uk

Complaints

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

The year ended 31 March 2019 gave investors a rollercoaster ride, with uncertainty the order of the day, although gains were experienced in most return-seeking asset classes over the period as a whole.

There was a general nervousness about central banks withdrawing their support for markets – the global transition from quantitative easing to quantitative tightening – with a specific fear of the US Federal Reserve stalling the US economy by hiking interest rates too quickly or too far. Mixed in with this were fears of a global economic slowdown, with economic indicators trending downwards, and credit conditions tightening at a time when return-seeking asset prices were already looking expensive.

These fears led to a rout in return-seeking assets generally, globally, in early 2018. But by the start of April, with economic growth still positive, investors felt the rout was overdone, and the markets began to make a fitful recovery. The US, in particular, was still being boosted by tax cuts, now manifested in rising corporate profits. US equity began a rally that continued to the end of September, more than recovering its losses to set new all-time highs.

The mid-year US rally was not repeated in the Eurozone or Japan, where an economic slowdown became real – the German and Japanese economies actually contracted in the third quarter of 2018.

The US dollar, which had spent the first three months of the year weakening in anticipation of rising US inflation, in April finally started to respond to high and rising US interest rates, and commenced a strengthening course that it sustained for the rest of the year.

This strengthening in the US dollar had a detrimental effect on emerging markets. Having gradually built up their US dollar-denominated debt, the strengthening dollar meant they now faced increasing difficulties financing it. Emerging market equity and debt embarked upon a downwards spiral that lasted until the end of October.

And by summer two new, interlinked fears were adding to investors' nervousness – a slowdown in China's economy and the prospect of a serious US/China trade war. The Chinese slowdown was at least in part the result of government attempts to regulate borrowing, and from mid-year it made attempts at reinvigoration – but many investors doubted the stimulus was sufficient. And the nascent Trump-led trade war against China steadily darkened in words and actions, and grew in scale, ultimately with tariffs threatened on hundreds of billions of dollars' worth of trade.

In early October, sparked by the year's second spike in US rates, these various fears combined to send developed market equity markets tumbling – again. And if US equity prices were expensive at the start of 2018, by the start of October they had become very expensive, and economic trends were looking even worse, underlined by a striking fall in the price of oil. The tumble lasted until Christmas. The drop was so severe that, come the end of December, many investors felt prices had fallen too far, and began looking for bargains.

Moreover, by early January the US Federal Reserve had started to change its mind on raising interest rates any further, in effect putting its programme on pause. And the Chinese government's attempts to re-stimulate its economy started to show signs of working, while progress was being made in US/China trade negotiations. Equity markets responded with a strong rebound – although, by the end of March, they had still not quite made up the ground they had lost from October to December.

Separately, sterling and the UK gilts market were buffeted all year by uncertainty over Brexit, with sterling weakening against the dollar over the 12-month period.

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 3.

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 twelve "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 three different lifestyle choices targeting alternative options at-retirement (Take Your Pot As Cash, Income For Life/Annuity Purchase, Invest Into Retirement / Income Drawdown) and five funds broadly representing more traditional equities, bonds, cash and property.

To facilitate the investment strategy, an "investment platform" is necessary. During January 2019, the Trustee appointed Mobius Life ("ML") as provider (to replace Old Mutual Wealth Limited) and therefore the Scheme assets are held by ML. River and Mercantile Solutions ("R&M 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 Performance

The manager and total Scheme performance to 5 April 2019 was as follows:

	12 months	3 years	Since Inception
	%	% p.a.	% p.a.
FuturePlanner Long Term Growth Fund	5.0	8.6	8.6
<i>Long-Term Target</i>	6.9	7.2	6.7
<i>Short-Term Benchmark</i>	6.2	9.8	9.9
FuturePlanner Stable Growth Fund	4.4	7.6	7.7
<i>Long-Term Target</i>	5.9	6.2	5.7
<i>Short-Term Benchmark</i>	5.5	8.8	8.5
FuturePlanner Cautious Growth Fund	4.7	7.7	8.1
<i>Long-Term Target</i>	4.9	5.2	4.7
<i>Short-Term Benchmark</i>	5.5	8.6	7.0
FuturePlanner Retirement Focus Fund (Default)	3.0	5.5	5.9
<i>Benchmark</i>	3.5	5.9	6.2
FuturePlanner Cash Fund	0.5	0.4	0.3
<i>Benchmark</i>	0.5	0.3	0.3
FuturePlanner Corporate Bond Fund	5.3	8.7	10.2
<i>Benchmark</i>	5.1	10.9	10.7
FuturePlanner Fixed Annuity Focus Fund	3.7	4.9	5.8
<i>Benchmark</i>	3.7	4.8	6.0
FuturePlanner Inflation-Linked Annuity Focus Fund	3.3	6.2	7.2
<i>Benchmark</i>	4.5	7.3	8.1

Source: Old Mutual Wealth, Mobius Life, underlying fund managers. Performance is shown net of fees deducted from assets. Since inception numbers are as at 25 October 2011. Performance of the three alternative Retirement Focus Funds (Take Your Pot As Cash, Income For Life/Annuity Purchase, Invest Into Retirement/ Income Drawdown) is not yet available as the funds were introduced during 2018.

Employer Related Investments

There were no employer related investments during the year.

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 THE LEONARDO FUTUREPLANNER

Opinion

We have audited the financial statements of Leonardo FuturePlanner for the year ended 5 April 2019 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 2019, 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 3A 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.

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.

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

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 12, 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 11 September 2019

FUND ACCOUNT

For the year ended 5 April 2019

	Note	2019 £	2018 £
CONTRIBUTIONS AND BENEFITS			
Employer contributions		19,546,093	16,340,412
Employee contributions		<u>186,106</u>	<u>145,473</u>
Total contributions	3	19,732,199	16,485,885
Transfers in	4	2,862,311	561,114
Other income	5	<u>474,172</u>	<u>594,206</u>
		<u>23,068,682</u>	<u>17,641,205</u>
Benefits paid or payable	6	1,417,286	1,818,447
Payments to and on account of leavers	7	9,092,703	3,997,110
Other payments	8	870,995	857,595
Administrative expenses	9	<u>445,933</u>	<u>668,309</u>
		<u>11,826,917</u>	<u>7,341,461</u>
NET ADDITIONS FROM DEALINGS WITH MEMBERS		<u>11,241,765</u>	<u>10,299,744</u>
RETURNS ON INVESTMENTS			
Investment income	10	8,553	1,932
Change in market value of investments	11	<u>6,159,432</u>	<u>2,258,557</u>
NET RETURNS ON INVESTMENTS		<u>6,167,985</u>	<u>2,260,489</u>
NET INCREASE IN THE FUND FOR THE YEAR		17,409,750	12,560,233
OPENING NET ASSETS		<u>109,692,668</u>	<u>97,132,435</u>
CLOSING NET ASSETS		<u><u>127,102,418</u></u>	<u><u>109,692,668</u></u>

The notes on pages 17 to 25 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 5 April 2019

	Note	2019 £	2018 £
INVESTMENT ASSETS	11		
Pooled investment vehicles	12	122,943,423	106,512,811
Cash deposits	11	-	1,300,206
TOTAL NET INVESTMENTS		122,943,423	107,813,017
CURRENT ASSETS	16	4,724,724	2,159,227
CURRENT LIABILITIES	17	(565,729)	(279,576)
CLOSING NET ASSETS		127,102,418	109,692,668

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 17 to 25 form an integral part of these financial statements.

These financial statements were approved by the Trustee on . 11/09/2019 .(date)

Signed on behalf of the Trustee

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 5 April 2019

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 their 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.

(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 2019

3. CONTRIBUTIONS	2019	2018
	£	£
Employer contributions		
Normal	10,473,028	8,833,098
Additional voluntary	2,166,744	1,632,920
Smart contributions	5,114,853	4,321,807
Expense contributions	<u>1,791,468</u>	<u>1,552,587</u>
	<u>19,546,093</u>	<u>16,340,412</u>
Employee contributions		
Normal	114,253	87,102
Additional voluntary	<u>71,853</u>	<u>58,371</u>
	<u>186,106</u>	<u>145,473</u>
	<u>19,732,199</u>	<u>16,485,885</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	2019	2018
	£	£
Individual transfers in from other schemes	<u>2,862,311</u>	<u>561,114</u>

5. OTHER INCOME	2019	2018
	£	£
Other income	1,233	24,422
Claims on term insurance policies	<u>472,939</u>	<u>569,784</u>
	<u>474,172</u>	<u>594,206</u>

Other income of £24,422 in 2018 includes amounts received in recompense from AON Hewitt for administration errors.

6. BENEFITS PAYABLE	2019	2018
	£	£
Commutation of pensions and lump sum retirement benefits	440,629	588,732
Purchase of annuities	371,034	354,172
Lump sum death benefits	472,940	569,783
Refunds of contributions on death	<u>132,683</u>	<u>305,760</u>
	<u>1,417,286</u>	<u>1,818,447</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2019

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS		2019	2018		
		£	£		
Refunds of contributions		1,316	-		
Buy-out of deferred members		2,610,476	565,794		
Individual transfers out to other schemes		6,480,911	3,431,316		
		<u>9,092,703</u>	<u>3,997,110</u>		
Buy-out of deferred members refers to the bulk exercise processed during the year. This was carried out in November 2018, with 269 members being transferred to Fidelity.					
8. OTHER PAYMENTS		2019	2018		
		£	£		
Premiums on term insurance policies		870,995	857,595		
		<u>870,995</u>	<u>857,595</u>		
9. ADMINISTRATIVE EXPENSES		2019	2018		
		£	£		
Administration		327,349	368,794		
Legal fees		24,525	107,142		
Trustee fees & expenses		16,534	9,301		
Other professional fees		26,868	94,350		
Investment advice		(27,450)	27,450		
Audit fees		14,604	17,387		
PPF levy		6,340	5,599		
Other fees		35	35		
Miscellaneous expenses		57,128	38,251		
		<u>445,933</u>	<u>668,309</u>		
10. INVESTMENT INCOME		2019	2018		
		£	£		
Interest on cash deposits		8,553	1,932		
		<u>8,553</u>	<u>1,932</u>		
11. RECONCILIATION OF INVESTMENTS					
	Value at	Purchases at	Sales	Change in	Value at
	5.4.2018	cost	proceeds	market value	5.4.2019
	£	£	£	£	£
Pooled investment vehicles	106,512,811	<u>145,219,414</u>	<u>(134,948,234)</u>	<u>6,159,432</u>	122,943,423
Cash in transit	<u>1,300,206</u>				-
	<u>107,813,017</u>				<u>122,943,423</u>

Included in purchases and sales is £114.8m transfer of investments from Old Mutual Wealth to Mobius Life.

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. Investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2019

11. RECONCILIATION OF INVESTMENTS (continued)

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:

	2019	2018
	£	£
Members	122,943,423	106,512,811
Trustee	-	-
	<u>122,943,423</u>	<u>106,512,811</u>

The total value of AVC investments held within the pooled investments as at 5 April 2019 was £7,879,586 (2018: £6,472,019).

12. POOLED INVESTMENT VEHICLES

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

	2019	2018
	£	£
Equity	6,286,475	5,415,048
Bonds	2,031,733	1,888,137
Cash	915,677	875,423
Diversified Growth Funds	<u>113,709,538</u>	<u>98,334,203</u>
	<u>122,943,423</u>	<u>106,512,811</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.

The Scheme's investment assets and liabilities fall within the above hierarchy as follows:

	At 5 April 2019			
	Level 1 £	Level 2 £	Level 3 £	Total £
Pooled investment vehicles	-	122,943,423	-	<u>122,943,423</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2019

14. INVESTMENT RISK DISCLOSURES

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.

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

(i) 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 twelve "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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2019

14. INVESTMENT RISK DISCLOSURES (continued)

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 three different lifestyle choices targeting alternative options at-retirement (Take Your Pot As Cash, Income For Life / Annuity Purchase, Invest Into Retirement / Income Drawdown) and five funds broadly representing more traditional equities, bonds, cash and property.

To facilitate the investment strategy, an "investment platform" is necessary. During January 2019, the Trustee appointed Mobius Life ("ML") as provider (to replace Old Mutual Wealth Limited) and therefore the Scheme assets are held by ML. River and Mercantile Solutions ("R&M 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.

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 foreign exchange ("FX"), interest rate and other price risk.

The Trustee considers 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 in the table to the right.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2019

14. INVESTMENT RISK DISCLOSURES (continued)

(ii) Credit risk

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

ML 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 ML, 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.

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. In the event the underlying manager becomes insolvent, the Provider (Mobius Life) will actively pursue the manager and attempt to recover any losses. 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 2019 the total value of member funds subject to direct credit risk was £122.9m (2018: £106.5m).

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 its 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2019

14. INVESTMENT RISK DISCLOSURES (continued)

(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.

(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 Scheme:

	2019		2018	
	£	%	£	%
FuturePlanner Stable Growth Fund	37,839,156	29.8	33,587,746	30.6
FuturePlanner Cautious Growth Fund	36,700,697	28.9	30,715,591	28.0
FuturePlanner Long Term Growth Fund	31,483,877	24.8	26,577,469	24.2
FuturePlanner Retirement Protection Fund	7,567,127	6.0	7,453,397	6.8

16. CURRENT ASSETS

	2019	2018
	£	£
Bank balance	4,351,612	1,816,750
Contributions receivable - employer	334	3,275
Other assets	38,416	43,763
Tax recoverable by the Employer	41,672	61,993
Life assurance paid in advance	292,690	233,446
	<u>4,724,724</u>	<u>2,159,227</u>

Included in the bank balance is £1,969,091 (2018: £1,586,638) which is not allocated to members.

All contributions receivable relate to the month of March 2019 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2019

17. CURRENT LIABILITIES	2019	2018
	£	£
Unpaid benefits	516,095	161,410
Accrued expenses	49,309	118,166
Tax payable to HMRC	325	-
	<u>565,729</u>	<u>279,576</u>

18. RELATED PARTIES

Six of the eight 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 2019 these costs amounted to £160,000 (2018: £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 2019 totalled £9,375 (2018: £9,875).

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

19. 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.

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 THE LEONARDO FUTUREPLANNER

Statement about contributions payable under the Payment Schedule

We have examined the summary of contributions payable to Leonardo FuturePlanner on page 27, in respect of the Scheme year ended 5 April 2019, to which this statement is attached.

In our opinion the contributions for the Scheme year ended 5 April 2019 as reported in the attached summary of contributions on page 27 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 27 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.

Responsibilities of Trustee and Auditor

As explained more fully on page 12 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 11 September 2019

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	10,473,028
Employer Smart contributions	5,114,853
Employer expense contributions	1,791,468
Employee normal contributions	<u>114,253</u>
Total contributions paid	<u>17,493,602</u>
Reconciliation to the financial statements:	
Contributions paid under the Payment Schedule	17,493,602
Employer Additional Voluntary Contributions	2,166,744
Members' Additional Voluntary Contributions	<u>71,853</u>
Contributions receivable per the financial statements	<u><u>19,732,199</u></u>

This summary was approved by the Trustee on 11/9/19 (date)

Signed on behalf of the Trustee

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

This statement covers the period from 6 April 2018 to 5 April 2019.

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 July 2018 when the benchmark allocation within the Retirement Focus fund was adjusted. This fund is used as the final phase of the default switching process in the three years leading up to the Target Retirement Age and was to reflect the way members on average are drawing their retirement benefits. The performance of the funds underlying the default investment strategy is formally reviewed quarterly.

You can find the SIP at www.futureplanner.co.uk (within library/trustee documents).

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.

The service standard provides for contributions to be invested in member Retirement Accounts no later than required by regulatory guidance. Over the year, XPS Administration Limited 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 year of their appointment XPS Administration Limited completed 98.18% of the reported tasks within the standards.

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

Charges and transaction costs

Member charges differ between the investment funds that are available. The charges applicable to the funds underlying the default lifestyle strategy and the 'pick & mix' options available on a self-select basis as at 31 March 2019 are set out in the table below:

	Fund	Charge
Default 'blend' funds	Long Term Growth Fund	0.61%
	Stable Growth Fund	0.65%
	Cautious Growth Fund	0.55%
	Retirement Focus Fund (Default)	0.44%
Self-select funds	Retirement Focus Fund (Invest into Retirement)	0.50%
	Retirement Focus Fund (Income for Life)	0.31%
	Retirement Focus Fund (Take Your Pot as Cash)	0.35%
	Global Equity Fund	0.17%
	Corporate Bond Fund	0.14%
	Fixed Annuity Focus Fund	0.12%
	Inflation-Linked Annuity Focus Fund	0.12%
	Cash Fund	0.12%

Source: Mobius Life, R&M Calculations as at July 2019

Transaction costs incurred by members are complex and are associated with different member, Trustee or manager actions. They can be split into three areas:

1. **Transaction costs incurred as part of changes in the fund range**

The fund range has been unchanged over the year and, therefore, no transaction costs associated with implementation.

The range includes blend funds, each with varying allocations to underlying managers and securities. The fiduciary manager's role includes the ability to alter these underlying allocations to generate fund returns and manage risk with a view to achieving performance in line with the objectives. These changes can be subject to transaction costs, primarily through dealing costs associated with the buying and selling of funds and securities. The fiduciary manager is not in a position to illustrate these costs over the scheme year as not all of the underlying managers are able to report on their transaction costs. The Trustee recognises the value of disclosures in this area and the fiduciary manager is working to accommodate this in future.

2. **Transaction costs incurred buying and selling funds as part of the default 'lifestyle' switching strategy**

A member in the default investment strategy buys and sells assets when automatically switching between funds through their career.

It is estimated that over a member's life, the cost of entering the strategy, switching between funds and subsequently redeeming assets upon retirement is, in a worst case scenario, around 0.43% (i.e. less than ½p) for each £1 of income invested in the Long Term Growth Fund. This equates to an average of 0.01% per annum, as at 31 March 2019.

A breakdown is provided in the table below.

Movement between funds	Worst case cost
Buy Long Term Growth	0.07%
Long Term Growth → Stable Growth	0.08%
Stable Growth → Cautious Growth	0.11%
Cautious Growth → Retirement Focus	0.12%
Sell Retirement Focus	0.06%
Total	0.43%
Total p.a.	0.01%

Source: Underlying fund managers. R&M Solutions' calculations as at July 2019.

Assumptions:

- (1) members join the Scheme 40 years from retirement
- (2) price swings are all unfavourable to members
- (3) no netting of trades occurs

The funds are priced on a 'single swinging basis', meaning they may be priced at bid or offer on any day, depending on the net cash flow from all investors in and out of the fund that day. The calculations are done on a 'worst case' basis in assuming that there are no netting trades and that a member pays a cost of 'bid price / mid price' for any sale of assets and 'mid price / offer price' for any purchase of assets. In practice, the cost incurred is unlikely to be the full amount above and there may even be an uplift should fund prices swing favourably.

3. 'Frictional costs' incurred due to internal buying and selling of underlying assets

Frictional costs are explicit and implicit costs incurred as part of day-to-day trading activities. Explicit costs are directly observable and in most cases managers are able to report them. Examples of explicit costs include broker fees, transaction taxes and custody fees. Implicit costs cannot be observed in the same way but do have an impact on fund performance. Examples of implicit costs include bid-offer spreads and market impact.

The table below sets out the total transaction costs for each fund covering the period 6 April 2018 to 5 April 2019

	Fund	Total transaction cost
Default 'blend' funds	Long Term Growth	0.112%
	Stable Growth Fund	0.106%
	Cautious Growth Fund	0.079%
	Retirement Focus Fund (Default)	0.036%
Self-select funds	Retirement Focus Fund (Invest into Retirement)	0.060%
	Retirement Focus Fund (Income for Life)	N/A ¹
	Retirement Focus Fund (Take Your Pot as Cash)	0.003%
	Global Equity Fund	-0.004%
	Corporate Bond Fund	0.001%
	Fixed Annuity Focus Fund	0.041%
	Inflation-Linked Annuity Focus Fund	0.007%
	Cash Fund	0.014%

Source: OMW from 6 April 2018 to 30 January 2019. ML from 31 January 2019 to 5 April 2019. Underlying fund managers. R&M calculations as at July 2019.

Projected pension pots showing, in today's terms, both the gross values and the net amount after the impact of charges and transaction costs can be found as an Appendix to this Governance Statement.

¹ No transaction costs as at 31/03/2019 as there has been no member investment

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 every three years.

1. 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.

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 0.6% 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%.

2. Value for members – independent assessment

The most recent independent assessment of value for members was conducted by LCP in 2018. In response to the findings the Trustee has taken three actions:

- Some options have been introduced into the final phase of the default investment strategy. Members are now able to choose one of three switching strategies during the last three years before target retirement age to position their money for their planned retirement solution. A default option remains in place for those who do not make an election.
- A staged Uncrystallised Fund Pension Lump Sum (UFPLS) has been introduced within the retirement options offered by the Scheme. Members are now able to take their fund as two taxable lump payments within two years of retiring.
- The Trustee has successfully negotiated the reduction of fiduciary management charges on self-select funds to 0%.

The Trustee will conduct a further independent review no later than in 2021 to assess the impact of these changes and other best practice developments.

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, and 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. During the year all Trustee directors achieved the 14 hours objective, completing an average level of 24.63 hours per 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.

MARTIN FLAVELL
Chair of the Trustee

Date:

Appendix: Projected pension pots, in today's terms

The tables below provide illustrative examples of the cumulative effect over time of the application of charges and costs on the value of a member's pension pot.

The examples outline the effects of charges and transaction costs (as described in the Governance Statement) across the fund range and over different time periods (in years).

The tables show the projected 'Gross' fund and then fund 'Net' of all charges, lifestyling costs and buy/sell costs as appropriate. The projections are based on assumptions which can be found after the projection tables.

Projected pension pot for the Default investment strategy:

Years	Default strategy	
	Gross	Net
1	£2,300	£2,300
3	£7,300	£7,300
5	£12,600	£12,400
10	£28,000	£27,000
15	£46,500	£44,000
20	£67,700	£62,900
25	£92,700	£84,400
30	£121,400	£108,400
35	£151,400	£132,500
40	£184,800	£158,500

Projected pension pot for the Blend funds:

Years	Long Term Growth Fund		Stable Growth Fund		Cautious Growth Fund	
	Gross	Net	Gross	Net	Gross	Net
1	£2,300	£2,300	£2,300	£2,300	£2,300	£2,300
3	£7,300	£7,300	£7,300	£7,200	£7,200	£7,100
5	£12,600	£12,400	£12,400	£12,200	£12,200	£12,000
10	£28,000	£27,000	£27,100	£26,100	£26,200	£25,400
15	£46,700	£44,200	£44,700	£42,200	£42,400	£40,400
20	£69,600	£64,600	£65,500	£60,700	£61,000	£57,300
25	£97,400	£88,700	£90,100	£81,800	£82,400	£76,200
30	£131,000	£116,900	£119,200	£106,000	£107,000	£97,200
35	£171,500	£149,900	£153,300	£133,600	£135,000	£120,700
40	£220,300	£188,400	£193,400	£165,100	£167,000	£146,800

Projected pension pot for self-select funds:

Years	Global Equity Fund		Corporate Bond Fund		Cash Fund	
	Gross	Net	Gross	Net	Gross	Net
1	£2,300	£2,300	£2,200	£2,200	£2,200	£2,200
3	£7,300	£7,300	£7,000	£7,000	£6,900	£6,900
5	£12,600	£12,500	£11,700	£11,700	£11,400	£11,400
10	£27,800	£27,600	£24,100	£23,900	£22,800	£22,700
15	£46,400	£45,800	£37,400	£37,000	£34,500	£34,200
20	£68,900	£67,700	£51,600	£50,900	£46,500	£45,900
25	£96,100	£94,000	£66,900	£65,800	£58,800	£57,800
30	£128,900	£125,500	£83,200	£81,600	£71,300	£70,000
35	£168,300	£163,100	£100,700	£98,400	£84,300	£82,500
40	£215,500	£207,700	£119,300	£116,300	£97,600	£95,300

Projected pension pot for funds focused on retirement:

Years	Fixed Annuity Focus Fund		Inflation-Linked Annuity Focus Fund		Retirement Focus Fund (Default)	
	Gross	Net	Gross	Net	Gross	Net
1	£2,200	£2,200	£2,200	£2,200	£2,200	£2,200
3	£7,000	£6,900	£6,900	£6,900	£7,000	£7,000
5	£11,600	£11,500	£11,500	£11,500	£11,800	£11,700
10	£23,500	£23,300	£23,300	£23,100	£24,500	£23,900
15	£36,100	£35,600	£35,500	£35,200	£38,200	£36,900
20	£49,200	£48,500	£48,300	£47,700	£53,100	£50,800
25	£63,000	£61,800	£61,600	£60,700	£69,300	£65,500
30	£77,500	£75,800	£75,400	£74,100	£86,900	£81,200
35	£92,700	£90,400	£89,800	£88,000	£105,800	£97,800
40	£108,700	£105,600	£104,800	£102,500	£126,300	£115,500

Years	Retirement Focus Fund (Invest into Retirement)		Retirement Focus Fund (Income for Life)		Retirement Focus Fund (Take Your Pot as Cash)	
	Gross	Net	Gross	Net	Gross	Net
1	£2,300	£2,200	£2,200	£2,200	£2,200	£2,200
3	£7,100	£7,100	£6,900	£6,900	£6,900	£6,900
5	£12,000	£11,800	£11,400	£11,300	£11,400	£11,300
10	£25,300	£24,600	£23,000	£22,600	£22,800	£22,500
15	£40,200	£38,600	£34,800	£34,000	£34,500	£33,700
20	£56,900	£53,800	£46,900	£45,600	£46,500	£45,000
25	£75,500	£70,500	£59,400	£57,300	£58,800	£56,400
30	£96,300	£88,600	£72,300	£69,300	£71,300	£68,000
35	£119,300	£108,300	£85,600	£81,500	£84,300	£79,800
40	£144,900	£129,700	£99,300	£94,000	£97,600	£91,700

Assumptions for the projected pension pots:

- Values shown are estimates and are not guaranteed;
- Transaction costs are reflected as at 31 March 2019;
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation;
- Assumes inflation of 2.5% per annum;
- Assumes charges in future years are equal to charges today (transaction costs are shown in the table above);
- Assumes a member is aged 23 years old now and stops contributing at age 65;
- Assumes an overall contribution rate of 9% of annual salary, the £ amount of which increases in line with assumed salary inflation;
- Assumes a member salary of £25,000 in Year 0, increasing at 1% per annum above inflation;
- The accumulation rates used, are set out below:

	Fund	Real accumulation rate per annum (gross of charges)
Default 'blend' funds	Long Term Growth	3.5%
	Stable Growth Fund	2.9%
	Cautious Growth Fund	2.2%
	Retirement Focus Fund (Default)	0.8%
Self-select funds	Retirement Focus Fund (Invest into Retirement)	1.5%
	Retirement Focus Fund (Income for Life)	-0.5%
	Retirement Focus Fund (Take Your Pot as Cash)	-0.6%
	Global Equity Fund	3.4%
	Corporate Bond Fund	0.5%
	Fixed Annuity Focus Fund	0.0%
	Inflation-Linked Annuity Focus Fund	-0.2%
	Cash Fund	-0.6%

Source: Mobius Life, R&M calculations as at May 2019

These illustrations have been prepared with due regard to the Department for Work and Pensions' guidance ("Cost and charge reporting: guidance for trustees and managers of occupational schemes"), published in February 2018.