

LEONARDO HELICOPTERS PENSION SCHEME

Report and Financial Statements for the year ended 5 April 2020

Scheme Registration No: 10260073



Queen's Quay, 33-35 Queen Square, Bristol BS1 4LU

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

LEONARDO HELICOPTERS PENSION SCHEME

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CHAIR'S INTRODUCTION

YEAR ENDED 5 APRIL 2020

I am pleased to present the Report and Financial Statements for the Leonardo Helicopters Pension Scheme (the "Scheme") for the year ended 5 April 2020.

Since our last report, the investment environment has been challenging, particularly in the first quarter of 2020, however the total portfolio grew in value by 2.4% over the year. Within this, our on-risk assets fell by 6.6%, due to the COVID-19 related market volatility of Q1 2020, resulting in the worst falls in markets since the Great Depression. Our hedging portfolio continued to maintain a 100% hedge against interest rates and inflation.

In the short term markets continue to be volatile and the Trustee remains focused on developing our strategy with a strong focus on risk control to manage the ongoing uncertainties associated with the market environment.

The last valuation, as at 5 April 2017, showed the Scheme had a deficit of £67m with a funding ratio of 96%. The Trustee Board continues to monitor the funding position of the Scheme on a quarterly basis and has started work on the valuation as at 5 April 2020. The COVID-19 pandemic has created an increasingly difficult investment environment for pension schemes. As a result of this the Trustee is working with the Company and Scheme Advisers to explore the flexibilities available to help address the challenging market conditions as at 5 April 2020 and ensure longer term market expectations are reflected within the valuation assessment.

During the year, a Pension Increase Exchange (PIE) option at retirement was successfully implemented. This increases the flexibility available to our members when choosing how they wish to receive their pension benefits. The final element of the PIE project is to deliver the PIE option to those pensioner members who have not yet received an offer. However the timing is dependent on the receipt of delayed data from HMRC concerning Guaranteed Minimum Pension (GMP) benefits as well as the complex and uncertain requirements around equalising GMP which are currently being investigated.

During the year, the Trustee consolidated some of the AVC arrangements by transferring the AVC holdings formerly with Equitable Life into the current AVC arrangement with Mobius Life.

The Trustee engaged Lane, Clark & Peacock (LCP) to provide an external review of the fiduciary management investment services. The Trustee is pleased to confirm it has re-appointed River and Mercantile as a result of this process and as part of the negotiation has achieved a significant improvement in the fee basis.

During the year, Mike Bird resigned as a Trustee Director, with Chris Burton being appointed in his place. In July 2020 Nicola McKenzie resigned as a Trustee Director and the Company is selecting a new Trustee. I would like to thank Mike and Nicola for their valuable contributions and welcome Chris to the Board.

I am grateful 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 Helicopters Pension Scheme (Trustee) Limited

Date: 17 September 2020

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TRUSTEE AND ADVISERS

Trustee :	Leonardo Helicopters Pension Scheme (Trustee) Limited
Trustee Directors:	Martin Flavell * (Chair) Caroline Beaumont * Michael Bird ** (Resigned 30 September 2019) Chris Burton ** (Appointed 25 November 2019) Malcolm Gillam ** Steve Jenkins ** Simon Jones * Nicola McKenzie * (Resigned 31 July 2020) Craig Porter * Rebecca Ward ** * <i>Company Nominated</i> ** <i>Member Nominated</i>
Scheme Secretary :	Rachael Skuse
Scheme Address:	Leonardo Helicopters Pension Scheme Box 205 Leonardo MW Ltd Lysander Road Yeovil Somerset BA20 2YB
Principal Employer:	Leonardo MW Ltd (02426132) Sigma House Christopher Martin Road Basildon Essex SS14 3EL
Actuary :	Chris Vaughan-Williams Aon Solutions UK Limited 1 Redcliff Street Bristol BS1 6NP
Auditor :	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
Legal Adviser :	Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX
Bankers :	Barclays Bank plc 1 Churchill Place London E14 5HP
Covenant Adviser:	Ernst & Young LLP
Investment Managers :	River and Mercantile Investments Limited T/A River and Mercantile Solutions

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Custodian : CACEIS (formerly KAS Bank NV)

AVC Providers: Mobius Life Ltd
Prudential Assurance Company Ltd
The Equitable Life Assurance Society (Resigned 31 December 2019)
Utmost Life and Pensions (Appointed 1 January 2020)

Administrator : XPS Administration Limited
Queen's Quay
33-35 Queen Square
Bristol BS1 4LU

Investment Adviser: River and Mercantile Investments Limited T/A
River and Mercantile Solutions

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TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2020

The Trustee presents to the members its annual report and financial statements for the year ended 5 April 2020.

Scheme Information

The Leonardo Helicopters Pension Scheme is governed by Scheme Rules and provides pensions and lump sum benefits on retirement and death for those employees who are members of the Scheme.

The Scheme provides defined benefit pensions. The Scheme closed to new entrants in October 2007.

The Trustee of the Scheme is Leonardo Helicopters Pension Scheme (Trustee) Limited.

The Trustee Board is made up of nine Trustee Directors consisting of five Trustee Directors nominated by the Principal Employer (one of which is the Chair of the Trustee Board) and four nominated by the membership.

During the year, the Trustee Directors met frequently to deal with various matters relating to the management of the Scheme including monitoring funding and investing the Scheme assets. The Trustee Directors 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 investment sub-committee and administration sub-committee also met regularly during the year in advance of each full Trustee meeting.

In addition, there is a Joint DC Investment Committee, which is a joint committee for the Leonardo Helicopters Pension Scheme, Leonardo FuturePlanner and the Leonardo Electronics Pension Scheme. The purpose of the DC Committee is to review the AVC investment strategy of the Leonardo Helicopters Pension Scheme (together with the investment strategy of Leonardo FuturePlanner and the defined contribution elements of the Leonardo Electronics Pension Scheme).

In total there were 5 Trustee meetings and 14 sub-committee meetings during the year, with Trustee Director attendance at 96% for the year (2019: 97%).

The Trustee produces an annual business plan, and a long-term strategic plan which sets out the objectives of the Trustee. Progress against the business plans are monitored by the Trustee at each quarterly meeting.

Trustee knowledge

There is a requirement on the Trustee Directors to have knowledge and understanding of the law relating to pensions and the principles relating to the funding of the Scheme and the investment of the Scheme's assets. The Trustee Directors are also required to be conversant with the Scheme's documents. To fulfil these requirements the Trustee has adopted a training policy and attends regular training sessions.

Risk management

The Trustee Directors have put in place steps to monitor areas of potential risk to the Scheme. They regularly monitor, amongst other aspects of the Scheme, investments, the funding of the Scheme and the administration of the Scheme. The Scheme's risk register is reviewed on a quarterly basis by the Trustee and updated as necessary.

The Trustee has adopted an integrated risk management plan, which looks at the financial covenant, investment and funding risks faced by the Scheme on an integrated basis.

Employer's Covenant

The Principal Employer of the Scheme is Leonardo MW Ltd.

The Trustee Directors recognise that the ability of the Principal Employer to meet its ongoing contribution requirement is important to the funding of the Scheme and hence the security of members' benefits. As a way of increasing the security of the Scheme, the Trustee has entered into an agreement with the Leonardo Group's parent company, Leonardo SpA, in which Leonardo confirms it will provide support for the Scheme. Leonardo has agreed that it will be responsible for the liabilities of the participating employers and has undertaken to pay any outstanding Scheme contributions and pay any Scheme deficit if the Scheme were to wind up with insufficient assets.

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The Trustee regularly monitors the financial status of the Principal Employer and has engaged Ernst & Young LLP to carry out regular 6 monthly independent reviews of the financial strength of the employers, or more frequently if the Trustee considers this appropriate.

As part of the 5 April 2020 actuarial valuation, and in light of the COVID-19 pandemic, additional detailed reviews of the employer covenant have been commissioned, with Ernst & Young LLP reporting on a range of areas including cash resources, profitability and credit strength of the Principal Employer and its ultimate parent company. Overall, the employer covenant has been robust and rated as strong, and this will continue to be monitored through the actuarial valuation process and as the impact of COVID-19 develops. The actuarial valuation is discussed in further detail on page 15 of this report.

Voluntary contributions

The Additional Voluntary Contribution (AVC) option provides members with an opportunity to make further provision for their retirement in addition to the benefits provided by the Scheme. Investment choices are available in the form of a "Lifestyle" arrangement and a "Pick & Mix" option. In addition, some members have AVCs with Prudential and Utmost Life but cannot contribute more to these funds.

In addition to AVCs, members of the Main Section are able to contribute under the Buy Up option which provides for a higher career salary accrual rate, in return for an additional member contribution. The cost of the Buy Up option is set by the Trustee each year.

Membership

The number of members as at the year-end was:

Active members at 6 April 2019		1,660
Adjustments	(2)	
Retirement	(112)	
Deferred	(40)	
Active members at 5 April 2020		1,506
Deferred pensioners at 6 April 2019		1,185
Adjustments	2	
From Active	40	
Transfer Out	(21)	
Retirement	(37)	
Death	(1)	
Deferred pensioners at 5 April 2020		1,168
Pensioners at 6 April 2019		2,185
Retirement	149	
New dependants / spouses	18	
Death	(27)	
Trivial commutation	(2)	
Pensioners at 5 April 2020		2,323
Total members at 5 April 2020		4,997

Part of the benefits for 139 pensioners is covered by an external annuity policy (2019: 138).

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Pension increases

Different rates of increase, and caps on the level of increase, apply for different sections and tranches of benefit within the Scheme.

All pensions in payment were increased on 1 April 2020 in accordance with the Rules of the Scheme. The increase applied on 1 April 2020 was generally 2.4% which is the level of RPI in September 2019, with benefits accrued after 5 April 2019 having increases capped at 1.7%. Relevant deductions or additions were made for statutory obligations to provide increases in relation to Guaranteed Minimum Pension (GMP).

Some pensioners have elected to exchange the increases provided in the Rules of the Scheme for the statutory minimum increases required by legislation.

Deferred pensions in excess of the GMP are increased annually in line with the statutory measure of inflation for pension purposes, up to a maximum of 5% for benefits accrued before 6 April 2009 and 2.5% for benefits accrued after.

All increases to pensions in payment and deferred pensions were made in accordance with the Rules of the Scheme. There were no discretionary increases made during the year.

Transfer Values

Cash equivalents (transfer values to other approved pension arrangements) payable are calculated and verified as prescribed by Section 97 of the Pension Schemes Act 1993. No discretionary benefits are included.

Scheme Changes

As part of the 2017 actuarial valuation process, there was a small change to active member benefits. The change relates to the inflation index used to increase members pensions after retirement, which has changed from the Retail Prices Index ("RPI") capped at 2.5% p.a. to the statutory measure of inflation for pension purposes, which is currently the Consumer Prices Index ("CPI"), capped at 2.5% p.a. This change only affects pension earned after 5 April 2019. A Deed of Amendment was entered into on 14 June 2018 to effect this change to pension increases, and to incorporate into the Scheme Rules the overriding legal requirements for equal treatment of civil partners and same sex spouses.

There has also been a decision to offer a pension increase exchange option (PIE) to all members as a retirement option. This was implemented on 6 April 2019.

On 1 January 2020, Equitable Life withdrew from the AVC market, and the Scheme's legacy AVC funds held with Equitable Life were transferred to Utmost Life and Pensions, with members being given an uplifted amount in exchange for a removal of the remaining guarantees associated with the with profits funds. There was a subsequent bulk transfer of these AVC funds (with the exception of 3 property fund holdings which will follow) from Utmost Life to the Scheme's current AVC arrangement with Mobius Life in March 2020.

Financial Development of the Scheme

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

	£'000s
Net assets at 5 April 2019	1,574,428
Net withdrawals from dealings with members	(36,289)
Net returns on investments	<u>62,025</u>
Net assets at 5 April 2020	<u><u>1,600,164</u></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.

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Communication

"InTouch", a newsletter for Scheme members is issued by the Trustee on a regular basis. Benefit statements are issued on an annual basis to active members setting out the amount of pension built up so far, and forecasts at normal retirement date. In addition members can access information from the Scheme website, www.lhpensions.co.uk. XPS Administration Limited also offers MyPension.com, an online tool for members enabling them to view their pension records and undertake various activities online. The tool has been developed during the year to add additional features.

A series of pensions workshops are offered to members in line with demand. A two day retirement course is also available to members nearing retirement. Face to face services have been impacted by the nationwide lockdown during the COVID-19 pandemic, with services being provided online where possible.

COVID-19

COVID-19 has caused significant disruption to economic activity which has been reflected in global stock market fluctuations and, in turn, in the valuation of pension scheme assets. This matter has been further detailed in Note 28 to the financial statements.

The Trustee continues to monitor this ever evolving situation and is liaising with the Scheme's advisers and the Company to assess and manage the impact of COVID-19 on the Scheme.

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
Queen's Quay
33-35 Queen Square
Bristol BS1 4LU

Email: lhp@xpsgroup.com

Money & Pensions Service (MaPS)

The MaPS was introduced in 2019 combining pension guidance, money guidance and debt advice. These services were previously provided by three separate government entities; The Pensions Advisory Service (TPAS), Pension Wise and the Money Advice Service. The MaPS can be contacted at:

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

MaPS Tel: 0115 965 9570

Email: contact@maps.org.uk

Website: www.moneyandpensionsservice.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

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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 10260073. 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

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INVESTMENT REPORT

Background

At the Scheme year end, 5 April 2020, the net investments of the Scheme were valued at £1.60bn, compared with £1.57bn at the start of the Scheme year.

The majority of the assets of the Scheme continue to be invested by the fiduciary manager, River and Mercantile Investments Limited. This includes a liability hedging portfolio through which the impact of movements in long-term interest rate and inflation expectations are managed.

This report gives information about the assets as at 5 April 2020.

Investment Principles

The Trustee has produced a Statement of Investment Principles (SIP) showing how it invests the assets of the Scheme. The SIP is reviewed regularly by the Trustee and was last updated in September 2019.

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. This is broken down into the following qualitative objectives:

- Acquire suitable assets which, having due regard to risk, will generate income and capital growth to pay, together with the Employer and member contributions, the benefits as they fall due.
- Limit the risk of the assets failing to meet the liabilities over the long term.
- Achieve a return on investment which is expected at least to meet the Actuary's assumptions over the long term.

The Trustee has translated its objectives into benchmarks for the Scheme. The benchmarks are consistent with the Trustee's views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk measured relative to liabilities.

The Trustee has also produced a defined contribution SIP which was last updated in September 2018.

Copies of the SIPs are available to members from the Scheme Administrator, XPS Administration Limited, using the contact details on page 4. The SIPs are also available from the Trustee Documents section of the Scheme website at www.lhpensions.co.uk/library/.

Investment Manager

The Trustee has delegated responsibility for the day-to-day management of the assets to the Scheme's Investment Manager, River and Mercantile Investments Limited ("River and Mercantile Solutions"). An Investment Management Agreement between the Trustee and River and Mercantile Investments Limited governs this relationship.

The Investment Manager has been appointed in two capacities:

- Implement a hedging strategy in relation to interest rate and inflation risk associated with the liabilities and
- Actively manage Growth Assets which covers a wide range of asset classes and investment managers, equity derivatives and a Collateral Fund.

Market Commentary

Over the year to 5 April 2020 most return-seeking asset classes performed negatively with unprecedented volatility witnessed in Q1 2020. Global equity markets experienced large sell-offs as rising COVID-19 cases resulted in the shutdown of economies around the world. Sovereign bond and gold prices rose sharply accompanied by a surge in demand for the US dollar.

The 12-month period was largely characterised by the COVID-19 induced end of the 10-year 'bull-market'. However, most of the period coincided with an easing of in monetary policy by central banks, including a global trend of interest rate cuts. The US/China trade talks oscillated between escalating and easing tensions. UK extended the Brexit deadline from March 2019, to the end of October and then into 2020.

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Asset Allocation

The Trustee reviews the strategic asset allocation of the Scheme on a regular basis. However, investment decisions within this framework are delegated to River and Mercantile Solutions.

The Trustee has allocated 75% of assets to return seeking assets and 25% of assets off-risk for liability hedging.

The Trustee continues to monitor the strategy through regular reviews. In addition, the Trustee will review on an on-going basis the extent to which risk and volatility can be reduced further as the deficit for the Scheme is recovered over time.

The table below shows the asset allocation at the current and prior year ends:

	5 April 2020		5 April 2019	
	Market Value £'000	% of funds (ex AVCs)	Market Value £'000	% of funds (ex AVCs)
Equity	412,940	25.9	539,412	34.3
Private Equity	19,608	1.2	25,756	1.6
Alternatives	220,817	13.8	214,273	13.6
Return Seeking Credit	124,465	7.8	227,193	14.4
Property	52,387	3.3	49,392	3.1
Cash & Sovereign Bonds	265,702	16.7	97,929	6.2
Currency Hedge	(12,686)	(0.8)	1,598	0.1
Total return seeking portfolio	<u>1,083,233</u>	<u>67.9</u>	<u>1,155,553</u>	<u>73.5</u>
Liability hedging portfolio	512,304	32.1	417,292	26.5
Total assets (excluding AVCs)	<u>1,595,537</u>	<u>100.0</u>	<u>1,572,845</u>	<u>100.0</u>
AVCs	10,820		11,860	
Cash in transit	<u>1</u>		<u>43</u>	
Total investments	1,606,358		1,584,748	

Liability Risk

The Trustee has put a programme in place to reduce some of the unrewarded risks that the Scheme faces in relation to the value of the liabilities. In particular, River and Mercantile Derivatives manages a liability hedge.

The liability hedge is designed to protect the Scheme from adverse movements in long term interest rates and inflation, which directly impact the value of the Scheme's liabilities. The value of the gilts that are part of the hedging portfolio tends to move in line with the Scheme's liabilities when interest rates and inflation rates change. Similarly the swaps in the hedging portfolio, which are implemented via a number of counterparty banks, are such that, if interest rates fall significantly (and so the liabilities rise in value), the swap counterparty pays the Scheme to cover the rise in the value of the liabilities. Conversely, if the value of the liabilities falls due to interest rate and inflation changes, the Scheme pays the counterparty under the swap contracts an amount that is in line with this fall in the liabilities. Importantly, the purpose of the liability hedge is to offset (or hedge) the changes in the value of the liabilities whether there is a rise or fall.

The mark to market valuation of the swaps represented an unrealised gain/loss, as at 5 April, for the following years:

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Interest rate swaps	149,439	32,049	13,162	50,907	61,937	107,970
Inflation swaps	(44,532)	(18,385)	(27,334)	(22,253)	(54,872)	(37,698)
Swaptions	-	-	-	(13,502)	-	-
Gilt total return swaps	26,248	28,814	19,977	34,794	29,074	26,053
Total Gain/(Loss)	131,155	42,478	5,805	49,946	36,139	96,325

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A positive mark-to-market value of the swaps represents a rise in the value of the swaps from the Scheme's perspective and vice versa. However, this rise will have been necessary to offset the rise in the value of the Scheme's liabilities and so the impact of the interest rate changes on the Scheme's finances will (as intended) have been broadly neutral.

During the Scheme year, the Trustee maintained a strategic hedging level of 100% of the interest rate risk and 100% of the inflation risk of the liabilities, including the liabilities due to be accrued to the date of the next scheduled actuarial valuation (as at 5 April 2020). At the year end the portfolio was hedging 101% of the interest rate risk and 98% of the inflation risk.

Collateral

The gilts can be used to meet collateral calls from the Scheme's counterparties: Barclays Bank plc, Credit Suisse International, Goldman Sachs plc, JP Morgan plc, HSBC plc, Lloyds plc, Royal Bank of Scotland plc, Merrill Lynch & Co. Inc., Morgan Stanley & CO. International plc and UBS plc. The Scheme would be obliged to post collateral to the counterparties as and when the swap mark-to-market is negative to the Scheme (i.e. in the counterparties' favour). Once the collateral is transferred to the respective counterparty it is held by the counterparty but in the name of the Trustee

Return Seeking Portfolio

The Growth Assets (GA) is designed to deliver performance in excess of a specific target through exposure to diversified investment arrangements. River and Mercantile Solutions invests and manages the Scheme's assets on behalf of the Trustee.

River and Mercantile Solutions' fiduciary management service reduces the risks and costs of decision delay and provides access to a broad range of asset allocation and increased investment specialisation, such as high yield bonds, leveraged loans and other alternative asset classes as well as currency hedging. As well as the delegated responsibility for dynamic asset allocation, River and Mercantile Solutions is also responsible for selecting, combining and replacing fund managers.

The core strength of the fiduciary management portfolio proposition lies in the delegation to the manager of the flexibility to dynamically allocate across all asset classes in accordance with medium to long term views on global markets, and to 'defend' by increasing the allocation to cash when the risk/return attributes of multiple asset classes are poor. This is demonstrated in the Asset Allocation table above showing the variation at the current and prior year end.

The investment objective for GA is a return of Cash + 3% per annum, after the deduction of fees, over rolling three year periods. Performance of the GA assets against objective is as follows:

GA	1 Year	3 Years p.a.	5 Years p.a.
Investment return	-8.4%	-0.7%	2.0%
Objective	3.8%	3.6%	3.6%
Investment return relative to target	-12.2%	-4.3%	-1.6%

Performance is shown to 5 April 2020 after the deduction of fees (to the extent that fees are paid from assets). The objective is shown to 5 April 2020.

The Trustee monitors the performance of GA on a quarterly basis and is provided with a valuation of all of the Scheme's assets on a monthly basis.

The Trustee also has a derivatives programme to manage the exposure of the assets to currency movement which is managed by River and Mercantile Solutions.

The Trustee will continue to consider further opportunities to reduce unrewarded risks where this can be done cost effectively. There are appropriate arrangements in place to provide collateral for the derivatives programmes.

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Total Investment Performance

The performance of the Scheme's return-seeking portfolio and the total performance (including the performance of the swaps) was positive over the year ended 5 April 2020, although behind its target return.

Performance against objective over different time periods is as follows:

Total performance	1 Year	3 Years p.a.	5 Years p.a.
Investment return	3.6%	3.4%	7.8%
Objective	11.7%	6.9%	9.5%
Investment return relative to target	-8.1%	-3.5%	-1.7%

The objective for three years covers the period 1 April 2017 to 5 April 2020, and for five years it covers 1 April 2015 to 5 April 2020.

Investment Expenses

Investment management fees and expenses amounted to £3.6m during the period (previously £6.0m). It should be noted that, in addition to these direct expenses, the majority of underlying managers' fees are reflected in unit prices and these are not separately disclosed. Discounts on investment management fees are negotiated where possible.

Custody of Assets

The swap contracts entered into with Barclays Bank plc, Credit Suisse International, Goldman Sachs plc, JP Morgan plc, HSBC plc, Lloyds plc, Royal Bank of Scotland plc, Merrill Lynch & Co. Inc., Morgan Stanley & CO. International plc and UBS plc are held directly in the Trustee's name. These direct principal to principal contracts do not themselves require safe custody. However, the collateral provided to the counterparties to secure their value when their mark-to-market is positive is held by CACEIS N.V., as custodian for the Scheme, in the name of its nominee company, CACEIS Nominees Limited.

The pooled fund units and shares comprising the assets managed through the fiduciary management portfolio are held by CACEIS N.V. in the name of its nominee company, CACEIS Nominees Limited.

Environmental, Social and Governance Factors

Financially material investment considerations can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. The Trustee delegates consideration of financially material factors to the Investment Manager, who considers these when constructing the portfolio, including looking at Underlying Managers. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered, in the context of long term performance, by the Investment Manager as part of the manager selection criteria. This review occurs before they are approved for investment in the portfolio. Once an Underlying Manager is appointed, the Investment Manager monitors the ESG

Corporate Governance

The majority of the Scheme's investments are made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes or social, ethical or environmental factors, is delegated to the manager of the pooled investment fund. The extent to which these factors are taken into account in the selection, retention and realisation of investments is considered by the Investment Manager as part of the process of selecting organisations with which to invest.

The Trustee supports the Myners Principles and the UK Stewardship Code. It has conducted a 'comply or explain' review in respect of both of the Myners Principles and Investment Guidance from the Pensions Regulator.

Employer Related Investments

There were no employer related investments during the year.

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REPORT ON ACTUARIAL LIABILITIES

Section 222 of the Pensions Act 2004 stipulates that all pension schemes must have a "Statutory Funding Objective", which should be to have "sufficient and appropriate assets" to cover its "technical provisions" (i.e. meet members' benefit obligations). The valuation allows for all benefits accrued to members but yet to be paid at the valuation date. It uses assumptions about various factors that will influence the Scheme in the future, such as the levels of investment return and inflation, when members will retire and how long members will live. These assumptions are agreed between the Trustee and Employers and are set out in the Statement of Funding Principles, which is available to members on request.

The latest Actuarial Valuation of the Scheme was completed as at 5 April 2017 and the respective Schedule of Contributions was certified on 14 June 2018. This valuation disclosed technical provisions of £1,551.1 million compared to assets of £1,484.1 million, resulting in a deficit of £67.0 million.

There was an estimated shortfall of £1,020.9 million relative to the solvency position (i.e. the estimated level of assets needed to buy insurance policies for benefits earned to the valuation date).

During the Scheme year, the Scheme Actuary carried out an Annual Funding Update as at 5 April 2019 based on audited assets which showed that the deficit on the valuation basis had fallen to £24.1 million. Both the technical provisions and assets increased over the period since the latest Actuarial Valuation due to a rise in gilt and swap yields. The assets also increased due to positive performance on the return-seeking assets and deficit contributions paid.

Significant Assumptions

Set out below is a summary of the key actuarial assumptions used for the 5 April 2017 valuation, which used the Projected Unit Method to place a value on the technical provisions. The Annual Funding Update as at 5 April 2019 uses assumptions consistent with these.

Discount rate: term dependent rates set by reference to 50/50 of the swap and gilt yield curves at the valuation date plus risk premiums of 2.0% pa until 5 April 2027 tapering down to 0.5% pa at 5 April 2037 and remaining constant thereafter.

Rate of RPI price inflation: term dependent rates set by reference to the break-even swap RPI yield curve at the valuation date.

Rate of CPI price inflation: The rate of RPI inflation less 1.0% per annum at each term.

Increases to pensions in service and payment: Derived from the appropriate price inflation assumption allowing for the maximum and minimum annual increases, and for price inflation to vary from year to year, with adjustment to allow for the timing of increases.

Pay increases: The rate of RPI inflation at each term.

Post retirement mortality: Standard tables S2PxA, with scaling factors of 95%.

Future improvements in mortality: An allowance for future improvements was made from 2007 in line with the CMI 2016 core projections with a long-term rate of improvement in mortality rates of 1.5% per annum and a smoothing parameter of 8.

Retirement age: An allowance for early retirements was made for each section of the Scheme.

Cash commutation: 90% of members were assumed to commute 25% of their pension on retirement which includes an allowance for commutation factors expected following the 2017 valuation.

LEONARDO HELICOPTERS PENSION SCHEME

REPORT ON ACTUARIAL LIABILITIES (continued)

Pension increase exchange on retirement: An allowance was made for 30% take-up for those members not yet offered the option, based on terms which are 60% of the value of the non-statutory increases on the technical provisions basis.

Contribution reserve: An allowance has been included in the technical provisions for the present value of the difference between the future benefit accrual contributions and the expected cost of that benefit accrual (including an estimate for the premiums paid to insure the lump sum death benefits) for the period of the Recovery Plan, on the technical provisions basis and allowing for prevailing market conditions.

The next formal valuation of the Scheme will become due with an effective date of 5 April 2020 and is expected to be finalised no later than 30 June 2021.

LEONARDO HELICOPTERS PENSION SCHEME

ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Certification of schedule of contributions

Leonardo Helicopters Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that—

the statutory funding objective could have been expected on 5 April 2017 to be met by the end of the period specified in the recovery plan dated 14 June 2018.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 14 June 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature

Date

14 June 2018

Name

Qualification

Chris Vaughan-Williams

Fellow of the Institute and Faculty of Actuaries

Address

Name of employer

25 Marsh Street
Bristol
BS1 4AQ

Aon Hewitt Limited

LEONARDO HELICOPTERS PENSION SCHEME

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 the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than the 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 these 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 is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions 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 monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. 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.

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's Report, which includes the Investment Report, the Report on Actuarial Liabilities and the Statement of Trustee's Responsibilities was approved by the Trustee.

Date: 17 September 2020

Name: Martin Flavell

Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

Date: 17 September 2020

Name: Rebecca Ward

Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

LEONARDO HELICOPTERS PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE LEONARDO HELICOPTERS PENSION SCHEME

Opinion

We have audited the financial statements of the Leonardo Helicopters Pension Scheme for the year ended 5 April 2020 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 2020, 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.

LEONARDO HELICOPTERS PENSION SCHEME

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE LEONARDO HELICOPTERS PENSION SCHEME (continued)

Responsibilities of the Trustee

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: 17 September 2020

LEONARDO HELICOPTERS PENSION SCHEME

FUND ACCOUNT

For the year ended 5 April 2020

	Note	2020 £'000s	2019 £'000s
CONTRIBUTIONS AND BENEFITS			
Employer contributions		29,552	42,587
Employee contributions		32	41
Total contributions	4	29,584	42,628
Other income	5	-	206
		<u>29,584</u>	<u>42,834</u>
Benefits paid or payable	6	51,902	47,715
Payments to and on account of leavers	7	11,785	6,710
Other payments	8	307	400
Administrative expenses	9	1,879	1,696
		<u>65,873</u>	<u>56,521</u>
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		<u>(36,289)</u>	<u>(13,687)</u>
RETURNS ON INVESTMENTS			
Investment income	10	19,741	21,649
Change in market value of investments	12	45,871	103,906
Investment management expenses	11	(3,587)	(6,036)
NET RETURNS ON INVESTMENTS		<u>62,025</u>	<u>119,519</u>
NET INCREASE IN THE FUND FOR THE YEAR		25,736	105,832
OPENING NET ASSETS		<u>1,574,428</u>	<u>1,468,596</u>
CLOSING NET ASSETS		<u>1,600,164</u>	<u>1,574,428</u>

The notes on pages 22 to 35 form part of these financial statements.

LEONARDO HELICOPTERS PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 5 April 2020

	Note	2020 £'000s	2019 £'000s
INVESTMENT ASSETS			
Bonds	12	650,681	494,370
Pooled investment vehicles	13	786,648	999,880
Derivatives	14	221,230	103,020
AVC investments	15	10,820	11,860
Cash deposits		42,298	20,815
Other investment balances	16	2,838	1,460
		<u>1,714,515</u>	<u>1,631,405</u>
INVESTMENT LIABILITIES			
Derivatives	14	<u>(108,157)</u>	<u>(46,657)</u>
TOTAL NET INVESTMENTS		1,606,358	1,584,748
CURRENT ASSETS	20	1,075	1,041
CURRENT LIABILITIES	21	<u>(7,269)</u>	<u>(11,361)</u>
CLOSING NET ASSETS		<u>1,600,164</u>	<u>1,574,428</u>

The notes on pages 22 to 35 form part of these financial statements.

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 actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit Section, is dealt with in the Report on Actuarial Liabilities on page 15 of the Annual Report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Trustee on 17 September 2020.

Name: Martin Flavell

Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

Name: Rebecca Ward

Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 5 April 2020

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 2018).

The Scheme is a registered hybrid pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that contributions by the employer and employees are normally eligible for tax relief and income and capital gains earned by the Scheme receive preferential tax treatment. The Scheme is administered by the Trustee in accordance with the Trust Deed and Rules, solely for the benefit of its members and other beneficiaries.

As stated in the Statement of Trustee's Responsibilities on page 17, the Trustee is responsible for preparing the Financial Statements on a going concern basis unless it is inappropriate to presume that the Scheme will continue on this basis. The Trustee has undertaken an assessment in relation to going concern and has considered such matters as the potential impact on the Scheme's investment strategy, the Employer's business and its ability to pay contributions to the Scheme, taking into account the Scheme's strong funding level, well diversified investment strategy, strength of the Employer covenant and the guarantee from Leonardo SpA. The Trustee Board has determined that whilst there is some uncertainty over the impact on the Employer's financial performance and resources, this is anticipated to be modest and there is not a material uncertainty as to the ability of the Scheme to continue as a going concern for the foreseeable future and the Trustee therefore believes it remains appropriate to prepare the Financial Statements on a going concern basis.

2. IDENTIFICATION OF THE FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is c/o XPS Administration Limited, Queen's Quay, 33-35 Queen Square, Bristol BS1 4LU

Email lhps@xpsgroup.com.

3. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared on an accruals basis.

(b) Contributions

Employers' contributions, members' contributions, including those paid under the SMART option, are accounted for on an accruals basis in accordance with the Schedule of Contributions.

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

Augmentation contributions are accounted for in accordance with the agreement under which they are payable, or, in the absence of an agreement, on a receipt basis.

Employer deficit funding contributions are recognised on the due dates in accordance with the Schedule of Contributions or in the absence of a formal agreement on a receipts basis.

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2020

3. ACCOUNTING POLICIES (continued)

(c) **Payments to Members**

Pensions in payment are accounted for in the period to which they relate.

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.

(d) **Expenses**

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

(e) **Investment Income**

Dividends from equities are accounted for on the ex-dividend date.

Income from bonds, other interest receivable and annuity income is taken into account on an accruals basis.

Income from pooled investment vehicles is accounted for when declared by the fund manager.

Income arising on the underlying investments of accumulation funds is reflected within the change in market value.

(f) **Investments**

Investments are included at fair value as follows:

Quoted securities in active markets are usually valued at the current bid prices at the reporting date.

Unquoted securities are included at fair value estimated by the Trustee using appropriate valuation techniques.

Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.

Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), determined in accordance with fair value principles, provided by the pooled investment manager.

Annuities purchased by the Trustee, which fully provide the benefits for certain members, are included in the financial statements at nil value. The cost of purchasing immediate annuities in respect of pensioners is reported with the Fund Account under 'Benefits'. The Trustee has reviewed the Scheme's annuity policies and has concluded that these are not significant to the Scheme's assets and the fund account movement, and therefore not valued these policies on the grounds of materiality.

Exchange traded futures are included at fair value, determined using market quoted prices.

Swaps are valued based on the present value of future cash flows arising from the swap, determined using discounted cash flow models and market data at the reporting date.

Options are valued at fair value using pricing models and relevant market data at the year end date.

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2020

3. ACCOUNTING POLICIES (continued)

(f) Investments (continued)

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

(g) Foreign Currency Translation

Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated into sterling using the closing exchange rates at the year end.

(h) Currency

The Scheme's functional and presentational currency is Pound Sterling (GBP). Monetary amounts in these financial statements are rounded to the nearest £'000.

4. CONTRIBUTIONS

	2020 £'000s	2019 £'000s
Employer contributions		
Normal	6,981	7,369
SMART	7,979	8,479
Additional voluntary	2,081	2,101
Section 75	-	13,013
Deficit funding	10,000	10,000
Additional	511	-
Expenses	<u>2,000</u>	<u>1,625</u>
	29,552	42,587
Employee contributions		
Normal	<u>32</u>	<u>41</u>
	<u>29,584</u>	<u>42,628</u>

SMART contributions are in respect of salary sacrifice arrangements made available to certain members by the employer.

Employee AVC contributions are disclosed as employer contributions as they are paid via SMART.

Contributions received from members and participating employers were in accordance with the Schedule of Contributions.

The deficit funding is payable under the recovery plan. The deficit payments will continue to be paid to the end of the recovery plan in 2024.

Additional contributions of £511,000 were received in 2020, due to the increase in ill health retirements.

ATIL paid the sum of £13,013,000 to the Scheme in respect of its estimated Section 75 liability on 13 December 2018, as agreed under the Flexible Apportionment Arrangement. Leonardo MW Ltd has assumed responsibility for any residual ATIL liabilities.

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2020

5. OTHER INCOME	2020	2019
	£'000s	£'000s
Other income	-	2
Claims on term insurance policies	-	204
	<u>-</u>	<u>206</u>
6. BENEFITS PAID OR PAYABLE	2020	2019
	£'000s	£'000s
Pensions	33,373	29,806
Commutation of pensions and lump sum retirement benefits	18,196	17,571
Purchase of annuities	22	-
Lump sum death benefits	47	265
Refunds of contributions on death	-	2
Taxation where lifetime or annual allowance exceeded	264	71
	<u>51,902</u>	<u>47,715</u>
7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS	2020	2019
	£'000s	£'000s
State Scheme Premiums	2	-
Individual transfers out to other schemes	11,783	6,710
	<u>11,785</u>	<u>6,710</u>
8. OTHER PAYMENTS	2020	2019
	£'000s	£'000s
Premiums on term insurance policies	307	400
9. ADMINISTRATIVE EXPENSES	2020	2019
	£'000s	£'000s
Administration	624	564
Actuarial fees	253	194
Legal fees	31	106
Other professional fees	16	35
Investment advice	13	-
Audit fees	45	31
PPF levy	882	726
Other fees	15	40
	<u>1,879</u>	<u>1,696</u>

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2020

10. INVESTMENT INCOME	2020	2019
	£'000s	£'000s
Income from bonds	2,425	7,553
Income from pooled investment vehicles	10,799	9,012
Interest on cash deposits	71	92
Gains/(losses) on foreign exchange	615	(499)
Income from derivatives / swaps	5,771	5,427
Annuity income	60	64
	<u>19,741</u>	<u>21,649</u>
11. INVESTMENT MANAGEMENT EXPENSES	2020	2019
	£'000s	£'000s
Administration, management & custody	3,923	6,394
Investment fee rebate	(595)	(581)
Investment custodian fees	259	223
	<u>3,587</u>	<u>6,036</u>

12. RECONCILIATION OF INVESTMENTS

	Value at 5.4.2019	Purchases at cost & derivative payments	Sales proceeds & derivative receipts	Change in market value	Value at 5.4.2020
Defined Benefit Section	£'000s	£'000s	£'000s	£'000s	£'000s
Bonds	494,370	328,270	(204,727)	32,768	650,681
Pooled investment vehicles	999,880	996,602	(1,126,545)	(83,289)	786,648
Derivatives	56,363	17,104	(57,039)	96,645	113,073
AVC investments	11,860	2,889	(3,676)	(253)	10,820
	<u>1,562,473</u>	<u>1,344,865</u>	<u>(1,391,987)</u>	<u>45,871</u>	1,561,222
Cash deposits	20,772				42,297
Cash in transit	43				1
Other investment balances	<u>1,460</u>				<u>2,838</u>
	<u>1,584,748</u>				<u>1,606,358</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. Transaction costs analysed by main asset class and type of cost are as follows:

	Fees	Commission	Stamp duty and taxes	2020 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000
Other	<u>1</u>	<u>14</u>	<u>-</u>	<u>15</u>	<u>142</u>
2019	<u>34</u>	<u>108</u>	<u>-</u>	<u>-</u>	<u>142</u>

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles.

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2020

13. POOLED INVESTMENT VEHICLES

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

	2020	2019
Defined Benefit Section	£'000	£'000
Equity	394,226	488,184
Bonds	111,818	177,636
Property	52,387	49,391
Cash	37,231	44,640
Alternative	176,587	214,273
Private Equity	14,399	25,756
	<u>786,648</u>	<u>999,880</u>

The impact of the COVID-19 pandemic was felt by the UK property industry in March 2020. Property and property related assets are inherently difficult to value due to the individual nature of each property. The Tritax Property Fund's valuers have expressed material uncertainty in their valuation as at 31 March 2020 in view of the COVID-19 pandemic. The Scheme held £21.8m of assets in the Tritax Property Fund at 31 March 2020.

14. DERIVATIVES

Objectives and policies

The Trustee has authorised the use of derivatives by its investment managers as part of its investment strategy for the Scheme as follows.

Futures – the Trustee did not want cash held to be "out of the market" and therefore bought exchange traded index based futures contracts which had an underlying economic value broadly equivalent to cash held.

Options – the Trustee wants to benefit from the potentially greater returns available from investing in equities but wishes to minimise the risk of loss of value through adverse equity price movements. During the year the Scheme held a number of equity option contracts that protect it from falls in value in the main markets in which the Scheme invests.

Swaps – the Trustee's aim is to match as far as possible the fixed income portfolio and the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements. Due to the lack of available long dated bonds the Trustee has entered into OTC interest rate swaps during the year that extend the duration of the fixed income portfolio to better match the long term liabilities of the Scheme.

Forward foreign exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2020

14. DERIVATIVES (continued)

At the year end the Scheme held the following derivatives:

	2020 Asset £'000	2020 Liability £'000	2019 Asset £'000	2019 Liability £'000
Swaps	198,758	(67,471)	87,002	(44,524)
Options	4,274	(9,802)	13,995	(1,707)
Forward foreign exchange contracts	18,198	(30,884)	2,023	(426)
	<u>221,230</u>	<u>(108,157)</u>	<u>103,020</u>	<u>(46,657)</u>
	<u>113,073</u>		<u>56,363</u>	
Swaps	Expiration	Notional principal £'000	Asset £'000	Liability £'000
Nature				
Interest Rate Swaps	2021-2069	749,820	158,910	(9,471)
Inflation Swaps	2020-2046	523,334	2,807	(47,339)
Total Return Swaps	2020-2022	546,130	37,041	(10,661)
			<u>198,758</u>	<u>(67,471)</u>

Included in bonds is collateral of £12.9m (2019: £2.9m) which has been pledged to the counterparty. At the year end the Scheme held £133.1m (2019: £69.1m) of collateral belonging to the counterparty. This collateral is not reported within the Scheme's net assets.

Options

Type	Expiration	Underlying Investment	No of outstanding contracts	Asset £'000	Liability £'000
Call	2020	SPX Index	1	-	(1,462)
Call	2020	SPX Index	1	-	(4,404)
Call	2021	SPX Index	1	4,274	-
Put	2021	SPX Index	1	-	(3,936)
Total 2020				<u>4,274</u>	<u>(9,802)</u>

Forward Foreign Exchange

Contract	Settlement Date	Currency bought	Currency sold	Asset £'000	Liability £'000
Forward OTC	Under 1 month	\$11,187,600	£10,232,291	-	(362)
Forward OTC	Under 1 month	\$17,729,500	£14,735,534	-	(235)
Forward OTC	Under 1 month	¥400,450,000	£3,111,302	-	(92)
Forward OTC	Under 1 month	¥194,530,000	£1,419,002	47	-
Forward OTC	Under 1 month	€14,063,600	£12,222,122	185	-
Forward OTC	Under 1 month	£49,521,590	\$64,586,800	-	(3,302)
Forward OTC	Under 1 month	\$17,729,500	£15,993,544	952	-
Forward OTC	Under 1 month	€43,068,200	£36,424,715	1,571	-
Forward OTC	Under 1 month	\$278,819,900	£212,999,124	15,037	-
Forward OTC	Under 1 month	¥824,080,000	£5,807,725	406	-
Forward OTC	Under 1 month	£75,669,330	€88,498,000	-	(2,406)
Forward OTC	Under 1 month	£352,478,166	\$459,492,300	-	(23,323)
Forward OTC	Under 1 month	£15,081,966	¥2,154,860,000	-	(1,164)
Total 2020				<u>18,198</u>	<u>(30,884)</u>

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2020

15. AVC INVESTMENTS

The Trustee holds assets invested separately from the main fund securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement made up to the year end confirming contributions paid and the value of their fund. The aggregate amounts of AVC investments are as follows:

	2020 £'000s	2019 £'000s
Equitable Life	-	496
Utmost Life	2	-
Prudential	619	642
Mobius Life	10,199	10,722
	<u>10,820</u>	<u>11,860</u>

As at 1 January 2020, all with profit policies held with Equitable Life were transferred to unit linked policies held with Utmost Life and Pensions. Prior to the transfer members received an uplift of their with profit benefits. The policy uplift is included in change in market value in note 12. The Utmost Life and Pensions unit linked policies were subsequently disinvested and member's benefits were transferred to Mobius Life.

16. OTHER INVESTMENT BALANCES

	2020 £'000s	2019 £'000s
Amounts due from broker	1,414	186
Dividends and interest receivable	1,424	1,274
	<u>2,838</u>	<u>1,460</u>

17. 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:

Defined Benefit Section	At 5 April 2020			Total £
	Level 1 £	Level 2 £	Level 3 £	
Bonds	650,681	-	-	650,681
Pooled investment vehicles	52,098	535,118	199,432	786,648
Derivatives	-	113,073	-	113,073
AVC investments	-	10,201	619	10,820
Cash	42,298	-	-	42,298
Accrued investment income	1,424	-	-	1,424
Unsettled items	1,414	-	-	1,414
	<u>747,915</u>	<u>658,392</u>	<u>200,051</u>	<u>1,606,358</u>

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2020

17. FAIR VALUE DETERMINATION (continued)

Defined Benefit Section	At 5 April 2019			Total £
	Level 1 £	Level 2 £	Level 3 £	
Bonds	-	494,370	-	494,370
Pooled investment vehicles	361,007	519,253	119,620	999,880
Derivatives	-	56,363	-	56,363
AVC investments	-	10,826	1,034	11,860
Cash	20,815	-	-	20,815
Accrued investment income	1,274	-	-	1,274
Unsettled items	186	-	-	186
	<u>383,282</u>	<u>1,080,812</u>	<u>120,654</u>	<u>1,584,748</u>

18. INVESTMENT RISK DISCLOSURES

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

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

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

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

The 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.

Credit Risk

The Scheme is subject to credit risk because the Scheme directly invests in bonds, OTC derivatives and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore indirectly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Trustee's policy for managing credit risk is detailed in the Statement of Investment Principles.

The Scheme holds £650.7m in directly held bonds (2019: £494.4m), £113.1m in OTC derivatives (2019: £56.4m) and £43.7m in directly held cash balances (2019: £21.0m). The Scheme also holds £149.0m bonds and cash through underlying pooled fund investments (2019: £222.3m).

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 5 April 2020

18. INVESTMENT RISK DISCLOSURES (continued)

Credit risk arising on derivatives held directly depends on whether the derivative is exchange traded or over the counter (OTC). The Scheme holds OTC derivative contracts which are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. Credit risk for OTC derivative contracts is mitigated by placing restrictions on River and Mercantile Solutions which ensure that new contracts are only entered into with counterparties that are investment grade. The credit risk in respect of OTC swaps is further reduced by collateral arrangements.

Credit risk arising on bonds held directly is mitigated by River and Mercantile Solutions choosing to only invest in government bonds, where the credit risk is minimal.

Directly held cash balances are at financial institutions which are at least investment grade credit rated. This is the position at the year-end.

In all above instances, "investment grade" is defined as being rated at least BBB- by Standard & Poor's or Baa3 by Moody's.

Indirect credit risk arises in relation to underlying investments held in bond and cash pooled investment vehicles. This risk is mitigated by the Trustee mandating River and Mercantile Solutions that the underlying investment in sub-investment grade debt may not exceed 30% of the GA.

Both direct and indirect credit risk is mitigated by holding a diversified portfolio to minimise the impact of default by any one issuer. The Trustee monitors the investment strategy adopted by River and Mercantile Solutions to ensure that the arrangement remains diversified.

Direct credit risk arises in respect of pooled investment vehicles. The Scheme's Growth Assets is invested across a large number of different pooled funds which have various legal structures in various domiciles (e.g. open-ended investment companies, unit trusts, limited partnerships etc.).

A summary of pooled investment vehicles by type of arrangement is as follows:

Type of arrangement	2020	2019
	£'000s	£'000s
Closed Ended Fund of Hedge Funds	20,001	19,391
Investment company with variable capital (ICVC)	35,228	59,005
Limited Liability Company	93,346	109,515
Limited Partnership	21,845	34,482
Open ended investment company OEIC	135,850	170,777
Exchange Traded Fund	52,098	361,007
Unit Trust	82,475	102,987
Open Ended Unit Trust	16,714	15,791
Investment company with variable capital (SICAV)	52,798	99,980
Mutual Fund	276,293	26,945
	786,648	999,880

The direct credit risk associated with these managers is also mitigated by:

- the regulatory environments in which those managers operate;
- diversification amongst a large number of pooled arrangements; and
- due diligence checks by River and Mercantile Solutions on the appointment of new pooled managers, and monitoring on an ongoing basis for any changes to the operating environment of each manager.

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 5 April 2020

18. INVESTMENT RISK DISCLOSURES (continued)

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee's policy for managing this risk is detailed in the Statement of Investment Principles.

Currency risk is mitigated by delegating management of currency exposures at total portfolio level to River and Mercantile Solutions. River and Mercantile Solutions implement currency hedging through the use of hedged shared classes of pooled funds (where available) and the use of Foreign Exchange (FX) forward contracts.

Net of currency hedging, 11.3% of the Scheme's holdings were exposed to overseas currencies as at year-end (2019: 12.8%).

Interest rate risk

Some of the Scheme's Growth Assets will be subject to interest rate risk. The Scheme's Liability Hedging Assets will be affected by changes in interest rate in a way that largely offsets the impact of changing interest rates on the Scheme's liabilities, and therefore act as a liability hedge. Under this strategy if interest rates fall the value of these investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise these investments will fall in value as will actuarial liabilities because of an increase in the discount rate. At the year-end, the assets held for liability hedging purposes comprised of:

	2020	2019
	£'000s	£'000s
Direct		
Bonds	650,681	494,370
Swaps	131,155	42,478
Indirect		
Bond PIVs	111,818	177,636
Cash PIVs	37,231	44,640

Please note clean values have been used where applicable.

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 5 April 2020

18. INVESTMENT RISK DISCLOSURES (continued)

Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes directly held equities, equities held in pooled vehicles, equity futures, hedge funds, other alternatives and property. The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

At the year end, the Scheme's exposure to investments subject to other price risk was:

	2020	2019
	£'000s	£'000s
Direct		
Equity Options	338	12,470
Put Equity Options	(5,866)	(182)
Indirect		
Bond PIVs	111,818	177,636
Cash PIVs	37,231	44,640
Equity PIVs	394,226	488,184
Property PIVs	52,387	49,392
Alternative PIVs	171,378	214,273
Private Equity PIVs	19,608	25,756

19. CONCENTRATION OF INVESTMENTS

The following investments represented over 5% of the net assets of the Scheme in the current or previous year:

	2020		2019	
	£'000s	%	£'000s	%
BNY Mellon Global Equity Fund	245,778	15.4	-	-
River & Mercantile Interest Rate Swaps	117,390	7.3	32,049	2.0

20. CURRENT ASSETS

	2020	2019
	£'000s	£'000s
Bank balance	1,019	778
VAT recoverable by the Employer	56	81
Life assurance paid in advance	-	182
	<u>1,075</u>	<u>1,041</u>

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

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 5 April 2020

21. CURRENT LIABILITIES	2020	2019
	£'000s	£'000s
Accrued expenses	652	4,009
Unpaid benefits	378	582
Tax payable	385	367
Contributions prepaid	5,854	6,403
	<u>7,269</u>	<u>11,361</u>

22. EMPLOYER RELATED INVESTMENTS

There were no employer related investments within the meaning of Section 40(2) of the Pensions Act 1995.

23. CONTINGENT LIABILITIES

There were no contingent liabilities as at 5 April 2020 (2019: Nil).

24. RELATED PARTIES

Eight of the ten Trustee Directors in office during the year 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.

One of the Trustee Directors is a pensioner member of the Scheme, who receives pension benefits in line with the Scheme Rules.

Management and governance services are provided by an in-house Pensions Management 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 2019/20, these costs amounted to £160,000 (2018/19: £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 the 2019/20 Scheme Year totalled £25,150 (2018/19: £20,625).

£103,287 was due to the Scheme from the Employer at the year end in respect of VAT reclaimed by the Employer on Scheme Administration expenses.

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

25. CAPITAL COMMITMENTS

There were no outstanding capital commitments as at 5 April 2020 (2019: Nil).

26. 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.

LEONARDO HELICOPTERS PENSION SCHEME

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 5 April 2020

27. GMP EQUALISATION

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The Trustee of the Scheme is aware that the issue will affect the Scheme and will be considering this further at future meetings and decisions will be made as to the next steps once additional guidance has been published. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. Based on an initial assessment of the likely backdated amounts and related interest the Trustee does not expect these to be material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

28. COVID-19

As a result of the COVID-19 (Coronavirus) pandemic, there was a dramatic downturn in global markets in March 2020. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand, and general market uncertainty. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations, and individual issuers, all of which may negatively impact the Scheme's investment return and the fair value of the Scheme investments.

The Trustee has designed and implemented an investment strategy which takes a necessarily long-term view, whilst also having built in resilience to withstand short term fluctuations. The Trustee continues to take proactive and considered steps, in conjunction with their advisers, to assess the situation and respond to it.

LEONARDO HELICOPTERS PENSION SCHEME

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 HELICOPTERS PENSION SCHEME

Statement about contributions payable under the Schedule of Contributions

We have examined the summary of contributions payable to the Leonardo Helicopters Pension Scheme on page 37, in respect of the Scheme year ended 5 April 2020, to which this statement is attached.

In our opinion the contributions for the Scheme year ended 5 April 2020 as reported in the attached summary of contributions on page 37 and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Actuary on 14 June 2018.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 37 in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. 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 Schedule of Contributions.

Respective responsibilities of the Trustee 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 Schedule of Contributions 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 Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions 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: 17 September 2020

LEONARDO HELICOPTERS PENSION SCHEME

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

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

	£'000s
Employer normal contributions	6,981
Employer SMART contributions	7,979
Employer deficit funding contributions	10,000
Employer expense contributions	2,000
Employer additional contributions	511
Employee normal contributions	<u>32</u>
Total contributions paid	<u>27,503</u>
Reconciliation to the financial statements:	
Contributions paid under the Schedule of Contributions	27,503
Members' Additional Voluntary Contributions	<u>2,081</u>
Contributions receivable per the financial statements	<u>29,584</u>

This summary was approved by the Trustee on 17 September 2020.

Name: Martin Flavell
Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited

Name: Rebecca Ward
Trustee Director, Leonardo Helicopters Pension Scheme (Trustee) Limited