LEONARDO HELICOPTERS PENSION SCHEME

Report and Financial Statements for the year ended 5 April 2024

Scheme Registration No: 10260073

XPS Administration

10 Victoria Street, Bristol BS1 6BN

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

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CHAIR'S INTRODUCTION

YEAR ENDED 5 APRIL 2024

I am pleased to present the Report and Financial Statements for the Leonardo Helicopters Pension Scheme (the "Scheme") for the year ended 5 April 2024.

Following a Company consultation process through 2022 and 2023 with active Scheme members and their representatives, the Company announced changes to future pension provision. Leonardo's defined benefit pension arrangements closed to pension accrual from 5 April 2024, with future pension now being provided through an enhanced version of the Company's defined contribution pension arrangement; Leonardo FuturePlanner. Former Helicopters Scheme members who were in active membership on 5 April 2024 have become part of a new category of 'employed deferred' members offering enhanced benefits whilst their Leonardo employment continues. The FuturePlanner benefit design has an extended matching contribution structure, with an improved Company contribution up to a maximum of 15% of Pensionable Salary.

There have also been changes to the Trustee governance structure from May 2024, with the establishment of a new Trustee entity, Leonardo Pension Schemes (Trustee) Ltd, to manage all three of Leonardo's pension arrangements. There is an extended board of 12 Trustee Directors in place. This is a positive development, bringing consistency and efficiencies to the management of the pension arrangements.

The investment environment through the second half of 2023 and into 2024 saw a recovery in market performance. The improvement in market returns, particularly seen across global equity markets, have had a positive impact on overall growth fund returns for the Scheme. The 12 month returns are well ahead of benchmark, with returns since inception back in line with targets. High levels of inflation and interest rates continued to dominate in 2023, with reducing inflation levels coming through in 2024.

The Trustee continues to have focus on de-risking the portfolio when opportunities arise. The overall funding level of the Scheme has been stable, with the liability hedging having operated as intended by tracking the movements in liabilities.

The Scheme's triennial actuarial valuation as at 5 April 2023 was completed during the Scheme Year, reflecting the closure to future benefit accrual, changes in market conditions and the Scheme's de-risking since the prior valuation. This showed the Scheme is in a position of being fully funded with no deficit or surplus on the ongoing basis. Focus is on further developing risk reduction measures, and funding the liabilities on the more prudent bases where the Scheme remains in a deficit position.

Work has continued to develop the Scheme's Environmental, Social and Governance (ESG) strategy as this affects both funding and investment. The Trustee has prepared its second climate-related risk report (TCFD report) which is available at www.lhpensions.co.uk/compliance and includes information on our overarching goal to achieve Net Zero carbon emissions on the portfolio by 2050.

The Trustee and Company have completed the implementation of Guaranteed Minimum Pension equalisation by conversion for all pensioner members, and this is also in place at the point of retirement for deferred members. The GMP Equalisation and conversion project was combined with a new Pension Increase Exchange (PIE) offer which completed in the first quarter of 2024.

I wish to express my thanks to the outgoing Trustee Directors from the prior Trustee Board, and welcome the new Trustee Directors who have joined the new Trustee Board.

This has been a period of significant change to the Scheme and I am grateful to all the Trustee Directors, Pensions Management and our advisers for their significant contribution to the management of the Scheme during a busy and challenging year.

Martin Flavell

Martin Flavell

Leonardo Pension Schemes (Trustee) Ltd
Date: 25 September 2024

TRUSTEE AND ADVISERS

Trustee:	Leonardo Helicopters Pension Scheme (Trustee) Limited	(Until April 2024)
	Leonardo Pension Schemes (Trustee) Ltd	(From 1 May 2024)
Trustee Directors:	Martin Flavell * (Chair)	
	Brian Airlie **	(Appointed 1 May 2024)
	Imran Bashir **	(Appointed 1 May 2024)
	Craig Drysdale *	(Appointed 1 May 2024)
	Claire Ellis *	(Appointed 1 May 2024)
	Martin Johnson **	(Appointed 1 May 2024)
	Mike Nixon *	(Appointed 1 May 2024)
	Sian Riches *	(Appointed 1 May 2024)
	Craig Weston **	(Appointed 1 May 2024)
	Malcolm Gillam **	
	Rebecca Ward **	
	Adrian Weir *	
	Caroline Beaumont *	(Resigned 30 April 2024)
	Chris Burton **	(Resigned 30 April 2024)
	Clive Higgins *	(Resigned 9 January 2024)
	Steve Jenkins **	(Resigned 30 April 2024)
	Simon Jones	(Resigned 30 April 2024)
	* *Company Nominated*	
	** *Member Nominated*	
Scheme Secretary:	Rachael Skuse	
Scheme Address:	Leonardo Helicopters Pension Scheme Box 205 Leonardo UK Ltd Lysander Road Yeovil Somerset BA20 2YB	
Principal Employer:	Leonardo UK Ltd (02426132) One Eagle Place St James's London SW1Y 6AF	
Actuary:	Robert Watkin Isio Group Limited Isio Bristol 22-24 Queens Square Bristol BS1 4ND	
Auditor:	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB	
Legal Adviser:	Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX	

TRUSTEE AND ADVISERS (continued)

Bankers:	Barclays Bank plc 1 Churchill Place London E14 5HP
Covenant Adviser:	Cardano Advisory Limited
Investment Managers & Advisers:	Schroders IS Limited
Custodian:	CACEIS
AVC Providers:	Mobius Life Ltd Prudential Assurance Company Ltd
Administrators:	XPS Administration Limited 10 Victoria Street Bristol BS1 6BN *Correspondence address:* XPS Administration Limited PO Box 562 Middlesbrough TS1 9JA

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024

The Trustee presents to the members its annual report and financial statements for the year ended 5 April 2024.

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. Following a consultation process carried out by the Principal Employer with its employees and employee representatives, the Scheme closed to future benefit accrual from 5 April 2024.

The Trustee of the Scheme was Leonardo Helicopters Pension Scheme (Trustee) Limited until 30 April 2024, and Leonardo Pension Schemes (Trustee) Ltd from 1 May 2024. Leonardo Pension Schemes (Trustee) Ltd is also Trustee of Leonardo Electronics Pension Scheme and Leonardo FuturePlanner Pension Scheme.

At the Scheme Year-end the Trustee Board was constituted of eight Trustee Directors. The new Trustee Board from 1 May 2024 consists of 12 Trustee Directors, of whom six are nominated by the Principal Employer (one of which is the Chair of the Trustee Board) and six nominated by the membership.

The Member Nominated Directors have been appointed to the Trustee Board for an initial period of 3 years.

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 new Trustee Board has established a sub-committee structure which is similar to the prior committee structures. This consists of a Governance & Administration Committee, a DB Investment Committee and a DC Investment Committee

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 is monitored by the Trustee at each quarterly meeting.

Trustee knowledge

There is a requirement for 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.

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Employer's Covenant

The Principal Employer of the Scheme is Leonardo UK 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.

The Trustee regularly monitors the financial status of the Principal Employer and has engaged Cardano Advisory Limited to carry out independent reviews of the financial strength of the employers on a regular basis, with ad-hoc reviews if the Trustee considers this appropriate.

Overall, the employer covenant has been robust and continues to be rated as strong. The closure of the Scheme to future benefit accrual from 5 April 2024 will assist in controlling the risks inherent in a defined benefit pension arrangement and enable the Trustee to take further de-risking steps.

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. A Mobius Life microsite is in place providing additional investment fund information to members. In addition, some members have AVCs with Prudential but cannot contribute more to these funds.

In addition to AVCs, members of the Main Section were able to contribute under the Buy Up option which provided for a higher career salary accrual rate, in return for an additional member contribution.

All employee contributions ceased from April 2024 when the Scheme closed to future pension accrual.

Membership

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

Active members at 6 April 2023		1,153
Death in Service	(2)	
Retirement	(62)	
Deferred	(27)	
Active members at 5 April 2024		1,062
Deferred pensioners at 6 April 2023		1,127
From Active	27	
Transfer Out	(2)	
Retirement	(55)	
Death	(2)	
Deferred pensioners at 5 April 2024		1,095
Pensioners at 6 April 2023		2,644
Retirement	117	
New dependant/spouse	33	
Death	(41)	
Exit to Triv comm	(2)	
Suspended member	(4)	
Exit Contingent Pension Ceased	(2)	
Pensioners at 5 April 2024		2,745
Total members at 5 April 2024		**4,902**

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Membership (continued)

Following the closure of Leonardo's defined benefit pension arrangements to future benefit accrual from 5 April 2024, all former active DB Scheme members were transferred to FuturePlanner membership from 6 April 2024. All pension accrual for Leonardo in the UK is now provided through FuturePlanner.

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 2024 in accordance with the Rules of the Scheme. The applicable increase rate (before caps) on 1 April 2024 was generally 8.9% which is the level of RPI in September 2023, with benefits accrued after 5 April 2019 having an applicable increase (before caps) of 6.7%, which is the level of CPI at the same date. 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

There have been two deeds of amendment entered into over the Scheme Year, and one deed of amendment entered into post Scheme year-end.

The first brought into effect the closure of the Scheme to future benefit accrual with effect from 5 April 2024. As part of the Company proposals, a new category of membership was established known as 'employed deferred' members. Members in this category are entitled to an enhanced level of deferred member benefit for the period during which they remain in Leonardo UK Ltd.'s employment.

The second enabled the Trustee to effect transfers from the Scheme into a Master Trust arrangement. This supports the retirement solution which the Trustee has developed with Smart Pension which provides members with defined contribution benefits the ability to re-register their existing DC funds across to Smart Pension and access retirement flexibilities such as income drawdown which the Scheme does not provide.

The post-year end deed formally recorded the removal of a £50K limit on the use of voluntary savings as part of a member's Pension Commencement Lump Sum and aligned the Trustee liability and protection provisions across the three Leonardo pension arrangements to reflect the single Trustee Board structure. Some clarificatory wording was also added regarding revaluation of the Supplement post April 2024.

Financial Development of the Scheme

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

	£'000s
Net assets at 5 April 2023	1,229,713
Net withdrawals from dealings with members	(37,745)
Net returns on investments	(37,977)
Net assets at 5 April 2024	1,153,991

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

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Communication

"InTouch", a newsletter for Scheme members is issued by the Trustee on a regular basis. A 'closure statement' was issued to members who were active as at 5 April 2024 confirming the amount of pension built up in the Scheme prior to the closure of accrual. 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. All communications have moved to predominantly electronic distribution, other than where members have opted into continuing with paper copies.

A series of pensions workshops are offered to members in line with demand.

Going concern

The Trustee of the Scheme has made an assessment on going concern and given the funding position and the support from the Principal Employer, the Trustee concludes that the Scheme retains sufficient liquidity that the going concern basis remains appropriate for the foreseeable future and at the very least for the next twelve months.

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
PO Box 562
Middlesbrough TS1 9JA

E-mail: lhps@xpsgroup.com

MoneyHelper

MoneyHelper provides 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. MoneyHelper can be contacted at:

MoneyHelper
Bedford Borough Hall
138 Cauldwell Street
Bedford MK42 9AP

Tel: 0800 011 3797
Email: pensions.enquiries@moneyhelper.org.uk
Website: www.moneyhelper.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

TRUSTEE'S REPORT FOR THE YEAR ENDED 5 APRIL 2024 (continued)

Complaints

If you have a complaint concerning your Scheme pension arrangements, you should first make a formal complaint to the Scheme Trustee. Complaints should be addressed to the Scheme Trustee at the address above under Enquiries.

If you are unhappy with the response, you can refer your complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) you are complaining about happened – or, if later, within three years of when you first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

10 South Colonnade
Canary Wharf
London E14 4PU

Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
Website: www.pensions-ombudsman.org.uk

You can also submit a complaint online: www.pensions-ombudsman.org.uk/making-complaint

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:

Telecom House
125-135 Preston Road
Brighton BN1 6AF

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:

The Pension Service
Post Handling Site A
Wolverhampton WV98 1AF

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

INVESTMENT REPORT

Background

At the Scheme year-end, 5 April 2024, the net investments of the Scheme were valued at £1.14bn, compared with £1.22bn at the start of the Scheme year. This reduction in asset value was primarily driven by the significant increase in interest rates, which has pushed down the value of the Scheme's liability hedging assets. The Scheme's liabilities have also reduced by a corresponding amount and whilst the size of the Scheme has reduced, the funding level has held up.

The majority of the assets of the Scheme continue to be invested by the fiduciary manager, Schroders IS 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 2024.

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 March 2024.

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:

1. 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.
2. Limit the risk of the assets failing to meet the liabilities over the long term.
3. 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 October 2023. A new SIP was signed post Scheme year-end in May 2024.

Copies of the SIPs are available to members from the Scheme Administrator, XPS Administration, using the contact details on page 4. The SIPs are also available from the Scheme website at:

www.lhpensions.co.uk/compliance.

Investment Manager

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

The Investment Manager has been appointed in two capacities:

- Implement a liability hedging strategy and
- Actively manage Growth Assets which covers a wide range of asset classes and investment managers, Cashflow Matching Credit, ASE, Liability Hedging and Collateral Fund.

INVESTMENT REPORT (continued)

Market Commentary

During the first part of the 12-month period investor focus was primarily on rising inflation and the policy response from major central banks. There were fears that rising interest rates could lead to recession. However, global economic growth generally remained resilient, particularly in the US.

Towards the end of 2023, inflation readings in major developed market economies began to soften. This led to hopes that interest rates may have plateaued and could soon fall in 2024. Markets began to price in a series of interest cuts. However, as 2024 progressed, inflation proved to be stickier than expected and markets were forced to push back both the timing and extent of rate cuts, especially in the US.

Meanwhile, Chinese data showed that the economic recovery post the re-opening after the pandemic was weaker than many had hoped. China's property sector was a particular area of concern amid worries some large developers may face default.

Global shares posted strong gains over the 12-month period, shrugging off concerns about higher-for-longer interest rates and risks to growth. The MSCI World index returned 25.1% (in US dollar terms).

An important theme in the period was enthusiasm for stocks with exposure to Artificial Intelligence (AI). Japanese shares performed particularly well in local currency terms following a call from Tokyo Stock Exchange for companies to focus on improving their corporate governance and achieving higher valuations.

Emerging market equities lagged their developed peers. The MSCI EM index returned 8.2% (in US dollars).

For most of 2023, yields rose across major government bond markets as investors discounted a succession of interest rate hikes from the central banks to tackle above target inflation. From November, easing inflationary pressures convinced investors that interest rates had peaked and triggered a sharp rally in bond markets into the year end. But this began to reverse in 2024 as sticky inflation made rate cuts a more distant prospect. Over the 12-month period, the 10-year US Treasury yield rose from 3.48% to 4.21%.

Japan was an outlier in terms of the interest rate picture. In early 2024, the Bank of Japan increased interest rates from -0.1% to 0.1%. This signalled an end to negative rates and was the first Japanese rate hike in 17 years.

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 Schroders Solutions.

The Trustee has kept the asset allocation consistent with the previous year, 30% of assets to Growth Assets, 45% of assets to Liability Hedging Assets, 15% of assets to Active Structured Equity and 10% of assets to Cash Flow Matching Credit Assets.

The Trustee will continue to review on an on-going basis the extent to which risk and volatility can be reduced further as the funding position of the Scheme improves over time.

INVESTMENT REPORT (continued)

Asset Allocation (continued)

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

	5 April 2024		5 April 2023	
	Market Value £'000s	% of funds (ex AVCs)	Market Value £'000s	% of funds (ex AVCs)
Equity	158,346	13.9	138,378	11.3
Private Equity	2,118	0.2	3,326	0.3
Alternatives	43,174	3.8	66,730	5.4
Return Seeking Credit	68,804	6.0	63,722	5.2
Property	22,510	2.0	39,244	3.2
Cash & Sovereign Bonds	50,179	4.4	45,634	3.6
Commodities	3,685	0.3	-	-
Currency Hedge	(204)	(0.0)	(362)	-
Total Growth Assets portfolio	**348,612**	**30.6**	**356,672**	**29.0**
Liability Hedging Assets	478,789	41.7	550,290	44.9
Active Structured Equity	163,739	14.4	172,711	14.1
Cash Flow Matching Credit Assets	151,668	13.3	147,035	12.0
Total assets (excluding AVCs)	**1,142,808**	**100.0**	**1,226,708**	**100.0**
AVCs	12,342		11,489	
Cash in transit	9		33	
Total investments	**1,155,159**		**1,238,230**	

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, Schroders Solutions 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:

	2024 £'000s	2023 £'000s	2022 £'000s	2021 £'000s	2020 £'000s	2019 £'000s
Interest rate swaps	(45,082)	(42,782))	(16,687)	34,813	149,439	32,049
Inflation swaps	17,652	18,320	19,629	(23,872)	(44,532)	(18,385)
Swaptions	-	-	-	-	-	-
Gilt total return swaps	(1,037)	(2,731)	(6,396)	(18,406)	26,248	28,814
Total Gain/(Loss)	**(28,467)**	**(27,193)**	**(3,454)**	**(7,465)**	**131,155**	**42,478**

INVESTMENT REPORT (continued)

Liability Risk (continued)

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, there was an adjustment in the level of the liability hedge to rebase the hedge to reflect the 2023 Actuarial Valuation, and implement a hedge ratio of 100% of the interest rate and inflation risk inherent in the 2023 Technical Provisions.

Collateral

The gilts can be used to meet collateral calls from the Scheme's counterparties: Barclays Bank plc, Citigroup Inc., Credit Agricole, Deutsche Bank, Goldman Sachs, HSBC, Merrill Lynch & Co. Inc., Royal Bank of Canada, JP Morgan, Morgan Stanley & CO. International plc and UBS. 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) are designed to deliver performance in excess of a specific target through exposure to diversified investment arrangements. Schroders Solutions invests and manages the Scheme's assets on behalf of the Trustee. As well as the delegated responsibility for dynamic asset allocation, Schroders 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 SONIA + 3.125% 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	9.8%	4.1%	5.1%
Objective	8.3%	5.7%	4.9%
Investment return relative to target	1.5%	-1.6%	0.2%

Performance is shown to 31 March 2024 after the deduction of fees (to the extent that fees are paid from assets). The objective is shown to 31 March 2024.

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. Performance of GA over a 1 Year period has been strong, outperforming the set objective by 1.5%. The performance over 3 and 5 Year periods have broadly kept pace with the objective.

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

The Trustee has kept the level of GA broadly consistent during the year and will consider opportunity to de-risk the portfolio. Consideration on further opportunities to reduce unrewarded risks will be taken where this can be done cost effectively. There are appropriate arrangements in place to provide collateral for the derivatives programmes.

INVESTMENT REPORT (continued)

Total Investment Performance

The performance of the Scheme's return-seeking portfolio and the total performance (including the performance of the swaps) was negative over the year ended 5 April 2024 although outperforming the objective. This was driven by the significant increases in gilt yields, which has driven down the value of the liability hedging assets alongside a corresponding reduction in the value of the Scheme's liabilities.

Performance against objective over different time periods is as follows:

Total performance	1 Year	3 Years p.a.	5 Years p.a.
Investment return	-0.7%	-9.9%	-3.5%
Objective	-5.2%	-11.7%	-5.5%
Investment return relative to target	4.5%	1.8%	2.0%

Performance is shown to 31 March 2024 after the deduction of fees (to the extent that fees are paid from assets). The objective is shown to 31 March 2024.

Investment Expenses

Investment management fees and expenses amounted to £1.1m during the period (previously £3.2m). 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, Citigroup Inc., Credit Agricole, Deutsche Bank, Goldman Sachs, HSBC, Merrill Lynch & Co. Inc., Royal Bank of Canada, JP Morgan, Morgan Stanley & CO. International plc and UBS 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, as custodian for the Scheme. A project was completed in August 2024 to transition from principal swap contracts to agency contracts via Schroders Solutions.

The pooled fund units and shares comprising the assets managed through the fiduciary management portfolio are held by CACEIS in the name of its nominee company, KAS 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 and 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 implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

There has been a focus on developing policies on the Scheme's ESG strategy as this affects both funding and investment. The Trustee has prepared its annual climate-related risk report (TCFD report) which is available at www.lhpensions.co.uk/compliance and includes information on our overarching goal to achieve Net Zero carbon emissions on the portfolio by 2050.

INVESTMENT REPORT (continued)

Corporate Governance and Stewardship

The Trustee and Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Investment Manager has been provided with a copy of the SIP and is required to exercise its powers with a view to giving effect to the principles contained therein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee has appointed the Investment Manager to implement the Scheme's investment strategy. The Investment Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the underlying managers.

The Investment Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using Schroders Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Investment Manager's remuneration is based on the Scheme's asset size, and the Investment Manager is therefore incentivised to maximise the Scheme's asset size over the long term. The Trustee is satisfied that these arrangements incentivise the Investment Manager:

- to align its investment strategy and decisions with the Trustee's investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with issuers to improve this medium- to long-term performance.

The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

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.

Financial Material Considerations

These considerations, which include the below "Risks", 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 implementation and ongoing compliance with other factors, such as stewardship, as a part of overall engagement.

Non-financial matters

The Trustee does not directly take into account non-financial matters (such as members' ethical or future impact priorities) given the difficulty of establishing consensus views on such matters. The Trustee maintains a dialogue with members through the Pensions Council and may seek views directly from time to time. The DCISC consults members from time to time in the context of self-select investment options for DC assets.

INVESTMENT REPORT (continued)

Turnover costs

The Investment Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations the Investment Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

Conflicts of interest

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Investment Manager directly monitors these as part of their regulatory filings (where available), the Investment Manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest framework is available publicly here:

https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/

Employer Related Investments

There were no employer related investments during the year.

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 Principal Employer 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 2023 and the respective Schedule of Contributions was certified on 7 December 2023. This valuation disclosed technical provisions of £1,219.3 million compared to assets of £1,219.3 million, resulting in a £0 million surplus/deficit.

There was an estimated shortfall of £177.6 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).

Significant Assumptions

Set out below is a summary of the key actuarial assumptions used for the 5 April 2023 valuation, which used the Projected Unit Method to place a value on the technical provisions.

Discount rate: Term dependent rates set by reference to the Bank of England nominal gilt yield curve plus a decreasing term-dependent margin. The margin decreases from 0.55% per annum from 5 April 2023 to 0.50% per annum from 5 April 2038, with incremental decreases in margin of 0.01% every 3 years between these dates, with the first decrease occurring on 5 April 2026.

Rate of RPI price inflation: Term dependent rates set by reference to the Bank of England's break-even inflation expectations at appropriate durations

Rate of CPI price inflation: The rate of RPI inflation less 0.9% per annum prior to the year 2030 and equal to the rate of RPI inflation post 2030.

Increases to pensions in service and payment: Derived from the appropriate price inflation assumption allowing for the maximum and minimum annual increases. The Black Scholes model is used with an appropriate estimate of expected future volatility of inflation.

Pay increases: the rate of CPI inflation plus 1% per annum at each term.

Post retirement mortality: Standard tables S3PMA for males and S3PFA for females, with scaling factors of 101% for male members and 106% for female members.

Future improvements in mortality: An allowance for future improvements was made from 2013 in line with the CMI 2022 core projections with a smoothing parameter of 7.0, initial addition to improvement rates of 0.25%, recent experience weighting parameters of 0%, 0% and 25% for 2020, 2021 and 2022 data respectively, and a long-term improvement rate of 1.50% per annum.

Retirement age: An allowance for early retirements was made for each section of the Scheme, based on modelled past member experience.

Cash commutation: 90% of members were assumed to commute 30% of their pension on retirement (before any allowance for at-retirement options) using the Scheme's commutation factors at the time of the 5 April 2023 valuation.

Pension increase exchange on retirement: An allowance for 30% of members retiring to take PIE, on terms which are 70% of the balanced deal value percentage calculated on the cash equivalent transfer value basis.

GMP equalisation: An allowance was made of 0.15% of past service liabilities, for members where GMP equalisation had not been completed by 5 April 2023.

Discretionary benefits: No allowance.

Expenses: the Principal Employer pays £2.0m per year (or such other amount agreed) to the Scheme to cover its operating expenses.

The next formal valuation of the Scheme will become due with an effective date of 5 April 2026 and is expected to be finalised no later than 5 July 2027.

ACTUARY'S CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

Scheme Actuary's Certification

1. Adequacy of rates of contributions
I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective can be expected, on 5 April 2023, to continue to be met for the period for which the schedule is to be in force.

2. Adherence to Statement of Funding Principles
I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated (i.e. signed on behalf of the Trustee) on 7 December 2023.

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: Robert Watkin	**Date:** 7 December 2023
Name: Robert Watkin	**Qualification:** Fellow of the Institute and Faculty of Actuaries
Address: 22-24 Queen's Square, Bristol, BS1 4ND	**Employer:** Isio Group Limited

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 trustees. Pension scheme regulations require, and the trustees are 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 trustees are responsible for selecting judgements on a prudent and suitable accounting policies, to be applied consistently, making any estimates 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 trustees are also responsible for making available certain other information about the scheme in the form of an annual report.

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

The trustees are responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising 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 trustees are 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 schedule of contributions. Where breaches of the schedule occur, the trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

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Martin Flavell

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Trustee Director, Leonardo Pension Schemes (Trustee) Ltd Date: 25 September 2024

Rebecca Ward

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Trustee Director, Leonardo Pension Schemes (Trustee) Ltd Date: 25 September 2024

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 2024 which comprise the fund account, the statement of net assets (available for benefits) and notes to the financial statements, including 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 2024, 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

In auditing the financial documents, we have concluded that the Scheme Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Schemes ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Schemes Trustee with respect to going concern are described in the relevant sections of this report.

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 Schemes Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 THE LEONARDO HELICOPTERS PENSION SCHEME (continued)

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement set out on page 19, 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Schemes 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

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

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

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 Schemes Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Schemes Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Schemes Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

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

25 September 2024
Date: ....

FUND ACCOUNT

For the year ended 5 April 2024

	Note	2024 £'000s	2023 £'000s
CONTRIBUTIONS AND BENEFITS			
Employer contributions	4	21,691	26,606
Employee contributions	4	27	25
Total contributions	4	21,718	26,631
Other income	5	631	564
		22,349	27,195
Benefits paid or payable	6	56,500	53,224
Payments to and on account of leavers	7	1,451	5,202
Other payments	8	251	287
Administrative expenses	9	1,892	2,665
		60,094	61,378
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		(37,745)	(34,183)
RETURNS ON INVESTMENTS			
Investment income	10	6,854	10,537
Change in market value of investments	12	(42,394)	(504,002)
Investment management expenses	11	(2,437)	(2,546)
NET RETURNS ON INVESTMENTS		(37,977)	(496,011)
NET DECREASE IN THE FUND FOR THE YEAR		(75,722)	(530,194)
OPENING NET ASSETS		1,229,713	1,759,907
CLOSING NET ASSETS		1,153,991	1,229,713

The notes on pages 25 to 36 form part of these financial statements.

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

At 5 April 2024

	Note	2024 £'000s	2023 £'000s
INVESTMENT ASSETS	12		
Bonds		690,856	765,472
Pooled investment vehicles	13	442,798	453,359
Derivatives	14	82,485	221,972
AVC investments	15	12,342	11,489
Cash deposits		6,849	9,788
Cash in transit		9	33
Other investment balances	16	9,681	11,253
		1,245,020	1,473,366
INVESTMENT LIABILITIES			
Derivatives	14	(89,861)	(235,136)
TOTAL NET INVESTMENTS		1,155,159	1,238,230
CURRENT ASSETS	20	2,390	3,811
CURRENT LIABILITIES	21	(3,558)	(12,328)
CLOSING NET ASSETS		1,153,991	1,229,713

The notes on pages 25 to 36 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 17 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 25 September 2024

Martin Flavell

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Trustee Director, Leonardo Pension Schemes (Trustee) Ltd

Rebecca Ward

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Trustee Director, Leonardo Pension Schemes (Trustee) Ltd

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 5 April 2024

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 19, 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 believes it is 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, PO Box 562, Middlesbrough TS1 9JA. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

3. ACCOUNTING POLICIES (continued)

(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 in 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 of the grounds of materiality.

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.

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 £'000s.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

4. CONTRIBUTIONS

	2024 £'000s	2023 £'000s
Employer contributions		
Normal	11,510	11,780
SMART	6,395	6,843
Additional voluntary	1,786	1,683
Deficit funding	-	4,300
Expenses	2,000	2,000
	21,691	26,606
Employee contributions		
Normal	27	25
	21,718	26,631

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.

From April 2024, the Scheme closed to future pension accrual and no further member contributions are payable.

The 2023 deficit funding was payable under the recovery plan in place at that time. There is no current deficit or recovery plan in place following completion of the actuarial valuation as at 5 April 2023.

5. OTHER INCOME

	2024 £'000s	2023 £'000s
Claims on term insurance policies	631	564

6. BENEFITS PAID OR PAYABLE

	2024 £'000s	2023 £'000s
Pensions	43,892	40,941
Commutation of pensions and lump sum retirement benefits	12,156	11,722
Lump sum death benefits	400	531
Purchase of annuities	82	-
Taxation where lifetime or annual allowance exceeded	(30)	30
	56,500	53,224

The negative amount shown above relates to the over accruals from the prior year.

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024 £'000s	2023 £'000s
Individual transfers out to other schemes	1,451	5,202

8. OTHER PAYMENTS

	2024 £'000s	2023 £'000s
Premiums on term insurance policies	251	287

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

9. ADMINISTRATIVE EXPENSES

	2024 £'000s	2023 £'000s
Administration	912	864
Actuarial fees	475	612
Legal fees	110	129
Other professional fees	21	30
Audit fees	29	28
PPF levy	323	985
Other fees	16	11
Miscellaneous expenses	6	6
	1,892	2,665

10. INVESTMENT INCOME

	2024 £'000s	2023 £'000s
Income from bonds	9,941	8,295
Income from pooled investment vehicles	11,969	9,229
Interest on cash deposits	392	381
Gains/(losses) on foreign exchange	(448)	(87)
Income from derivatives / swaps	(15,057)	(7,338)
Annuity income	57	57
	6,854	10,537

11. INVESTMENT MANAGEMENT EXPENSES

	2024 £'000s	2023 £'000s
Administration, management & custody	2,327	2,716
Investment fee rebate	(12)	(393)
Investment custodian fees	122	223
	2,437	2,546

12. RECONCILIATION OF INVESTMENTS

Defined Benefit Section	Value at 5.4.2023 £'000s	Purchases at cost & derivative payments £'000s	Sales proceeds & derivative receipts £'000s	Change in market value £'000s	Value at 5.4.2024 £'000s
Bonds	765,472	396,013	(384,019)	(86,610)	690,856
Pooled investment vehicles	453,359	110,790	(148,041)	26,690	442,798
Derivatives	(13,164)	33,091	(43,519)	16,216	(7,376)
AVC investments	11,489	3,167	(3,624)	1,310	12,342
	1,217,156	543,061	(579,203)	(42,394)	1,138,620
Cash deposits	9,788			-	6,849
Cash in transit	33			-	9
Other investment balances	11,253			-	9,681
	1,238,230			(42,394)	1,155,159

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

12. RECONCILIATION OF INVESTMENTS (continued)

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	2024 Total	2023 Total
	£'000s	£'000s	£'000s	£'000s	£'000s
Other	-	-	-	-	1

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.

13. POOLED INVESTMENT VEHICLES

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

Defined Benefit Section	2024 £'000s	2023 £'000s
Equity	153,835	117,417
Bonds	220,065	208,567
Property	22,510	39,244
Cash	495	17,402
Alternatives	45,893	70,729
	442,798	453,359

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

14. DERIVATIVES (continued)

At the year-end the Scheme held the following derivatives:

	2024 Asset £'000s	2024 Liability £'000s	2023 Asset £'000s	2023 Liability £'000s
Swaps	21,572	(50,039)	184,994	(212,186)
Options	60,771	(39,476)	36,225	(21,834)
Forward foreign exchange contracts	142	(346)	753	(1,116)
	82,485	(89,861)	221,972	(235,136)
		(7,376)		(13,165)

Swaps Nature	Expiration	Notional principal £'000s	Asset £'000s	Liability £'000s
Interest Rate Swaps	2025 - 2039	304,057	3,169	(48,251)
Inflation Swaps	2028 - 2033	140,755	18,237	(585)
Total Return Swaps	2024 - 2025	59,450	166	(1,203)
			21,572	(50,039)

Included in bonds is collateral of £42.2m (2023: £34.5m) which has been pledged to the counterparty. At the year-end the Scheme held £34.4m (2023: £20.7m) 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 £'000s	Liability £'000s
Call	2024	DJ Euro STOXX 50	6	6,390	(3,267)
Call	2024	FTSE 100 Index	2	413	(94)
Call	2024	Nikkei 225	8	12,293	(11,070)
Call	2024	S&P 500 Index	8	14,180	(7,782)
Call	2025	DJ Euro STOXX 50	4	4,559	(2,221)
Call	2025	FTSE 100 Index	2	1,281	(278)
Call	2025	Nikkei 225	8	5,640	(3,049)
Call	2025	S&P 500 Index	14	16,000	(9,658)
Put	2024	DJ Euro STOXX 50	3	-	(29)
Put	2024	FTSE 100 Index	1	-	(2)
Put	2024	Nikkei 225	4	15	(40)
Put	2024	S&P 500 Index	4	-	(217)
Put	2025	DJ Euro STOXX 50	2	-	(250)
Put	2025	FTSE 100 Index	1	-	(64)
Put	2025	Nikkei 225	4	-	(590)
Put	2025	S&P 500 Index	5	-	(865)
				60,771	(39,476)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

14. DERIVATIVES (continued)

Forward Foreign Exchange

Contract	Settlement Date	Number of contracts	Currency bought	Currency sold	Asset £'000s	Liability £'000s
Forward OTC	Under 1 month	7	£8,047,517	€9,365,691	11	-
Forward OTC	Under 1 month	4	£4,434,690	JPY822,732,227	121	-
Forward OTC	Under 1 month	10	£83,610,597	$105,908,487	-	(346)
Forward OTC	Under 1 month	5	$4,069,713	£3,216,318	10	-
					142	(346)

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:

	2024 £'000s	2023 £'000s
Prudential (With Profits)	359	403
Mobius Life (Unit Linked)	11,983	11,086
	12,342	11,489

16. OTHER INVESTMENT BALANCES

	2024 £'000s	2023 £'000s
Amounts due from broker	6,532	8,452
Dividends and interest receivable	-	2,801
Accured income	3,149	-
	9,681	11,253

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:

	At 5 April 2024			
Defined Benefit Section	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Bonds	-	690,856	-	690,856
Pooled investment vehicles	67,907	283,251	91,640	442,798
Derivatives	-	(7,376)	-	(7,376)
AVC investments	-	11,983	359	12,342
Cash	6,858	-	-	6,858
Cash due from broker	6,532	-	-	6,532
Accrued income	3,149	-	-	3,149
	84,446	978,714	91,999	1,155,159

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

17. FAIR VALUE DETERMINATION (continued)

	At 5 April 2023			
	Level 1	Level 2	Level 3	Total
Defined Benefit Section	£'000s	£'000s	£'000s	£'000s
Bonds	765,472	-	-	765,472
Pooled investment vehicles	22,083	320,447	110,829	453,359
Derivatives	-	(13,164)	-	(13,164)
AVC investments	-	11,489	-	11,489
Cash	18,273	-	-	18,273
Accrued investment income	2,801	-	-	2,801
	808,629	318,772	110,829	1,238,230

18. INVESTMENT RISK DISCLOSURES

Investment Risk

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

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

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

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

The 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 £690.8m in directly held bonds (2023: £765.5m), -£7.4m in OTC derivatives (2023:-£13.2m) and £13.4m in directly held cash balances (2023: £18.3m). The Scheme also holds £220.5m bonds and cash through underlying pooled fund investments (2023: £226.0m).

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 Schroders 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

18. INVESTMENT RISK DISCLOSURES (continued)

Credit risk arising on bonds held directly is mitigated by Schroders 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 Schroders 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 Schroders 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.).

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 Schroders Solutions on the appointment of new pooled managers, and monitoring on an ongoing basis for any changes to the operating environment of each manager.

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 Schroders Solutions. Schroders 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, 3.7% of the Scheme's holdings were exposed to overseas currencies as at year-end (2023: 5.7%).

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:

	2024	2023
	£'000s	£'000ss
Direct		
Bonds	690,856	765,472
Swaps	(28,467)	(27,193)
Indirect		
Bond PIVs	220,065	208,567
Cash PIVs	495	17,401

Please note clean values have been used where applicable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

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:

	2024	2023
	£'000s	£'000s
Direct		
Equity Options	14,861	10,886
S&P Options	6,434	3,505
Indirect		
Bond PIVs	220,065	208,567
Cash PIVs	495	17,401
Equity PIVs	151,717	117,417
Property PIVs	22,510	39,244
Alternatives PIVs	45,893	67,403
Private Equity PIVs	2,118	3,326

19. CONCENTRATION OF INVESTMENTS

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

	2024		2023	
	£'000s	%	£'000s	%
BNY Mellon (SS) Global Equity Fund	88,244	7.6	78,826	6.4
Insight Investment maturity Buy & Maintain Bond Fund 2026-2030	150,097	13.0	145,518	11.8
Schroders Solutions 1.25% Treasury Gilt 22/10/2041	-	-	88,173	7.2
Schroders Solutions 1.125% Index-linked Treasury Gilt 2037	82,697	7.2	75,560	6.1
Schroders Solutions 0.625% Index-Linked Treasury Gilt 2042	81,788	7.1	70,425	5.7

20. CURRENT ASSETS

	2024	2023
	£'000s	£'000s
Bank balance	2,201	3,416
VAT recoverable by the Employer	136	160
Life assurance paid in advance	53	235
	2,390	3,811

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 2024

21. CURRENT LIABILITIES

	2024	2023
	£'000s	£'000s
Accrued expenses	2,474	1,018
Unpaid benefits	19	1,210
Tax payable	586	548
Contributions prepaid	479	9,552
	3,558	12,328

Employer contributions are received annually in advance in January each year. Contributions have been prepaid in line with the Schedule of Contributions currently in force.

22. EMPLOYER RELATED INVESTMENTS

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

23. RELATED PARTIES

Six of the nine 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 UK Ltd which is the Principal Employer. Costs of the governance service are agreed with Leonardo UK Ltd and are met by the Scheme. For 2023/24 these costs amounted to £160,000 (2022/23: £160,000).

Trustee Directors who are pensioner members of a Leonardo Group Pension Scheme receive remuneration from Leonardo UK Ltd for governance services. Trustee remuneration for the 2023/24 Scheme Year totalled £32,990 (2022/23: £31,150).

£135,853 (2022/23: £160,447) was due to the Scheme from the Employer at the year-end in respect of VAT reclaimed by the Employer on Scheme Administration expenses.

Additional security is provided by the terms of a legally binding guarantee 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.

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

24. CAPITAL COMMITMENTS

There were no outstanding capital commitments as at 5 April 2024 (2023: Nil).

25. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 5 April 2024

26. 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 the 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 agreed with the Company a proposed method of equalisation and the project was concluded during 2024. Under the ruling schemes were required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. The amounts have been accounted for in the year they were determined, with these financial statements incorporating the final tranches of backdated payments. The amounts have not been material to the financial statements.

On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. The Trustee is considering next steps as the Scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. Any adjustments necessary will be recognised in the year they are determined. It is not possible to estimate the value of any such adjustments at this time, although these are expected to be immaterial to the financial statements.

27. CONTINGENT LIABILITY

Under the Pension Schemes Act 1993 and relevant regulations, a court case outcome on 16 June 2023 and subsequent appeal dismissal on 25 July 2024 involving Virgin Media has revealed potential challenges with other previously contracted-out defined benefit schemes in the UK. This development may cast doubt on the validity of scheme changes made between 1997 and 2016, where those changes were not accompanied by appropriate actuarial certificates.

The Scheme was contracted out during this period and made amendments impacting members benefits. Until completion of a full analysis of the scheme changes undertaken during this period the Trustee is unable to determine whether there is any impact or if this could be reliably estimated.

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INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE 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 38, in respect of the Scheme year ended 5 April 2024, to which this statement is attached.

In our opinion the contributions for the Scheme year ended 5 April 2024 as reported in the attached summary of contributions on page 38 and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the Actuary on 8 December 2020 and 7 December 2023.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 38 in the attached summary of contributions have in all material respects been paid at least in accordance with the Schedules 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 Schedules of Contributions.

Respective responsibilities of the Trustee and the Auditor

As explained more fully on page 19 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

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

Date: 25 September 2024

SUMMARY OF CONTRIBUTIONS PAID IN THE YEAR

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

	£'000s
Employer normal contributions	11,510
Employer SMART contributions	6,395
Employer expense contributions	2,000
Employee normal contributions	27
Total contributions paid	19,932
Reconciliation to the financial statements:	
Contributions paid under the Schedules of Contributions	19,932
Members' Additional Voluntary Contributions	1,786
Contributions receivable per the financial statements	21,718

This summary was approved by the Trustee on 25 September 2024

Martin Flavell

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Trustee Director, Leonardo Pension Schemes (Trustee) Ltd

Rebecca Ward

....
Trustee Director, Leonardo Pension Schemes (Trustee) Ltd

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the Leonardo Helicopters Pension Scheme (the "Scheme") in relation to the Scheme's Statement of Investment Principles (the "SIP").

The SIP was amended once during the year ending 5 April 2024, reflecting changes to the level of liability hedging and the asset allocation ranges. This SIP came into force from 20 March 2024.

A copy of the current SIP signed and dated 20 March 2024 can be found here:

www.lhpensions.co.uk/compliance

This Implementation Statement covers the Scheme year from 6 April 2023 to 5 April 2024 (the "Scheme Year"), although the information on engagement and voting statistics relates to the period from 1 April 2023 to 31 March 2024. It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A new set of guidance ("the Guidance") from the Department for Work and Pensions ("DWP") has been issued with a series of statutory & non-statutory guidance. They aim to encourage the Trustee of the Scheme to properly exercise their stewardship policy including both voting and engagement which is documented in the Scheme's SIP. This Implementation Statement has been prepared to provide the details on how the Trustee of the Scheme, with the help of the Scheme's Fiduciary Manager, has complied with the new statutory guidance set by DWP.

A copy of this Implementation Statement is available on the following website:

www.lhpensions.co.uk/compliance

2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The Trustee uses the Fiduciary Management service of Schroders IS Limited as their Investment Manager and Adviser (it is referred to as the "Fiduciary Manager" in the Implementation Statement). The Fiduciary Manager is a signatory to the UK Stewardship Code which sets high standards for those investing money on behalf of UK pensioners and savers. The Trustee expects the Fiduciary Manager's stewardship activities will result in better management of ESG and climate related risks and opportunities, which is expected to improve the long-term financial outcomes of the Scheme. The Fiduciary Manager aligns its stewardship activities with Schroders' Engagement Blueprint, which identifies six themes: Climate Change, Natural Capital & Biodiversity, Human Rights, Corporate Governance, Human Capital Management, and Diversity & Inclusion. From these, the Trustee has chosen Climate Change, Corporate Governance, and Human Rights as its focus for the stewardship actions performed by the Fiduciary Manager on behalf of the Trustee. The Trustee will monitor and, where necessary, engage with the Fiduciary Manager to ensure alignment with these priorities.

The UK Stewardship Code describes stewardship as "*the responsible allocation, management and oversight of capital to create long-term value … leading to sustainable benefits for the economy, the environment and society*." Thus, the Fiduciary Manager's stewardship activities on behalf of the Trustee encompass a variety of tools, including portfolio ESG integration, manager research and selection, portfolio ESG metric monitoring and voting and engagement.

The Fiduciary Manager can appoint other investment managers in respect of underlying investments (these are referred to as "Underlying Investment Managers"). The Scheme invests in some assets with voting rights attached (e.g. equities) and with engagement possible in relation to most asset classes. Whilst the Trustee has delegated responsibility to the Fiduciary Manager and Underlying Managers for voting and engaging on its behalf, the Trustee regularly reviews the approach and stewardship policies of the Fiduciary Manager to ensure they are aligned with the Trustee's beliefs and objectives.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

A copy of the SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustee's policies on corporate governance and other financially material considerations when providing Fiduciary Management services. As part of ongoing monitoring of how the Fiduciary Manager has exercised the Trustee's stewardship policy, the Trustee reviewed quarterly FM ESG updates during the Scheme Year, as well as the FM Annual ESG Report after the Scheme Year-end, before preparing this Implementation Statement. The quarterly ESG updates allow the Trustee to monitor the ESG characteristics of the Scheme's portfolio and thereby assess the Fiduciary Manager's allocation, management and oversight of the Scheme's capital. The annual ESG report details various areas concerning the Fiduciary Manager's ESG integration within the investments and stewardship activities over the previous calendar year.

The Trustee is satisfied that the expectations outlined in the SIP have been met, with the Fiduciary Manager taking the Trustee's stewardship policy and priorities into account as part of its stewardship activities and manager selection. Examples of how this has been evidenced over 2023, include:

- Exclusions of Global Norms Violators as part of the security selection process. This ensures a closer alignment of the Scheme's investments with the Trustee's stewardship priorities, as violators are generally viewed as causing significant harm to People or Planet.
- Incorporation of SustainEx™ scoring into the core equity allocation process, in both the initial screening process and as a constraint at a total portfolio level. SustainEx™ is Schroders' proprietary tool to translate social and environmental impacts into financial costs.
- Conducting manager research to identify value-adding, climate-aware equity funds to potentially allocate some of the Scheme's capital to, subject to further due diligence.
- Approval of a cash fund that offers improved environmental characteristics to the Scheme's existing cash fund, with equivalent cost and return track record. After carrying out appropriate due diligence in early 2024, the Scheme's existing cash assets have now been invested in this fund.
- Annual assessment of Underlying Investment Managers' ESG ratings against a comprehensive internal ESG assessment framework. Lower-rated managers are categorised as either Red-Engagement or Red-Exclusion, requiring further engagement to improve their rating, or exclusion on the grounds of poor ESG credentials.
- Regular investment and operational due diligence on the Underlying Investment Managers to monitor voting and engagement policies concerning the Scheme's investments.
- Addition of voting and engagement examples to the quarterly ESG reporting provided to the Trustee, facilitating a more regular review throughout the year of the Underlying Investment Managers' stewardship activities.
- ESG integration throughout the portfolio, with Underlying Investment Manager and counterparty engagement carried out in Growth, Active Structured Equity, Buy & Maintain Credit and LDI portfolios. Some examples of the engagements which occurred over the Scheme Year are detailed in a separate Engagement Report, available upon request.
- Introduction of new 'impact' metrics into quarterly reporting, such as Implied Temperature Rise (measuring the contribution of the Scheme's investments to global warming) and SustainEx™ scoring, to facilitate better Trustee oversight of the impacts of the Scheme's capital on the environment and society.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

Considering the voting statistics and behaviour set out in this Implementation Statement, along with the engagement activity (detailed in a separate Engagement Report, available upon request) that took place on the Trustee's behalf during the Scheme Year within the Growth Asset portfolio, Buy & Maintain Credit portfolio and the liability hedging portfolio, the Trustee is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting and engagement in line with its stewardship policy.

Specifically, the Trustee noted that:

- Each manager demonstrated high levels of voting rights being acted on, where voting is relevant.
- Where the holdings did not have voting rights attached, the Underlying Investment Managers showed they carried out a good level of engagement activity with the underlying companies over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers, focussing on laggards and material allocations.
- The Fiduciary Manager has also carried out a high level of engagement with different governing bodies for the Liability Hedging mandate to ensure that the Scheme's liability hedging programme not only remained robust during the Gilt Crisis of Autumn 2022 and beyond, but the Fiduciary Manager also provided inputs to those governing bodies to ensure they continue to deliver even better outcomes for their clients, including the Scheme.

During the Scheme Year, the Trustee has engaged the Fiduciary Manager on its approach to the Defence sector with regard to Sustainability, and specifically to better understand how exposure to the Defence sector is treated by Sustainex™.

Given the activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Scheme Year.

3. Voting and Engagement Summary

On behalf of the Trustee the Fiduciary Manager exercises voting rights in relation to pooled funds managed by the Underlying Investment Managers, in line with its voting policy.

Most voting rights and engagement regarding the Scheme's investments relate to underlying securities within these pooled funds. At a general meeting of a company, the Underlying Investment Managers exercise voting rights and engage with the company issuing the security in line with their policies, which the Fiduciary Manager may have influenced. Nonetheless, the pooled funds themselves often confer certain rights around voting or policies, which the Fiduciary Manager exercises on behalf of the Trustee, and we cover these here.

Over the year to 31 March 2024, the Fiduciary Manager voted on 90 resolutions across 16 meetings. The Fiduciary Manager voted against management on 5 resolutions which was 5.6% of total resolutions, and abstained on 32 resolutions (35.6% of the total resolutions). The engagement topics covered a range of areas, including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Within the Scheme's portfolio, BNYM Global Equity Fund makes up more than a quarter of the Scheme's investments in return-seeking assets, with equity being the only asset class to hold voting rights. Additionally, within the Scheme's Growth Asset portfolio, this is the only fund for which the Fiduciary Manager has responsibility over security selection. For these reasons, the voting activity associated with the securities in this fund holds particularly significant for the Scheme. From 1 January 2024, the proxy voting for this fund moved to Schroders' central ESG team which will ensure the voting policy going forward is guided by Schroders' Engagement Blueprint and therefore aligns with the Trustee's stewardship priorities.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

Most Significant Votes

The following criteria must be met for a vote to be considered "significant":

1. Must relate to the BNY Mellon (Schroder Solutions) Global Equity Fund;
2. Must be defined as significant by the Fiduciary Manager; and
3. Must relate to the Trustee's three stewardship priority themes.

Of the votes that satisfy these criteria, the Trustee has selected one vote relating to each of the priority themes that it deems most material to the long-term value of the investments. These votes are hereby defined as "most significant votes", and as per DWP guidance, the Trustee has communicated this definition of "most significant votes" to the Fiduciary Manager. All of the most significant votes over this Scheme Year have been reported below.

CLIMATE CHANGE - At the annual PACCAR Inc meeting on 25 April 2023, BNY Mellon voted in favour of the shareholder proposal for the Board of Directors to annually issue a report describing how the company's lobbying activities align with the goal of the Paris Agreement. This vote was considered "most significant" as it focuses on climate-related topics and the manager believes PACCAR is not transparent in disclosing their activities in this area. This vote failed, and Mellon will continue to engage with PACCAR and encourage them to disclose more information on lobbying generally, and specifically related to climate.

CORPORATE GOVERNANCE - In April 2023, BNY Mellon voted in favour of a shareholder proposal for Lockheed Martin to appoint an independent board chairperson. Mellon's rationale for voting for this proposal was due to their belief that having a separate chair/CEO position with an independent chairperson is a good governance structure. This vote is considered "most significant" by the Trustee, as it focuses on the corporate governance stewardship priority. The vote failed, and Mellon intend to continue engagement with Lockheed Martin and to monitor shareholder proposals to determine whether they would consider supporting them.

HUMAN RIGHTS - At the Nike Inc, shareholder meeting on 12 September 2023, BNY Mellon voted against a shareholder proposal for the company to report on the effectiveness of supply chain management on equity goals and human rights commitments. BNY Mellon voted against the proposal as they believe the company's detailed disclosures already address the ask of the shareholder proposal and support of the proposal would not enhance the long-term shareholder value of the company as it would waste time and resources on information already provided. This vote relating to the Human Rights stewardship priority failed. Mellon will continue to engage with Nike and encourage the company to maintain their disclosures in the current detailed manner they are.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

There are c. 30 Underlying Managers; however, the equity holdings (and equity held within alternative strategies) are the only asset class with voting rights. Below are the voting statistics for the most material equity and alternative funds held on behalf of the Trustee that had voting rights during the period.

Summary of voting statistics

	BNYM Global Equity Fund	Morant Wright Fuji Yield Japanese Fund	FSSE All China Fund (1 Nov 23 – 31 Mar 24)	North Rock Fund
Total meetings eligible to vote	943	61	25	57
Total resolutions eligible to vote	11,918	764	139	*Data not provided*
% of resolutions did you vote on for which you were eligible?	94%	100%	100%	100%
% did vote with management?	93%	84%	96%	100%
% vote against management?	7%	16%	4%	0%
% abstained	1%	0%	0%	0%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	3%	N/A	9%	0%

Note:

- BNYM uses Institutional Shareholder Services, “ISS”, for proxy voting services and North Rock uses Glass Lewis for proxy voting services. BNYM also utilises Glass Lewis for research.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM have included votes withheld in votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.
- A new equity fund, FSSA All China, held at the Scheme Year-end, was introduced into the Growth portfolio in November 2023. Due to the Scheme’s limited investment period in this fund during this Scheme Year, the Trustee has elected to not include the 12-month voting statistics for this fund, and only report on the activity over the months invested.

Voting statistics have not been reported for one of the Underlying Investment Managers of the Scheme’s alternative asset allocation, as they did not respond to the stewardship data request from the Fiduciary Manager. Following engagement with the Fiduciary Manager, this Underlying Investment manager has agreed to provide voting statistics for the Trustee to review going forward. Unfortunately, the voting data for the 12 months to 31 March 2024 was not received from this manager prior to the publication of this Implementation Statement. The Fiduciary Manager will continue to engage with this manager on behalf of the Trustee to request this data.

The Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers align with the stewardship priorities the Trustee has determined during the Scheme year.

LEONARDO HELICOPTERS PENSION SCHEME IMPLEMENTATION STATEMENT (continued)

Appendix 1 – ESG, Voting and Engagement Policies

Links to the voting and engagement polices for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	schroders-esg-policy.pdf https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	https://www.mellon.com/content/dam/mellondotcom/pdf/disclosures/proxy-voting-guidelines-mellon.pdf
SCOR	https://www.scor-ip.com/sites/default/files/2023-05/SCOR_IP_Shareholder%20engagement%20policy_EN_052023.pdf
Morant Wright	https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf
T Rowe Price	https://www.troweprice.com/content/dam/trowecorp/Pdfs/esg/proxy-voting-guidelines-TRPA.pdf
Neuberger	https://www.nb.com/en/global/esg/engagement
CBRE	CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pd
Insight	https://www.insightinvestment.com/investing-responsibly/