

Rolls-Royce Retirement Savings Trust

Trustee's annual report and financial statements
for the year ended 5 April 2021

Pensions Scheme Registration Number: 10249659

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

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Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Trustee and advisors

Trustee	Rolls-Royce Retirement Savings Trust Limited		
Directors	<p>Company-appointed directors Ian Farnsworth – Chairperson (resigned 5 April 2021) Fiona Brown (appointed 24 September 2020) Rebecca Hodgson Alan Partridge (resigned 14 August 2020) Teresa Waine</p> <p>Member-nominated directors Gordon Frew (resigned 30 August 2020) Nicholas Halliday (appointed 1 March 2021) Matthew Hill Mark Porter (appointed Chairperson on 6 April 2021)</p>		
Secretary	Richard Hill, Rolls-Royce Pensions Department		
Sponsoring employer	Rolls-Royce plc, Kings Place, 90 York Way, London, N1 9FX		
Advisor	Rolls-Royce plc Pensions Department Jubilee House, 4 St Christopher’s Way, Pride Park, Derby, DE24 8JY		
Administrator	Aviva Life and Pensions UK Limited, Wellington Row, York, YO90 1WR		
Banker	National Westminster Bank plc 15 Bishopsgate, London EC2P 2AP		
Investment managers	Aviva Life and Pensions UK Limited, Wellington Row, York, YO90 1WR	Utmost Life and Pensions Limited Walton Street, Aylesbury, Buckinghamshire, HP21 7QW (until 30 April 2020)	The Prudential Assurance Company Limited Craigforth, Stirling, FK9 4UE
Legal advisors	Gowling WLG (UK) Limited Two Snowhill, Birmingham, B4 6WR		
Auditor	Deloitte LLP Four Brindleyplace, Birmingham, B1 2HZ (from 12 November 2020)	KPMG LLP One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH (until 6 November 2020)	
Investment consultant	Mercer Limited Tower Place West, London EC3R 5BU		
Life assurance provider	Met Life, Invicta House, Trafalgar Place, Brighton BN1 4FR	Aviva Life and Pensions UK Limited, Group Protection, Norwich, NR1 3ZF	

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Trustee’s report

Introduction

The Rolls-Royce Retirement Savings Trust (the “Trust”) provides retirement and life assurance benefits for employees of Rolls-Royce plc and associated companies (the “Company”). The Trust was established on 6 April 2000. The Trust is governed by a Trust Deed and Rules as amended by supplementary deeds. The Trustee is a UK limited company, Rolls-Royce Retirement Savings Trust Limited (the “Trustee”).

The Trust’s assets are held in the name of the Trustee and are entirely separate from the assets of the Company. The Trust is registered with Her Majesty’s Revenue & Customs for tax purposes. Consequently, the majority of the Trust’s income and investment gains are free of taxation.

The Trust is an earmarked scheme which means that, all the benefits are secured by an insurance policy. Under the policy, each member accumulates an individual (earmarked) pension fund invested in unit-linked insurance funds. The Trust provides retirement benefits for members and where applicable, life assurance benefits.

The Trustee has decided to extend the scope of the annual report and financial statements beyond that required of an earmarked scheme. Therefore this is a non-statutory annual report and financial statements.

Management of the Trust

The directors of the Trustee are appointed and removed in line with the provisions of the Trustee’s Articles of Association. There are usually seven directors comprising four directors appointed by the Company (including a Chairperson) and three directors nominated by members.

In accordance with The Occupational Pension Schemes (Member-nominated Trustees and Directors) Regulations 1996, the Trustee (with the consent of the sponsoring employer), has put in place a procedure for the appointment and removal of Trustee directors, including the provision for three Trustee directors to be nominated and selected by eligible members in accordance with the Trust Deed and Rules.

The directors normally meet four times a year and more frequently as required. All directors have the same function except that the Chairperson (or, if he or she is not present at any meeting the director appointed as Chairperson of the meeting) will have a casting vote. Attendance at the meetings during the year is shown in the table below:

Director	Meetings attended	Meetings applicable
Ian Farnsworth – Chairperson (resigned 5 April 2021)	6	6
Fiona Brown (appointed 24 November 2020)	2	2
Gordon Frew (resigned 30 August 2020)	1	1
Matthew Hill	6	6
Rebecca Hodgson	5	6
Nicholas Halliday (appointed 1 March 2021)	1	1
Alan Partridge (resigned 14 August 2020)	1	1
Mark Porter (appointed Chairperson on 6 April 2021)	6	6
Teresa Waine	6	6

Each director has been provided with relevant documentation required to perform their role as a pension scheme trustee and pension scheme trustee training is undertaken on a regular basis. These training arrangements are designed to meet The Pensions Regulator’s pension scheme trustee training requirements, which were established by the *Pensions Act 2004*.

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Changes during the year

The following changes occurred during the year:

- The Trustee executed a deed of amendment dated 13 August 2020 to facilitate the payment of additional voluntary contributions by certain deferred members of the Trust and to allow partial transfers of benefits.
- In 2020 the Company announced its intention to close its defined benefit pension scheme in the UK – the Rolls-Royce UK Pension Fund – to future accrual of benefits. The Company commenced a consultation with affected employees from 31 July 2020 until 29 September 2020 (subsequently extended to 6 October 2020). The Rolls-Royce UK Pension Fund was subsequently closed to future accrual of benefits on 31 December 2020. Following a request from the Company the Trustee executed a deed of amendment dated 22 December 2020 to facilitate former active members of the Rolls-Royce UK Pension Fund to join the Trust for the provision of future pension benefits. Over 7,000 former active members did so on 1 January 2021. A new Payment Schedule was signed on 31 January 2021 to accommodate these new members.
- KPMG had been the Trust’s auditor for over 10 years. In line with good governance practice, the Trustee decided that KPMG should be replaced and commenced a review and appointment process during the year. Following this process, KPMG resigned as the Trust’s auditor on 6 November 2020 and the Trustee appointed Deloitte as auditor on 12 November 2020. KPMG confirmed that it knows of no circumstances in connection with its resignation which significantly affects the interests of members or potential members of the Trust. Deloitte’s first audit will cover the year ended 5 April 2021.
- Mr Farnsworth resigned as Chairperson and as a director on 5 April 2021. Mr Porter was appointed as Chairperson on 6 April 2021. The Trustee would like to place on record its thanks to Mr Farnsworth for his service to the Trustee.

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Membership

The changes in membership during the year are shown in the table below. Opening balance adjustments take account of any retirements, leavers and deaths that occurred before the end of the previous year but were not processed until after the Trustee’s annual report and financial statements had been produced for that year.

Active Members¹	
Members at 6 April 2020	21,591
Add: New joiners ¹	8,805
Members re-joining from deferred status ²	34
Members re-joining from another status ²	3
Less: Active members retiring	(138)
Active members leaving service	(2,027)
Deaths	(12)
Transfers out	(239)
Account closed	(257)
Members at 5 April 2021⁴	27,760

Deferred Members	
Members at 6 April 2020	5,063
Add: Active members leaving service	2,027
Members re-joining from another status ²	2
Less: Members re-joining active status ²	(34)
Deferred members retiring	(158)
Deaths	(7)
Transfers out	(234)
Trivial commutation	-
Account closed ³	(238)
Members at 5 April 2021	6,421

¹Active members represents the number of active policies and may therefore include more than one record for an individual where they have more than one policy, for example two separate types of additional voluntary contributions (AVCs).

²Ocasionalmente members re-join various statuses in order for their benefits to be administered. For example, this could occur where a member leaves active status and subsequently requires additional contributions to be paid by the Company. In order to receive contributions such a member would have to temporarily re-join active status.

³Accounts might be closed when an account is created for a new joiner who subsequently leaves employment with the Company without making any contributions.

⁴Following an initial reconciliation of Aviva’s active membership records, around 1,632 records have been identified that should potentially be changed to deferred status. Further investigation work is being undertaken to confirm appropriate action to be taken. The relevant records will subsequently be updated after the end of the Trust year.

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Statement of Trustee’s responsibilities

Statement of Trustee’s responsibilities for the non-statutory annual report and financial statements

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

- show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the non-statutory financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

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

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

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control. The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Fund’s website. Legislation in the United Kingdom governing the preparation and dissemination of non-statutory financial statements may differ from legislation in other jurisdictions.

Trustees responsibilities in respect of contributions

- The Trustee is 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 Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid; and
- The Trustee is also responsible for adopting risk-based processes to monitor whether contributions are made to the Fund by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Financial development of the Trust

The financial statements of the Trust for the year ended 5 April 2021, as set out on pages 17 to 26, have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

A summary of the Trust’s financial statements is set out in the table below:

	2021	2020
	£’000	£’000
Member related income	143,250	99,154
Member related payments	(40,805)	(23,222)
Net additions from dealings with members	102,445	75,932
Net returns on investments	137,328	(47,457)
Net increase in the Trust	239,773	28,475
Net assets at start of year	451,102	422,627
Net assets at end of year	690,875	451,102

Benefits

The Trust provides defined contribution retirement benefits and life assurance benefits.

Retirement savings are secured by an insurance policy under which each member accumulates an individual savings fund. At retirement, members have the following options:

- Take their retirement savings as a cash lump sum. Generally 25% of which would be tax-free with the rest taxed as income.
- Invest their savings in an appropriate personal pension arrangement and draw money from it as and when required. This is known as “drawdown”. Generally 25% can be taken as a tax free lump sum and the remainder taxed as income.
- Taking a series of cash lump sums. Generally 25% of each payment would be tax-free with the remainder taxed as income.
- Buying an annuity and taking up to 25% as a tax-free cash lump sum.
- A combination of the above options.

Life assurance benefits for certain active members are also secured by an insurance policy provided by the life assurance provider shown on page 3.

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Investments

During the year covered by this report, the Trustee has directed Trust contributions into a range of unit-linked pension funds offered to members under a unit-linked insurance policy issued by Aviva Life and Pensions UK Limited (“Aviva”).

The investment options available to members are:

- Do nothing in which case their contributions will be invested in one of two predetermined default investment programmes depending on the section of the Trust they are in. For most members the default investment programme is designed for members that expect to receive their benefits through flexible retirement or income drawdown. For members of the Top-up section of the Trust, the default investment programme is designed for members that expect to receive their benefits as a single cash sum.
- Actively choose one of three predetermined investment programmes, which in addition to the two default investment programmes described above includes an investment programme that is designed for members that expect to receive their benefits by purchasing an annuity.
- Design and manage their own investment programme using up to 16 self-select investment funds. The choice of funds offered under the Aviva policy includes a range of asset classes including an ethical fund and a Shariah-compliant fund.

The investment funds available along with their performance to 31 March 2021 and the value of members’ investments in them at the same date are shown on page 10. Where funds are used as part of the predetermined investment programmes they are shown in bold.

A small amount of the Trust’s assets remains invested in a unit-linked insurance policy issued by Prudential Assurance Company Limited and Utmost Life for historical reasons. Investments are no longer made into these policies. The assets that are invested in a unit-linked insurance policy provided by Utmost Life were transferred and invested in unit-linked pension funds offered by Aviva on 1 May 2020.

The Trustee confirms that the investments of the Trust are invested in accordance with the Occupational Pensions Schemes (Investment) Regulations 1996. The Trust did not hold any direct employer related investments during the year or at the end of the year, although limited employer related investments may occur through pooled investment vehicles where specific exclusions are not possible.

Aviva, Utmost Life, Prudential and any underlying investment managers are authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and Financial Conduct Authority.

Further details about the Trust’s investments are available to members online, in the Chairperson’s annual governance statement (included in Appendix 1) and the Trust’s Statement of Investment Principles (included in Appendix 2).

Rolls-Royce Retirement Savings Trust – Trustee's annual report and financial statements

	£'000s	1 year performance		3 year performance	
		Fund %	Benchmark %	Fund %	Benchmark %
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila C) Fund					
Aviva My Money BlackRock UK Equity Index (Aquila Connect) Fund ¹	306,193	45.2	45.4	9.8	9.9
Aviva My Money BlackRock US Equity Index (Aquila Connect) Fund ¹	19,335	26.5	26.7	3.2	3.2
Aviva My Money BlackRock European Equity Index (Aquila Connect) Fund ¹	2,387	42.8	42.7	-	-
Aviva My Money BlackRock Japan Equity Index (Aquila Connect) Fund ¹	550	34.7	35.0	-	-
Aviva My Money BlackRock Pacific Rim Equity Index (Aquila Connect) Fund ¹	429	26.2	26.8	-	-
Aviva My Money BlackRock Emerging Markets Equity Index (Aquila Connect) Fund ¹	461	50.3	50.3	-	-
Aviva My Money BlackRock Over 5 Year Index Linked Gilt Index (Aquila Connect) Fund	1,263	47.0	46.6	-	-
Aviva My Money Diversified (50:50 Standard Life GARS / Insight BOF)² Growth Fund	116,838	10.8	0.1	2.8	0.5
Aviva My Money Legal & General (PMC) Diversified Fund¹	101,051	20.4	43.4	-	-
Aviva My Money Legal & General (PMC) Retirement Income Multi-Asset Fund	44,316	15.5	0.1	5.8	0.0
Aviva My Money BlackRock Corporate Bond All Stocks Index (Aquila Connect) Fund ¹	7,603	3.2	2.6	3.6	3.6
Aviva My Money Legal & General (PMC) Pre-Retirement Fund	545	6.2	7.0	-	-
Aviva My Money Legal & General (PMC) Ethical Global Equity Index Fund ¹	9,939	3.0	3.1	4.6	4.6
Aviva My Money HSBC Islamic Global Equity Index Fund ¹	2,200	37.3	38.1	-	-
Aviva My Money BlackRock Institutional Sterling Liquidity Fund	8,439	36.8	37.6	-	-
Aviva My Money Three Year Transition Fund ^{1,3}	22,835	0.2	(0.1)	0.6	0.3
Prudential With Profits Fund	44,941	20.8	20.8	-	-
Utmost Life Secure Cash Fund ⁴	85	-	-	-	-
	8	-	-	-	-
	689,418				

Value of investments and performance net of fees to 31 March 2021.

Sources: Aviva, Prudential and Mercer.

¹New funds available from January 2019. 3 year performance net of fees unavailable.

²GARS – Global Absolute Return Strategies, BOF – Broad Opportunities Fund.

³As part of the review of the investment options available to members described in the Chairperson's annual governance statement, some members are being transferred to the new investment programmes over a three-year period by making a partial allocation to this fund.

⁴The investments managed by Utmost Life were transferred on 1 May 2020 as described on page 9.

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Contact details

Internal Disputes Procedure

The Trustee operates an Internal Disputes Procedure for resolving complaints by members in accordance with statutory requirements. All complaints should be made in writing to:

*The Trustee Secretary
Pensions Department
Rolls-Royce plc
Jubilee House (JH-19)
Derby
DE24 8JY*

The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is an independent voluntary organisation that provides free, impartial guidance to members and beneficiaries of pension schemes on a range of issues. TPAS can be contacted at:

*10 South Colonnade
Canary Wharf
London
E14 4PU*

The Pensions Ombudsman

The Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme. The Ombudsman can be contacted at:

*10 South Colonnade
Canary Wharf
London
E14 4PU*

Pension Tracing Service

The Pension Tracing Service has been established to help individuals to keep track of benefits they may have as a result of service with former employers. The Pension Tracing Service can be contacted at:

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

The registration number of The Rolls-Royce Retirement Savings Trust is 10249659.

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The Pensions Regulator

The Pensions Regulator (TPR) is the regulatory body for occupational pension schemes in the UK. TPR can be contacted at:

*Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW*

Information to members

Further information about the Trust can be requested by writing to:

*The Trustee Secretary
Pensions Department
Rolls-Royce plc
Jubilee House (JH-19)
Derby
DE24 8JY*

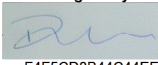
This report or other information about the Trust can be provided in large print or Braille formats upon request. The Trust Deed and Rules is available for inspection by members by writing to the same address.

Further information about all members’ benefits and the Trust in general, is available online at www.rolls-roycepensions.com.

Approval of Trustee's annual report and financial statements

The Trustee’s annual report and financial statements were approved at a meeting of the Trustee held on 23 September 2021.

Signed on behalf of the Trustee

DocuSigned by:


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Richard Hill
Trustee Secretary

23 September 2021

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Independent auditor’s report to the Trustee of the Rolls-Royce Retirement Savings Trust for the year ended 5 April 2021

Report on the audit of the financial statements

Opinion

In our opinion the non-statutory financial statements of the Rolls-Royce Retirement Savings Trust (the ‘Trust’):

- show a true and fair view of the financial transactions of the Trust during the year ended 5 April 2021 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, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”; 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.

We have audited the non-statutory financial statements which comprise:

- the fund account;
- the statement of net assets (available for benefits); and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

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 Trust in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the Financial Reporting Council’s (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 non-statutory financial statements, we have concluded that the Trustee’s use of the going concern basis of accounting in the preparation of the non-statutory financial statements is appropriate.

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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 Trust’s ability to continue as a going concern for a period of at least twelve months from when the non-statutory financial statements are authorised for issue.

Our responsibilities and the responsibilities of the 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 non-statutory financial statements and our auditor’s report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the non-statutory 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 non-statutory 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 non-statutory 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.

Responsibilities of Trustee

As explained more fully in the Statement of Trustee’s responsibilities, the Trustee is responsible for the preparation of the non-statutory 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 non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the Trustee is responsible for assessing the Trust’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory 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 non-statutory financial statements.

A further description of our responsibilities for the audit of the non-statutory financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Trust’s industry and its control environment, and reviewed the Trust’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee and pension management, their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Trust operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the non-statutory financial statements. These included the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the non-statutory financial statements but compliance with which may be fundamental to the Trust’s ability to operate or to avoid a material penalty. These included the Trust’s regulatory requirements.

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the non-statutory financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing non-statutory financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the non-statutory financial statements;
- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee and pension management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee meetings and reviewing correspondence with the Pensions Regulator.

Use of our report

This report is made solely to the Trust’s Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trust’s Trustee those matters we are required to state to them in an

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

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 Trust’s Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read "Deloitte LLP", is positioned above the printed text.

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
Date: 23 September 2021

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Financial statements**Fund account for the year ended 5 April 2021**

	Note	2021 £'000	2020 £'000
Contributions and benefits			
Employer contributions	4	98,132	68,822
Employee contributions	4	38,455	22,448
Transfers in	5	4,891	5,830
Other income	6	1,772	2,054
		143,250	99,154
Benefits payable	7	(7,170)	(5,874)
Payments to and on account of leavers	8	(30,853)	(14,748)
Other payments	9	(2,646)	(2,453)
Administrative expenses	10	(136)	(147)
		(40,805)	(23,222)
Net additions from dealings with members		102,445	75,932
Returns on investments			
Change in market value of investments	13	138,298	(46,578)
Investment management expenses		(970)	(879)
Net returns on investments		137,328	(47,457)
Net increase in the Trust during the year		239,773	28,475
Net assets of the Trust at 6 April 2020/6 April 2019		451,102	422,627
Net assets of the Trust at 5 April 2021/5 April 2020		690,875	451,102

The notes on pages 19 to 26 form part of these financial statements.

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements


Statement of net assets (available for benefits) as at 5 April 2021

	Note	2021	2020
		£'000	£'000
Investment assets	13		
Pooled investment vehicles	14	689,418	440,828
Cash		1,502	10,294
		690,920	451,122
Current assets	20	1,398	848
Current liabilities	21	(1,443)	(868)
Total net assets of the Trust as 5 April 2021/2020		690,875	451,102

The financial statements summarise the transactions of the Trust 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 year. The notes on pages 19 to 26 form part of these financial statements.

These financial statements were approved by the Trustee on 23 September 2021.

Signed on behalf of the Trustee

DocuSigned by:

 C8070302A557403...
 Director

DocuSigned by:

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 Director

23 September 2021

Rolls-Royce Retirement Savings Trust – Trustee’s annual report and financial statements

Notes (forming part of the financial statements)

1. Basis of preparation

The Trust is an earmarked scheme which means that, all the benefits are secured by an insurance policy. Under the policy, each member accumulates an individual (earmarked) pension fund. These non-statutory financial statements have been prepared at the wish of the Trustee of the Trust. The Trust is exempt from the requirement to have an audit under the Pensions Act 1995 and therefore these financial statements do not constitute statutory annual financial statements. The financial statements have been prepared in accordance with Financial Reporting Standard 102 (as amended) - the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Principal Employer, Rolls-Royce plc, is also a going concern as described below. The Trust currently relies on Rolls-Royce plc to pay its administrative expenses and in accordance with the Trust Deed and Rules of the Trust, it is likely that the Trust would be wound up if the Principal Employer became insolvent.

Rolls-Royce plc is a significant part of the Rolls-Royce group of companies which are ultimately owned by Rolls-Royce Holdings plc (the “Group”). The outbreak of the Covid-19 virus has created significant challenges and high levels of uncertainty for the Group given its significant exposure to the civil aerospace industry. The Trustee has been closely monitoring the strength of the Group and the action it is taking to mitigate the impact of Covid-19. The Trustee has considered the going concern statement included in the Group’s 2021 half-year results published on 5 August 2021. This concluded that under “base case” and “severe but plausible downside” scenarios the Group expects to continue as a going concern until 28 February 2023. On this basis, whilst the impact of Covid-19 on the Group cannot be accurately predicted, the Trustee currently considers that the Group will nevertheless continue to operate for the next twelve months, and therefore the Trustee believes that it remains appropriate to prepare the Trust’s financial statements on a going concern basis. However, in accordance with the Trust Deed and Rules of the Trust, it is likely that the Trust would be wound up if the Principal Employer became insolvent. Therefore the circumstances of the possible impact on the Group of a possible second wave of Covid-19 and associated government action to limit the spread of the virus constitute a material uncertainty that may cast significant doubt on the Trust’s ability to continue as a going concern and hence to realise its assets and meet accrued benefit payments in the normal course of affairs. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate. It should also be noted that the net assets in the financial statements (£690.9 million) almost entirely comprise investments (also £690.9 million). Investments are recognised at fair value and this would not change if the financial statements were not prepared on a going concern basis.

2. Identification of the financial statements

The Trust is established as a trust under English law. The address for enquiries to the Trust is included in the annual report.

3. Accounting policies

The principal accounting policies of the Trust are as follows:

a) Contributions, Benefits and Transfers

Contributions and benefits accrued and due in respect of the year ended 5 April 2021 are included in these financial statements. Transfers in and transfers out are accounted for in the period in which

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they are received or paid.

b) Valuation of Investments

Investments are stated at market value at 5 April 2021 determined as follows:

- (i) Pooled investment vehicles are included at bid price as advised by the investment manager; and
- (ii) The change in market value is the difference between the opening and closing balances of market value, adjusted for the net investment, and includes both realised and unrealised gains and losses against opening market value.

c) Exchange rates

All assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the year end. Income and expenditure denominated in foreign currencies is translated into sterling at the rate ruling at the date on which it is receivable or payable. Profits and losses on exchange rate movements are included in change in market value during the period.

d) Expenses

Expenses are borne by the Trust. Where such expenses exceed available undesignated cash funds the sponsoring employer currently bears the cost in the form of matching employer contributions.

e) Transaction costs

Expenses relating specifically to purchases or sales of investments are included in the costs of the investments or deducted from the proceeds of sales respectively in these financial statements and disclosed separately.

4. Contributions receivable

	2021	2020
	£'000	£'000
Employer:		
Normal	95,375	66,219
Life assurance premiums	2,646	2,453
Expenses	111	150
	98,132	68,822
Members:		
Normal	2,922	1,326
Additional Voluntary Contributions	35,533	21,122
	38,455	22,448
	136,587	91,270

5. Transfers in

	2021	2020
	£'000	£'000
Individual transfers	4,891	5,830
	4,891	5,830

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6. Other Income

	2021	2020
	£'000	£'000
Claims on life assurance policies	1,772	2,054
	1,772	2,054

7. Benefits Payable

	2021	2020
	£'000	£'000
Purchase of annuities	-	(977)
Lump sum commutations	(5,065)	(2,146)
Taxation where lifetime or annual allowance exceeded	(29)	-
Death benefits	(2,076)	(2,751)
	(7,170)	(5,874)

8. Payments to and on account of leavers

	2021	2020
	£'000	£'000
Individual transfers out to other schemes	(30,849)	(14,748)
Opt-outs	(4)	-
	(30,853)	(14,748)

9. Other Payments

	2021	2020
	£'000	£'000
Life assurance premiums	(2,646)	(2,453)
	(2,646)	(2,453)

Life assurance benefits are secured by an insurance policy provided by the life assurance providers shown on page 3.

10. Administration expenses

	2021	2020
	£'000	£'000
Administration and processing	(14)	(30)
Audit fee	(19)	(13)
Legal and other professional fees	(40)	(20)
IT Costs	(4)	(4)
Investment advisory costs	(33)	(59)
Pensions Regulator levy	(26)	(21)
	(136)	(147)

All other costs of administration are borne by the sponsoring employer.

11. Tax

The Trust is a registered pension scheme for tax purposes under the Finance Act 2004. The Trust is therefore exempt from taxation except for certain withholding taxes relating to overseas investment

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income. Tax charges are accrued on the same basis as the investment income to which they relate.

12. Additional voluntary contributions (AVC’s)

Members’ AVC’s are invested together with the main assets of the Trust.

13. Investment reconciliation

	Market value at 6 April 2020	Purchases at cost	Sales proceeds	Change in market value	Market value at 5 April 2021
	£’000	£’000	£’000	£’000	£’000
Pooled investment vehicles	440,828	149,961	(39,669)	138,298	689,418
Cash deposit	10,294				1,502
	451,122			138,298	690,920

There are no investments that are not allocated to members.

14. Pooled investment vehicles (PIVs)

The market value of investments at 5 April 2021 can be analysed as follows:

	2021	2020
	£’000	£’000
Equity funds		
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila C) Fund	306,193	180,812
Aviva My Money BlackRock UK Equity Index (Aquila Connect) Fund	19,335	14,459
Aviva My Money BlackRock US Equity Index (Aquila Connect) Fund	2,387	775
Aviva My Money BlackRock European Equity Index (Aquila Connect) Fund	550	193
Aviva My Money BlackRock Japan Equity Index (Aquila Connect) Fund	429	136
Aviva My Money BlackRock Pacific Rim Equity Index (Aquila Connect) Fund	461	147
Aviva My Money BlackRock Emerging Markets Equity Index (Aquila Connect) Fund	1,263	512
Aviva My Money Legal & General (PMC) Ethical Global Equity Index Fund	2,200	678
Aviva My Money HSBC Islamic Global Equity Index	8,439	2,180
Fixed income funds		
Aviva My Money BlackRock Over 5 Year Index Linked Gilt Index (Aquila Connect) Fund	7,603	7,217
Aviva My Money BlackRock Corporate Bond All Stocks Index (Aquila Connect) Fund	545	279
Aviva My Money Legal & General (PMC) Pre-Retirement Fund	9,939	8,969
Aviva My Money BlackRock Institutional Sterling Liquidity Fund	22,835	21,530
Utmost Life Secure Cash Fund	8	2,497
Multi-asset funds		
Aviva My Money Diversified (50:50 Standard Life GARS / Insight BOF) ¹ Growth Fund	116,838	79,976
Aviva My Money Legal & General (PMC) Diversified Fund	101,051	62,621
Aviva My Money Legal & General (PMC) Retirement Income Multi-Asset Fund	44,316	27,602
Aviva My Money Three Year Transition Fund	44,941	30,145
With profits funds		
Prudential With Profits Fund	85	100
	689,418	440,828

¹GARS – Global Absolute Return Strategies, BOF – Broad Opportunities Fund.

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15. Concentration of investment risk

The assets of the Trust are mainly invested in unit linked insurance funds provided by Aviva Life and Pensions UK Limited. The following 5 funds each represent an investment of 5% or more of the Trust’s total net assets as at 5 April 2021:

Fund	Allocation
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila Connect) Fund	44.32%
Aviva My Money Diversified (50:50 Standard Life GARS / Insight BOF)* Growth Fund	16.91%
Aviva My Money Legal & General PMC) Diversified Fund	14.63%
Aviva My Money Three Year Transition Fund	6.50%
Aviva MyMoney Legal & General (PMC) Retirement Income Multi-Asset Fund	6.41%

16. Transaction costs

Transaction costs include fees, commissions, stamp duty and other duties. Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect transaction costs are not separately provided to the Trust. There are no direct transaction costs incurred by the Trust.

17. Investment fair value hierarchy

The fair value of investments has been determined using the following fair value hierarchy:

Level (1) - the quoted price for an identical asset in an active market.

Level (2) - when quoted prices are unavailable, the price of a recent transaction for an identical asset adjusted if necessary or observable market data.

Level (3) - where a quoted price is not available and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is determined by using a valuation technique which uses non-observable data.

For the purpose of this analysis daily priced funds have been included in (1), weekly priced funds in (2), and monthly net asset values in (3).

The Trust’s investment assets and liabilities have been fair valued using the above hierarchy levels as follows:

At 5 April 2021	Level (1)	Level (2)	Level (3)	Total
	£’000	£’000	£’000	£’000
Pooled investment vehicles	-	689,333	85	689,418
Cash	1,502	-	-	1,502
Total	1,502	689,333	85	690,920

At 5 April 2020	Level (1)	Level (2)	Level (3)	Total
	£’000	£’000	£’000	£’000
Pooled investment vehicles	-	440,728	100	440,828
Cash	10,294	-	-	10,294
Total	10,294	440,728	100	451,122

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18. Investment Risks

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

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

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

Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

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

The Trust has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee’s report on page 9. The Trustee manages investment risks, including credit risk and other market risks, within agreed risk limits which are set taking into account the Trust’s strategic investment objectives relative to its liabilities. These investment objectives and risk limits are implemented through the investment management agreements in place with the Trust’s investment managers and are monitored by the Trustee through quarterly reviews of the investment strategy and performance with the Trustee’s Investment Consultant.

Further information on the Trustee’s approach to risk management and the Trust’s exposures to credit and market risks are set out below:

Direct credit risk

The Trust is subject to direct credit risk in relation to Aviva through its holding in unit linked insurance funds.

Aviva is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority. Aviva maintains separate funds for its policy holders. In the event of default by Aviva the Trust is not protected by the Financial Services Compensation Scheme.

Indirect credit and market risks

The Trust is also subject to indirect credit and market risk arising from the underlying investments held in the range of unit linked insurance funds made available to members. The funds which have significant exposure to these risks are set out below:

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	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
Aviva My Money BlackRock (10:80:10) Currency Hedged Global Equity (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock UK Equity Index (Aquila Connect) Fund	-	-	-	✓
Aviva My Money BlackRock US Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock European Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock Japan Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock Pacific Rim Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money BlackRock Emerging Markets Equity Index (Aquila Connect) Fund	-	✓	-	✓
Aviva My Money Diversified (50:50 Standard Life GARS/Insight BOF) ¹ Growth Fund	✓	✓	✓	✓
Aviva My Money Legal & General (PMC) Diversified Fund	✓	✓	✓	✓
Aviva My Money Legal & General (PMC) Retirement Income Multi-Asset Fund	✓	✓	✓	✓
Aviva My Money BlackRock Over 5 Year Index Linked Gilt Index (Aquila Connect) Fund	✓	-	✓	-
Aviva My Money BlackRock Corporate Bond All Stocks Index (Aquila Connect) Fund	✓	-	✓	-
Aviva My Money Legal & General (PMC) Pre-Retirement Fund	✓	-	✓	-
Aviva My Money Legal & General (PMC) Ethical Global Equity Index Fund	-	✓	-	✓
Aviva My Money HSBC Islamic Global Equity Index Fund	-	✓	-	✓
Aviva My Money BlackRock Institutional Sterling Liquidity Fund	✓	-	✓	-
Aviva My Money Three Year Transition Fund	✓	✓	✓	✓
Prudential With Profits Fund	✓	-	✓	-
Utmost Life Secure Cash Fund	✓	-	✓	-

¹GARS – Global Absolute Return Strategies, BOF – Broad Opportunities Fund.

The analysis of these risks as set out above are at a Trust level. Member level risk exposures will depend on the funds invested in by members.

The Trustee has selected the above funds and considered the indirect risks in the context of the investment strategy described in the Trustee’s report.

19. Self-investment

The Trust did not hold any direct employer related investments during the year or at the end of the year, although limited employer related investments may occur through pooled investment vehicles where specific exclusions are not possible.

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20. Current assets

	2021	2020
	£'000	£'000
Bank balances	915	248
Other debtors	483	600
	1,398	848

Included in the bank balance is £17,639 (5 April 2020: £16,848) which is not allocated to members. Included in other debtors are contributions payable by the Company amounting to £126,000 (5 April 2020: £99,000).

21. Current liabilities

	2021	2020
	£'000	£'000
Other creditors and accruals	(1,443)	(868)
	(1,443)	(868)

Included in other creditors and accruals are benefit payments due of £899,253 (5 April 2020: £228,022) which are allocated to members. The remaining other creditors and accruals are not allocated to members.

22. Related parties

At 5 April 2021:

- 7 Trustee directors were active members of the Trust; and
- 1 Trustee director was a Trustee director of another Company pension arrangement.

Contributions in respect of the Trustee directors have been paid in accordance with the Payment Schedule. There were no contributions due from the Company at the end of the Trust Year. There were no other disclosable related party transactions during the year.

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Summary of contributions payable under the Payment Schedule

This summary of contributions has been prepared on behalf of, and is the responsibility of, the Trust’s Trustee. It sets out the employer and member contributions payable to the Trust under the Payment Schedules dated 7 December 2018, 24 June 2020 and 31 January 2021 in respect of the Trust year ended 5 April 2021.

Contributions payable under the Payment Schedules in respect of the Trust year	£’000
Employer:	
Normal contributions	95,375
Contributions in respect of life assurance premiums	2,646
Contributions in respect of expenses	111
Member:	
Normal contributions	2,922
Contributions payable under the Payment Schedules (as reported by the Trust auditor)	101,054

Reconciliation of contributions	£’000
Reconciliation to contributions payable under the Payment Schedule reported in the non-statutory financial statements in respect of the Trust year:	
Contributions payable under the Payment Schedules (as above)	101,054
Contributions payable in addition to those due under the Payment Schedules (and not reported on by the Trust auditor):	
Member additional voluntary contributions	35,533
Total contributions reported in the non-statutory financial statements	136, 587

Employer contributions include contributions payable by the employer where the employee is in the salary sacrifice arrangement.

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Independent auditor’s statement about contributions

We have examined the summary of contributions to the Rolls-Royce Retirement Savings Trust for the Trust year ended 5 April 2021 which is set out on page 27.

Statement about contributions payable under the Payment Schedules

In our opinion contributions for the Trust year ended 5 April 2021 as reported in the summary of contributions and payable under the Payment Schedules have in all material respects been paid from 6 April 2020 to 23 June 2020 at least in accordance with the Payment Schedule dated 7 December 2018, paid from 24 June 2020 to 31 December 2020 at least in accordance with the Payment Schedule dated 24 June 2020 and subsequently at least in accordance with the Payment Schedule dated 31 January 2021.

Scope of work on statement about contributions

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

Respective responsibilities of Trustee and the auditor

As explained more fully in the Statement of Trustee’s Responsibilities, the Trust’s Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Payment Schedule and for monitoring whether contributions are made to the Trust by the employer in accordance with the Payment Schedule.

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

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor’s statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion, we have formed.



Deloitte LLP
Statutory Auditor,
Birmingham, United Kingdom
Date: 23 September 2021