Condensed consolidated income statement

For the year ended December 31, 2009

	Notes	2009 £m	Restated* 2008 £m
Revenue	-	**10,414**	9,082
Cost of sales		**(8,303)**	(7,278)
Gross profit		**2,111**	1,804
Other operating income		**89**	79
Commercial and administrative costs		**(740)**	(699)
Research and development costs		**(379)**	(403)
Share of profit of joint ventures and associates		**93**	74
Operating profit		**1,174**	855
(Loss)/profit on sale or termination of businesses		**(2)**	7
Profit before financing	-	**1,172**	862
Financing income		**2,276**	432
Financing costs		**(491)**	(3,186)
Net financing	-	**1,785**	(2,754)
Profit/(loss) before taxation [1]		**2,957**	(1,892)
Taxation		**(740)**	547
Profit/(loss) for the year		**2,217**	(1,345)
Attributable to:			
Equity holders of the parent		**2,221**	(1,340)
Minority interests		**(4)**	(5)
Profit/(loss) for the year		**2,217**	(1,345)

* During the year, the Group has reviewed the allocation of costs. As a result, costs of £33m classified as cost of sales in 2008 have been reclassified as commercial and administrative costs.

	Notes	2009	2008
Earnings per ordinary share	-		
Basic		**120.38p**	(73.63p)
Diluted		**119.09p**	(73.63p)
Underlying earnings per share are shown in note -.			
Payments to shareholders in respect of the year	-		
Pence per share		**15.00**	14.30p
Total (£m)		**278**	263
[1] Underlying profit before taxation (£m)		**915**	880

Condensed consolidated statement of comprehensive income

For the year ended December 31, 2009

	2009 £m	Restated* 2008 £m
Profit/(loss) for the year	**2,217**	(1,345)
Other comprehensive income		
Foreign exchange translation differences on foreign operations	**(158)**	603
Net actuarial gains	**(1,148)**	944
Movement in unrecognised post-retirement surplus	**707**	(928)
Movement in post-retirement minimum funding liability	**40**	66
Transfers from transition hedging reserve	**(27)**	(80)
Net movements on cash flow hedging reserve in respect of joint ventures and associates	**22**	(41)
Related tax movements	**141**	(4)
Total comprehensive income for the year	**1,794**	(785)
Attributable to:		

Equity holders of the parent	**1,799**	(782)
Minority interests	**(5)**	(3)
Total comprehensive income for the year	**1,794**	(785)

* 2008 figures have been restated to reflect the adoption of IFRIC 14 with effect from January 1, 2008 - see note -.

Condensed consolidated balance sheet

At December 31, 2009

	Notes	2009 £m	Restated * 2008 £m
ASSETS			
Non-current assets			
Intangible assets	-	**2,472**	2,286
Property, plant and equipment		**2,009**	1,995
Investments - joint ventures and associates		**437**	345
Other investments		**58**	53
Other financial assets	-	**637**	366
Deferred tax assets		**360**	804
Post-retirement scheme surpluses	-	**75**	453
		6,048	6,302
Current assets			
Inventory		**2,432**	2,600
Trade and other receivables		**3,877**	3,929
Taxation recoverable		**12**	9
Other financial assets	-	**80**	24
Short-term investments		**2**	1
Cash and cash equivalents		**2,962**	2,471
Assets held for sale		**9**	12
		9,374	9,046
Total assets		**15,422**	15,348
LIABILITIES			
Current liabilities			
Borrowings		**(126)**	(23)
Other financial liabilities	-	**(181)**	(316)
Trade and other payables		**(5,628)**	(5,735)
Current tax liabilities		**(167)**	(184)
Provisions		**(210)**	(181)
		(6,312)	(6,439)
Non-current liabilities			
Borrowings	-	**(1,787)**	(1,325)
Other financial liabilities	-	**(868)**	(2,525)
Trade and other payables		**(1,145)**	(1,318)
Non-current tax liabilities		**-**	(1)
Deferred tax liabilities		**(366)**	(307)
Provisions		**(232)**	(188)
Post-retirement scheme deficits	-	**(930)**	(1,020)
		(5,328)	(6,684)
Total liabilities		**(11,640)**	(13,123)
Net assets		**3,782**	2,225
EQUITY			
Capital and reserves			
Called-up share capital		**371**	369
Share premium account		**98**	82
Capital redemption reserves		**191**	204
Hedging reserves		**(19)**	(22)
Other reserves		**506**	663
Retained earnings		**2,635**	920
Equity attributable to equity holders of the parent		**3,782**	2,216
Minority interests		**-**	9
Total equity		**3,782**	2,225

* 2008 figures have been restated to reflect the adoption of IFRIC 14 with effect from January 1, 2008 (see note -) and the adoption of Amendments to IAS 1 relating to the classification of derivative financial instruments as current or non-current (see note -).

Condensed consolidated cash flow statement

For the year ended December 31, 2009

	Notes	2009 £m	2008 £m
Reconciliation of cash flows from operating activities			
Profit/(loss) before taxation		**2,957**	(1,892)
Share of profit of joint ventures and associates		**(93)**	(74)
Loss/(profit) on sale or termination of businesses		**2**	(7)
Profit on sale of property, plant and equipment		**(40)**	(11)
Net financing	-	**(1,785)**	2,754
Taxation paid		**(119)**	(117)
Amortisation of intangible assets		**121**	107
Depreciation and impairment of property, plant and equipment		**194**	208
Increase in provisions		**81**	39
Decrease/(increase) in inventories		**119**	(208)
Increase in trade and other receivables		**(14)**	(1,072)
(Decrease)/increase in trade and other payables		**(183)**	1,242
(Increase)/decrease in other financial assets and liabilities		**(303)**	144
Additional cash funding of post-retirement schemes		**(159)**	(117)
Share-based payments charge		**31**	40
Transfers of hedge reserves to income statement		**(27)**	(80)
Dividends received from joint ventures and associates		**77**	59
Net cash inflow from operating activities		**859**	1,015
Cash flows from investing activities			
Additions of unlisted investments		**(2)**	(1)
Disposals of unlisted investments		**-**	6
Additions to intangible assets		**(339)**	(389)
Disposals of intangible assets		**2**	-
Purchases of property, plant and equipment		**(258)**	(286)
Disposals of property, plant and equipment		**82**	68
Acquisitions of businesses		**(7)**	(47)
Disposals of businesses		**3**	6
Investments in joint ventures and associates		**(87)**	(32)
Disposals of joint ventures and associates		**-**	30
Net cash outflow from investing activities		**(606)**	(645)
Cash flows from financing activities			
Current borrowings – repayment		**(10)**	(1)
Non-current borrowings – increase/(repayment)		**693**	(22)
Capital element of finance lease payments		**(3)**	(4)
Net cash inflow/(outflow) from increase/(decrease) in borrowings		**680**	(27)
Interest received		**24**	52
Interest paid		**(66)**	(53)
Interest element of finance lease payments		**(1)**	(1)
(Increase)/decrease in government securities and corporate bonds		**(1)**	39
Issue of ordinary shares		**18**	17
Purchase of ordinary shares		**(17)**	(44)
Other transactions in ordinary shares		**(3)**	(4)
Redemption of B/C Shares		**(250)**	(200)
Net cash inflow/(outflow) from financing activities		**384**	(221)
Increase in cash and cash equivalents		**637**	149
Cash and cash equivalents at January 1		**2,462**	1,872
Foreign exchange		**(141)**	441
Cash and cash equivalents at December 31		**2,958**	2,462

Reconciliation of movement in cash and cash equivalents to movements in net funds

	2009 £m	2008 £m
Increase in cash and cash equivalents	**637**	149
Net cash (inflow)/outflow from (increase)/decrease in borrowings	**(680)**	27
Cash outflow/(inflow) from increase/(decrease) in government securities and corporate bonds	**1**	(39)
Change in net funds resulting from cash flows	**(42)**	137
Net funds (excluding cash and cash equivalents) of businesses acquired/disposed	**-**	(6)
Exchange adjustments	**(141)**	439
Fair value adjustments	**110**	(319)
Movement in net funds	**(73)**	251
Net funds at January 1 excluding the fair value of swaps	**1,124**	873
Net funds at December 31 excluding the fair value of swaps	**1,051**	1,124
Fair value of swaps hedging fixed rate borrowings	**224**	334
Net funds at December 31	**1,275**	1,458

The movement in net funds (defined by the Group as including the items shown below) is as follows:

	At January 1, 2009 £m	Funds flow £m	Exchange adjustments £m	Fair value adjustments £m	Reclassi-fications £m	At December 31, 2009 £m
Cash at bank and in hand	940	358	(58)	-	-	1,240
Overdrafts	(9)	5	-	-	-	(4)
Short-term deposits	1,531	274	(83)	-	-	1,722
Cash and cash equivalents	2,462	637	(141)	-	-	2,958
Investments	1	1	-	-	-	2
Other current borrowings	(11)	10	-	-	(121)	(122)
Non-current borrowings	(1,324)	(693)	-	110	121	(1,786)
Finance leases	(4)	3	-	-	-	(1)
	1,124	(42)	(141)	110	-	1,051
Fair value of swaps hedging fixed rate borrowings	334			(110)		224
	1,458	(42)	(141)	-	-	1,275

Condensed statement of changes in equity

For the year ended December 31, 2009

	Attributable to equity holders of the parent								
	Share capital	Share premium	Capital redemption reserves	Hedging reserves[1]	Other reserves[2]	Retained earnings[3]	Total	Minority interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At January 1, 2008	**364**	**67**	**191**	**77**	**62**	**2,776**	**3,537**	**12**	**3,549**
Adoption of IFRIC 14 (note -)	-	-	-	-	-	(353)	(353)	-	(353)
At January 1, 2008 restated	**364**	**67**	**191**	**77**	**62**	**2,423**	**3,184**	**12**	**3,196**
Loss for the year	-	-	-	-	-	(1,340)	(1,340)	(5)	(1,345)
Foreign exchange translation differences on foreign operations	-	-	-	-	601	-	601	2	603
Net actuarial gains	-	-	-	-	-	944	944	-	944
Movement in unrecognised post-retirement surplus	-	-	-	-	-	(928)	(928)	-	(928)
Movement in post-retirement minimum funding liability	-	-	-	-	-	66	66	-	66
Transfers from transition hedging reserve	-	-	-	(80)	-	-	(80)	-	(80)
Transfers to cash flow hedging reserve	-	-	-	(41)	-	-	(41)	-	(41)
Related tax movements	-	-	-	22	-	(26)	(4)	-	(4)
Total comprehensive income for the year	**-**	**-**	**-**	**(99)**	**601**	**(1,284)**	**(782)**	**(3)**	**(785)**
Arising on issues of ordinary shares	2	15	-	-	-	-	17	-	17
Issue of B Shares	-	-	(237)	-	-	-	(237)	-	(237)
Redemption of B Shares	-	-	200	-	-	(200)	-	-	-
Conversion of B Shares into ordinary shares	3	-	50	-	-	-	53	-	53
Ordinary shares purchased	-	-	-	-	-	(44)	(44)	-	(44)
Share-based payments adjustment [4]	-	-	-	-	-	36	36	-	36
Related tax movements - deferred tax	-	-	-	-	-	(11)	(11)	-	(11)
Other changes in equity in the year	**5**	**15**	**13**	**-**	**-**	**(219)**	**(186)**	**-**	**(186)**
At January 1, 2009	**369**	**82**	**204**	**(22)**	**663**	**920**	**2,216**	**9**	**2,225**
Profit for the year	-	-	-	-	-	2,221	2,221	(4)	2,217
Foreign exchange translation differences on foreign operations	-	-	-	-	(157)	-	(157)	(1)	(158)
Net actuarial gains	-	-	-	-	-	(1,148)	(1,148)	-	(1,148)
Movement in unrecognised post-retirement surplus	-	-	-	-	-	707	707	-	707
Movement in post-retirement minimum funding liability	-	-	-	-	-	40	40	-	40

Transfers from transition hedging reserve	-	-	-	(27)	-	-	(27)	-	(27)
Transfers to cash flow hedging reserve	-	-	-	22	-	-	22	-	22
Related tax movements	-	-	-	8	-	133	141	-	141
Total comprehensive income for the year	**-**	**-**	**-**	**3**	**(157)**	**1,953**	**1,799**	**(5)**	**1,794**
Arising on issues of ordinary shares	2	16	-	-	-	-	18	-	18
Issue of C Shares	-	-	(264)	-	-	1	(263)	-	(263)
Redemption of C Shares	-	-	251	-	-	(251)	-	-	-
Ordinary shares purchased	-	-	-	-	-	(17)	(17)	-	(17)
Share-based payments adjustment [4]	-	-	-	-	-	28	28	-	28
Transactions with minority interests	-	-	-	-	-	-	-	(4)	(4)
Related tax movements	-	-	-	-	-	1	1	-	1
Other changes in equity in the year	**2**	**16**	**(13)**	**-**	**-**	**(238)**	**(233)**	**(4)**	**(237)**
At December 31, 2009	**371**	**98**	**191**	**(19)**	**506**	**2,635**	**3,782**	**-**	**3,782**

[1] Hedging reserves include nil (2008 £19m) in respect of the transition hedging reserve and £(19)m (2008 £(41)m) in respect of the cash flow hedging reserve.

[2] Other reserves include a merger reserve of £3m (2008 £3m) and a translation reserve of £503m (2008 £660m).

[3] At December 31, 2009, 7,156,497 ordinary shares with a net book value of £25m (2008 8,017,635 ordinary shares with a net book value of £34m) were held and included in retained earnings. During the year, 6,766,884 ordinary shares with a net book value of £25m (2008 8,782,658 shares with a net book value of £37m) vested in share based payment plans.

[4] The share-based payment adjustment is the net of the credit to equity in respect of the share-based payment charge to the income statement and the actual cost of shares vesting, excluding those vesting from own shares.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the EU (Adopted IFRS) in accordance with EU law (IAS Regulation EC 1606/2002).

The financial information set out above does not constitute the Company's statutory accounts for the years ended December 31, 2009 or 2008. Statutory accounts for 2008 have been delivered to the registrar of companies, and those for 2009 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985 in respect of the accounts for 2008, nor a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for 2009.

The following revisions to Adopted IFRS have been adopted in the Group's financial statements in 2009:

- Amendments to IAS 1 *Presentation of Financial Statements* – these amendments revise requirements for the presentation of the financial statements and do not affect the Group's overall reported results.
- Improvements to IFRSs (2008) - The amendments to IAS 1 clarify the classification of derivative financial instruments as current or non-current. Previously the Group has classified all derivative financial instruments within the IAS 39 category 'held for trading' as current. As a result of these amendments, they have now been classified according to their maturity dates. The impact is shown in note -.
- Amendments to IFRS 2 *Share-based Payments: Vesting Conditions and Cancellations* – these amendments concern certain aspects of the valuation of share-based payments and the impact of a cancellation by a grantee. These amendments have not had a significant impact on the charges recognised to date for share-based payments.
- Amendments to IFRS 7 *Financial Instruments: Disclosure* – these amendments require additional disclosure of the basis of fair value measurements and liquidity risks.
- IFRS 8 *Operating Segments* – this standard amends the requirements for disclosure of segmental performance and does not have any effect on the Group's overall reported results. Note - reflects the new requirements.
- Amendment to IAS 23 *Borrowing Costs* – the amendment generally eliminates the option to expense borrowing costs attributable to the acquisition, construction or production of a qualifying asset as incurred, and instead requires the capitalisation of such borrowing costs as part of the cost of the specific asset. There is no significant impact.
- IFRIC 12 *Service Concession Arrangements* – this interpretation is applicable to the Group's investments in the joint ventures operating the Future Strategic Tanker Aircraft contract with the UK Ministry of Defence. This contract commenced in 2008 and the adoption of IFRIC 12 does not have a material transitional impact.
- IFRIC 14 *IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – this interpretation applies where regulatory funding requirements will result in an unrecognisable surplus arising in the future. It has been adopted with effect from January 1, 2008. The impact of the adoption of this interpretation is set out in note -.

- Analysis by business segment

The analysis by business segment is presented in accordance the basis set out in IFRS 8 *Operating segments*, on the basis of those segments whose operating results are regularly reviewed by the Board (the Chief Operating Decision Maker as defined by IFRS 8). The analyses for 2008 have been restated on a consistent basis.

The operating results are prepared on an underlying basis that excludes items considered to be non-underlying in nature. The principles adopted are:

Underlying revenues – Where revenues are denominated in a currency other than the functional currency of the Group undertaking, these exclude the release of the foreign exchange transition hedging reserve and reflect the achieved exchange rates arising on settled derivative contracts.

Underlying profit before financing – Where transactions are denominated in a currency other than the functional currency of the Group undertaking, this excludes the release of the foreign exchange transition hedging reserve and reflects the transactions at the achieved exchange rates on settled derivative contracts.

Underlying profit before taxation – In addition to those adjustments in underlying profit before financing:

- Includes amounts realised from settled derivative contracts and revaluation of relevant assets and liabilities to exchange rates forecast to be achieved from future settlement of derivative contracts.
- Excludes unrealised amounts arising from revaluations required by IAS 39 Financial Instruments: Recognition and Measurement, changes in value of financial RRSP contracts arising from changes in forecast payments and the net impact of financing costs related to post-retirement scheme benefits.

This analysis also includes a reconciliation of the underlying results to those reported in the consolidated income statement.

			2009			2008
	Original equipment £m	**Services £m**	**Total £m**	Original equipment £m	Services £m	Total £m
Underlying revenues						
Civil aerospace	**1,855**	**2,626**	**4,481**	1,776	2,726	4,502
Defence aerospace	**964**	**1,046**	**2,010**	739	947	1,686
Marine	**1,804**	**785**	**2,589**	1,492	712	2,204
Energy	**558**	**470**	**1,028**	385	370	755
	5,181	**4,927**	**10,108**	4,392	4,755	9,147

	2009	2008
	£m	£m
Underlying profit before financing		
Civil aerospace	**493**	566
Defence aerospace	**253**	223
Marine	**263**	183
Energy	**24**	(2)
Reportable segments	**1,033**	970
Central items	**(50)**	(51)
	983	919
Underlying net financing	**(68)**	(39)
Underlying profit before taxation	**915**	880
Underlying taxation	**(187)**	(217)
Underlying profit for the year	**728**	663
Attributable to:		
Equity holders of the parent	**732**	668
Minority interests	**(4)**	(5)
Total comprehensive income for the year	**728**	663

Net assets/(liabilities)

	Total assets		Total liabilities		Net assets	
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**£m**	£m
Civil aerospace	**7,612**	7,543	**(4,918)**	(7,213)	**2,694**	330
Defence aerospace	**1,228**	1,037	**(1,573)**	(1,234)	**(345)**	(197)
Marine	**2,379**	2,339	**(1,738)**	(1,851)	**641**	488
Energy	**1,025**	834	**(492)**	(442)	**533**	392
Reportable segments	**12,244**	11,753	**(8,721)**	(10,740)	**3,523**	1,013
Eliminations	**(457)**	(477)	**457**	477	**-**	-
Net funds/(debt)	**3,188**	2,806	**(1,913)**	(1,348)	**1,275**	1,458
Tax assets/liabilities	**372**	813	**(533)**	(492)	**(161)**	321
Unallocated post-retirement scheme surpluses/deficits	**75**	453	**(930)**	(1,020)	**(855)**	(567)
Net assets	**15,422**	15,348	**(11,640)**	(13,123)	**3,782**	2,225

Group employees at year end

	2009	2008
	Number	Number
Civil aerospace	**21,500**	22,600
Defence aerospace	**5,500**	5,700
Marine	**8,700**	8,300
Energy	**2,600**	2,300
	38,300	38,900

Reconciliation to reported results

	Total reportable segments £m	**Underlying central items £m**	**Total underlying £m**	**Underlying adjustments £m**	**Group £m**
Year ended December 31, 2009					
Revenue from sale of original equipment	5,181	-	5,181	128	**5,309**
Revenue from services	4,927	-	4,927	178	**5,105**
Total revenue	10,108	-	10,108	306	**10,414**
Operating profit excluding share of profit of joint ventures and associates	942	(50)	892	189	**1,081**
Share of profit of joint ventures and associates	93	-	93	-	**93**
Profit on sale of businesses	(2)	-	(2)	-	**(2)**
Profit before financing and taxation	1,033	(50)	983	189	**1,172**
Net financing		(68)	(68)	1,853	**1,785**
Profit before taxation		(118)	915	2,042	**2,957**
Taxation		(187)	(187)	(553)	**(740)**
Profit for the year		(305)	728	1,489	**2,217**
Year ended December 31, 2008					
Revenue from sale of original equipment	4,392	-	4,392	(15)	4,377
Revenue from services	4,755	-	4,755	(50)	4,705
Total revenue	9,147	-	9,147	(65)	9,082
Operating profit excluding share of profit of joint ventures	893	(51)	842	(61)	781
Share of profit of joint ventures and associates	70	-	70	4	74
Profit on sale of businesses	7	-	7	-	7
Profit before financing and taxation	970	(51)	919	(57)	862
Net financing		(39)	(39)	(2,715)	(2,754)
Profit before taxation		(90)	880	(2,772)	(1,892)
Taxation		(217)	(217)	764	547
Profit for the year		(307)	663	(2,008)	(1,345)

Underlying adjustments

	2009				2008			
	Revenue £m	**Profit before financing £m**	**Net financing £m**	**Taxation £m**	Revenue £m	Profit before financing £m	Net financing £m	Taxation £m
Underlying performance	**10,108**	**983**	**(68)**	**(187)**	9,147	919	(39)	(217)
Release of transition hedging reserve	27	27	-	-	80	80	-	-
Recognise revenue at exchange rate on date of transaction	279	-	-	-	(145)	-	-	-
Realised gains on settled derivative contracts [1]	-	274	60	-	-	(185)	(107)	-
Net unrealised fair value changes to derivative contracts [2]	-	14	1,835	-	-	4	(2,479)	-
Effect of currency on contract accounting	-	(126)	-	-	-	44	-	-
Revaluation of trading assets and liabilities	-	-	(17)	-	-	-	14	-
Financial RRSPs - foreign exchange differences and changes in forecast payments	-	-	72	-	-	-	(121)	-
Net post-retirement scheme financing	-	-	(97)	-	-	-	(22)	-
Related tax effect	-	-	-	(553)	-	-	-	764
Total underlying adjustments	306	189	1,853	(553)	(65)	(57)	(2,715)	764
Reported per consolidated income statement	**10,414**	**1,172**	1,785	(740)	9,082	862	(2,754)	547

[1] Realised (gains)/losses on settled derivative contracts included in profit before tax:
- -includes £15m of realised losses (2008 nil) deferred from prior years;
- -excludes £6m of gains (2008 losses of £24m) realised in the year on derivative contracts settled in respect of trading cash flows that occurred after the year-end;
- -excludes £14m of losses (2008 nil) realised in respect of derivatives held in net investment hedges.

[2] The adjustment for unrealised fair value changes included in profit before financing includes the reversal of £5m of unrealised gains (2008 £4m) in respect of derivative contracts held by joint ventures and associates and £9m (2008 nil) of unrealised losses for which the related trading contracts have been cancelled and consequently the fair value loss has been recognised immediately in underlying profit.

- Net financing

	2009		2008	
	£m	***Underlying net financing [1] £m***	£m	*Underlying net financing [1] £m*
Financing income				
Interest receivable	**21**	***21***	59	*59*
Fair value gains on foreign currency contracts	**1,783**	**-**	-	-
Financial RRSPs - foreign exchange differences and changes in forecast payments	**72**	**-**	-	-
Fair value gains on commodity derivatives	**52**	**-**	-	-
Expected return on post-retirement scheme assets	**305**	**-**	373	-
Net foreign exchange gains	**43**	**-**	-	-

	2,276	***21***	432	*59*
Financing costs				
Interest payable	**(64)**	***(64)***	(69)	*(69)*
Fair value losses on foreign currency contracts	**-**	**-**	(2,383)	-
Financial RRSPs - foreign exchange differences and changes in forecast payments	**-**	**-**	(121)	-
Financial charge relating to financial RRSPs	**(25)**	***(25)***	(26)	*(26)*
Fair value losses on commodity derivatives	**-**	**-**	(96)	-
Interest on post-retirement scheme liabilities	**(402)**	**-**	(395)	-
Net foreign exchange losses	**-**	**-**	(91)	-
Other financing charges	**-**	**-**	(5)	*(3)*
	(491)	***(89)***	(3,186)	*(98)*
Net financing	**1,785**	***(68)***	(2,754)	(39)
Analysed as:				
Net interest payable	**(43)**	***(43)***	(10)	*(10)*
Net post-retirement scheme financing	**(97)**	**-**	(22)	-
Net other financing	**1,925**	***(25)***	(2,722)	*(29)*
Net financing	**1,785**	***(68)***	(2,754)	*(39)*

[1] See note -

- Earnings per ordinary share (EPS)

Basic EPS are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares held under trust, which have been treated as if they had been cancelled.

Diluted EPS are calculated by dividing the profit attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the year as above, adjusted by the bonus element of share options.

		2009				2008
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options [1]	Diluted
Profit/(loss) (£m)	**2,221**	**-**	**2,221**	(1,340)	-	(1,340)
Weighted average number of shares (millions)	**1,845**	**20**	**1,865**	1,820	-	1,820
EPS	**120.38p**	**(1.29p)**	**119.09p**	(73.63p)	-	(73.63p)

[1] As the 2008 basic EPS is negative, in accordance with IAS 33 *Earnings per Share*, share options are not considered dilutive.

The reconciliation between underlying EPS and basic EPS is as follows:

		2009		2008
	Pence	**£m**	Pence	£m
Underlying EPS/Underlying profit attributable to equity holders of the parent	**39.67**	**732**	36.70	668
Total underlying adjustments to profit before tax (note -)	**110.68**	**2,042**	(152.31)	(2,772)
Related tax effects	**(29.97)**	**(553)**	41.98	764
EPS/Profit/ (loss)attributable to equity holders of the parent	**120.38**	**2,221**	(73.63)	(1,340)

- Payments to shareholders in respect of the year

		2009		2008
	Pence per share	**£m**	Pence per share	£m
Interim	**6.00**	**111**	5.72	105
Final	**9.00**	**167**	8.58	158
	15.00	**278**	14.30	263

- Intangible assets

	Goodwill £m	Certification costs and participation fees £m	Development expenditure £m	Recoverable engine costs £m	Software and other £m	Total £m
Cost:						
At January 1, 2009	**1,013**	**568**	**632**	**463**	**254**	**2,930**
Exchange adjustments	(28)	(3)	(2)	-	(2)	**(35)**
Additions	-	66	121	123	32	**342**
On acquisitions of businesses	6	-	-	-	-	**6**
Disposals	-	-	-	-	(11)	**(11)**
At December 31, 2009	**991**	**631**	**751**	**586**	**273**	**3,232**
Accumulated amortisation and impairment:						
At January 1, 2009	**5**	**165**	**176**	**250**	**48**	**644**
Exchange adjustments	-	(1)	-	-	(1)	**(2)**
Provided during the year	2	13	29	46	31	**121**
Disposals	-	-	-	-	(3)	**(3)**
At December 31, 2009	**7**	**177**	**205**	**296**	**75**	**760**
Net book value at December 31, 2009	**984**	**454**	**546**	**290**	**198**	**2,472**
Net book value at December 31, 2008	1,008	403	456	213	206	2,286

Certification costs and participation fees, development costs and recoverable engine costs have been reviewed for impairment in accordance with the requirements of IAS 36 Impairment of Assets. Where an impairment test was considered necessary, it has been performed on the following basis:

- The carrying values have been assessed by reference to value in use. These have been estimated using cash flows from the most recent forecasts prepared by management, which are consistent with past experience and external sources of information on market conditions over the lives of the respective programmes.
- The key assumptions underlying cash flow projections are assumed market share, programme timings, unit cost assumptions, discount rates, and foreign exchange rates.
- The pre-tax cash flow projections have been discounted at 11 per cent, based on the Group's weighted average cost of capital.
- No impairment is required on this basis. However, a combination of changes in assumptions and adverse movements in variables that are outside the company's control (eg: discount rate, exchange rate and airframe delays), could result in impairment in future years.

- Other financial assets and liabilities

Further to the amendments to IAS 1 in the Improvements to IFRS (2008), derivative contracts are now classified as current or non-current based on their maturity dates. Previously all 'held for trading' items were deemed to be current.

	Derivatives						
	Foreign exchange contracts £m	Commodity contracts £m	Interest rate contracts £m	Total £m	Financial RRSPs £m	C Shares £m	Total £m
At December 31, 2009							
Non-current assets	**429**	**11**	**197**	**637**	**-**	**-**	**637**
Current assets	**72**	**4**	**4**	**80**	**-**	**-**	**80**
Current liabilities	**(56)**	**(12)**	**-**	**(68)**	**(100)**	**(13)**	**(181)**
Non current liabilities	**(589)**	**(14)**	**(2)**	**(605)**	**(263)**	**-**	**(868)**
	(144)	**(11)**	**199**	**44**	**(363)**	**(13)**	**(332)**
At December 31, 2008							
Non-current assets	88	-	278	366	-	-	366
Current assets	24	-	-	24	-	-	24
Current liabilities	(214)	(36)	(2)	(252)	(64)	-	(316)
Non current liabilities	(2,079)	(53)	(2)	(2,134)	(391)	-	(2,525)

	(2,181)	(89)	274	(1,996)	(455)	-	(2,451)

Foreign exchange and commodity financial instruments

Movements in the fair value of foreign exchange and commodity contracts were as follows:

	2009			2008
	Foreign exchange £m	Commodity £m	Total £m	Total £m
At January 1	**(2,181)**	**(89)**	**(2,270)**	418
Fair value (losses)/gains to fair value hedges	**(33)**	**-**	**(33)**	83
Fair value losses to net investment hedges	**(14)**	**-**	**(14)**	-
Fair value gains/(losses) to other derivative contracts	**1,783**	**52**	**1,835**	(2,479)
Fair value of contracts settled	**301**	**26**	**327**	(268)
Fair value of derivative contracts assumed on formation of joint venture	**-**	**-**	**-**	(24)
At December 31	**(144)**	**(11)**	**(155)**	(2,270)

Financial risk and revenue sharing partnerships (RRSPs)

Movements in the recognised values of financial RRSPs were as follows:

	2009 £m	2008 £m
At January 1	**(455)**	(315)
Cash paid to partners	**55**	53
Addition	**(15)**	(40)
Exchange adjustments direct to reserves	**6**	(6)
Financing charge [1]	**(26)**	(26)
Excluded from underlying profit [1]		
Exchange adjustments	**45**	(118)
Restructuring of financial RRSP agreements and changes in forecast payments	**27**	(3)
At December 31	**(363)**	(455)

[1] Total credit included within finance in the income statement is £47m (2008 charge £147m). £1m (2008 nil) of the financing charge has been capitalised in intangible assets.

- Borrowings

On February 5, 2009, the Group borrowed £200m from an existing facility. Interest is payable at 3 month LIBOR + 26.7bp and the loan matures in 2014. On April 30, 2009, the Group issued £500m 6.75% Notes maturing in 2019. There were no other significant changes in the Group's borrowings during the year ended December 2009.

- Pensions and other post-retirement benefits

IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* has been adopted in 2009. The interpretation requires that, where statutory funding requirements will result in surpluses arising in the future that cannot be recognised, a liability should be recognised. The rules of the Rolls-Royce Pension Fund are such that future contributions set out in the scheme's Recovery Plan will give rise to an unrecoverable surplus. In accordance with the transition rules of the interpretation, it has been applied from January 1, 2008, and the 2008 figures have been restated accordingly. The impact of adopting IFRIC 14 is as follows:

		Deferred tax			
	Net post-retirement liability £m	Assets £m	Liabilities £m	Total £m	Retained earnings £m
At January 1, 2008, as previously reported	(123)	81	(345)	(264)	2,776
Adoption of IFRIC 14	(491)	51	87	138	(353)
At January 1, 2008, restated	(614)	132	(258)	(126)	2,423
At December 31, 2008, as previously reported	(142)	685	(307)	378	1,226
Adoption of IFRIC 14	(425)	119	-	119	(306)
At December 31, 2008, restated	(567)	804	(307)	497	920

Movements in 2008 recognised in other comprehensive income	66	68	(87)	(19)

Movements in the net post-retirement position recognised in the balance sheet were as follows:

	UK schemes £m	Overseas schemes £m	Total £m
At January 1, 2009	**408**	**(550)**	**(142)**
Minimum funding liability at January 1, 2009	**(425)**	**-**	**(425)**
At January 1, 2009 restated	**(17)**	**(550)**	**(567)**
Exchange adjustments	**-**	**51**	**51**
Current service cost	**(94)**	**(29)**	**(123)**
Past service cost	**(2)**	**(4)**	**(6)**
Interest on post-retirement scheme liabilities	**(355)**	**(47)**	**(402)**
Expected return on post-retirement scheme assets	**285**	**20**	**305**
Contributions by employer	**232**	**56**	**288**
Actuarial (losses)/gains	**(1,176)**	**28**	**(1,148)**
Movement in unrecognised surplus [1]	**707**	**-**	**707**
Movement on minimum funding liability	**40**	**-**	**40**
At December 31, 2009	**(380)**	**(475)**	**(855)**
Analysed as:			
Post-retirement scheme surpluses - included in non-current assets	**75**	**-**	**75**
Post-retirement scheme deficits - included in non-current liabilities	**(455)**	**(475)**	**(930)**
	(380)	**(475)**	**(855)**

[1] Where a surplus has arisen on a scheme, in accordance with IAS 19, the surplus is recognised as an asset only if it represents an economic benefit available to the Group in the future. Any surplus in excess of this benefit is not recognised in the balance sheet.

- Contingent liabilities

In connection with the sale of its products the Group will, on some occasions, provide financing support for its customers. The Group's contingent liabilities related to financing arrangements are spread over many years and relate to a number of customers and a broad product portfolio.

Contingent liabilities are disclosed on a discounted basis. As the directors consider the likelihood of these contingent liabilities crystallising to be remote, this amount does not represent the value that is expected to crystallise. However, the amounts are discounted at the Group's borrowing rate to reflect better the time span over which these exposures could arise. The contingent liabilities are denominated in US dollars. As the Group does not adopt hedge accounting for forecast foreign currency transactions, this amount is reported, together with the sterling equivalent at the reporting date spot rate.

The discounted value of the total gross contingent liabilities relating to delivered aircraft and other arrangements where financing is in place, less insurance arrangements and relevant provisions were:

	2009		2008	
	£m	***$m***	£m	*$m*
Gross contingent liabilities	**704**	***1,137***	775	*1,086*
Contingent liabilities net of relevant security [1]	**134**	***217***	155	*222*
Contingent liabilities net of relevant security reduced by 20% [2]	**233**	***376***	246	*354*
[1] Security includes unrestricted cash collateral of:	**77**	***124***	85	*123*

[2] Although sensitivity calculations are complex, the reduction of the relevant security by 20% illustrates the sensitivity of the contingent liability to changes in this assumption

There are also net contingent liabilities in respect of undelivered aircraft, but it is not considered practicable to estimate these as deliveries can be many years in the future, and the relevant financing will only be put in place at the appropriate time.

Contingent liabilities exist in respect of guarantees provided by the Group in the ordinary course of business for product delivery, performance and reliability. The Group has, in the normal course of business, entered into arrangements in respect of export finance, performance bonds, countertrade obligations and minor miscellaneous items. Various Group undertakings are parties to legal actions and claims which arise in the ordinary course of business, some of which are for substantial amounts. These include claims received, which are yet to be substantiated, by EPI Europrop International GmbH (EPI) in which the Group is a partner, which is developing the TP400 engine for the Airbus A400M aircraft. The Group has deducted from the amounts recoverable on this contract an allowance of £43m, being the directors' best estimate of the expected loss on this programme. As a consequence of the insolvency of an insurer as previously reported, the Group is no longer fully insured against known and potential claims from employees who worked for certain of the Group's UK based businesses for a period prior to the acquisition of those businesses by the Group. While the outcome of some of these matters cannot precisely be foreseen, the directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made, to result in significant loss to the Group.

There is continuing uncertainty about the A400M programme. Airbus is currently in negotiation with its customers to determine the future of the programme. The timing and outcome of these negotiations, and their possible impact on EPI and the Group, is uncertain. In the event that the programme had been cancelled, at December 31, 2009, the Group's balance sheet included net assets of £17m in relation to the programme, which would have required impairment.

Principal risks and uncertainties

The Group continues to be exposed to a number of risks and has an established, structured approach to identifying, assessing and managing these.

The risk committee has accountability for the system of risk management and reports regularly to the Board on the key risks facing the business and the mitigating actions taken in order to manage them. The Group's consistent strategy and long-term programmes require that key sources of risk are identified and are kept under continuous review.

Risk profile

Over the past year the risk profile of the Group, in common with many other large companies, has changed to reflect the underlying global economic uncertainties. The Group continues to experience the negative effects of the recent economic downturn through a decline in the civil aviation sector, shipbuilding and other capital-intensive industries, which are prime markets for its products and services.

In the absence of a sustained and general return to growth, uncertainty remains across financial and industrial markets. This is reflected in the Group's risk profile.

The risks described below are among those that may have an impact on the Group's performance. This is notwithstanding other risks and uncertainties that are currently unknown to the Group, or which the Group does not presently consider to be material. The principal risks reflect the global nature of the business and the competitive and challenging business environment in which it operates. Risks, including those to the Group's reputation, are considered under four broad headings:

- Business environment risks
- Strategic risks
- Financial risks
- Operational risks

Business environment risks

Cyclical downturn – global recession
The Group's largest market, civil aerospace, is cyclical by nature, although services activity and revenue, which now represents some 60 per cent of annual revenue, have historically been less volatile in economic slowdowns and are considered more predictable and robust than the sales of engines for new aircraft.

The willingness of passengers to travel by air is influenced by a range of factors, including economic conditions, as well as health and security issues. Any prolonged reduction in air travel would impact airlines' revenues and cash flows, and potentially reduce their need for new engines, spare parts or aftermarket support services.

The strategy of growing revenues in other sectors with steady and substantial long-term growth will help offset this risk. Access to global markets with greater diversification by sector, such as the recently established civil nuclear business, customer and geography and an improved balance between original equipment and services revenue, are expected to help mitigate the effects of the slowing global economy in any one sector.

Tight control of the underlying cost base, the cost of managing operations and the unit cost of products, is essential to protect margins and maintain profitability. Even as the economy begins to recover, there will be continued pressure to reduce costs and improve the use of resources. The Group is focusing on identifying the principal drivers of unit costs and identifying actions to achieve sustainable cost reductions.

Environmental impact of products and operations
The Group recognises that its products and business operations have an impact on the environment, particularly in relation to climate change. Rolls-Royce is determined to be part of the solution to these environmental challenges and continues to make significant investment in innovative solutions for the aviation, marine and energy markets. The challenge is being addressed through the enhancement of current product ranges and affordable research and development into low carbon technologies such as nuclear power, fuel cells and tidal energy. The Group continues to work closely with its customers, industry partners and other stakeholders to implement these development opportunities.

A robust governance structure headed by the Environment Council directs and monitors improvements in the environmental performance of the Group's products, and the Environmental Advisory Board reviews and makes recommendations on the environmental aspects of the Group's products and business operations.

Strategic risks

Competitive pressures
The markets in which Rolls-Royce operates are highly competitive and this competitiveness is increasing as a result of the global economic uncertainties. The majority of product programmes are long-term in nature and access to key customer platforms is critical to the success of the business. This requires sustained investment in technology, capability and infrastructure by the Group, all creating high barriers to entry. However, these factors alone do not protect the Group from competition such as pricing and technical advances made by competitors.

The Group has developed a balanced business portfolio and continues to maintain a steady focus on improvement in operational performance, for example through the modernisation of its facilities and an increased focus on managing the underlying cost of operations and products. Sustained investment in technology acquisition and robust protection of intellectual property, together with the establishment of long-term customer relationships, allow the Group to differentiate its products and services and protect margins in the face of competitive pressures.

Export controls
Rolls-Royce designs and supplies a number of products and services for the defence market. Many countries in which the Group conducts its business operate legislation controlling the export of specified goods and technology intended or adaptable for military application. The Group is committed to complying with the requirements from national governments in all jurisdictions when exporting goods, parts, technologies or information, although globalisation of the Group's operations brings with it complexities of concurrent but differing national export control legislation. Non-compliance with export controls is recognised as a principal risk to both programme performance and the Group's reputation.

The exports committee, chaired by the Chief Operating Officer, directs the Group's strategy and policy on exports. Export control managers are embedded throughout the business and export controls awareness training is provided to employees. The Group will continue to implement any necessary changes to ensure that it maintains the capability to monitor and comply with requirements.

Financial risks

The Group uses various financial instruments in order to manage the exposures that arise from its business operations as a result of movements in financial markets. All treasury activities are focused on the management and hedging of risk. It is the Group's policy not to trade financial instruments or to engage in speculative financial transactions. There have been no significant changes in the Group's policies in the last year.

The principal economic and market risks continue to be movements in foreign currency exchange rates, interest rates and commodity prices. The Board regularly reviews the Group's exposures and financial risk management and a specialist committee also considers these in detail. All such exposures are managed by the Group Treasury function, which reports to the Finance Director and which operates within written policies approved by the Board and within the internal control framework.

Currency risk
The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and income statements of foreign subsidiaries.

The Group regards its interests in overseas subsidiary companies as long-term investments and manages its translational exposures through the currency matching of assets and liabilities where applicable. The matching is reviewed regularly, with appropriate risk mitigation performed where material mismatches arise.

The Group is exposed to a number of foreign currencies. The most significant transactional currency exposures are US dollars to sterling and US dollars to euros.

The Group manages its exposure to movements in exchange rates at two levels:

i) Revenues and costs are currency matched where it is economic to do so. The Group actively seeks to source suppliers with the relevant currency cost base to avoid the risk or to flow down the risk to those suppliers that are capable of managing it. Currency risk is also a prime consideration when deciding where to locate new facilities. US dollar income converted into sterling represented 23 per cent of Group revenues in 2009 (2008 26 per cent). US dollar income converted into euros represented 2 per cent of Group revenues in 2009 (2008 4 per cent).

ii) Residual currency exposure is hedged via the financial markets. The Group operates a hedging policy using a variety of financial instruments with the objective of minimising the impact of fluctuations in exchange rates on future transactions and cash flows.

Market exchange rates	**2009**	2008
USD per GBP		
- Year-end spot rate	**1.615**	1.438
- Average spot rate	**1.566**	1.854
EUR per GBP		
- Year-end spot rate	**1.126**	1.034
- Average spot rate	**1.123**	1.258

The permitted range of the amount of cover taken is determined by the written policies set by the Board, based on known and forecast income levels.

The forward cover is managed within the parameters of these policies in order to achieve the Group's objectives, having regard to the Group's view of long-term exchange rates. Forward cover is in the form of standard foreign exchange contracts and instruments on which the exchange rates achieved are dependent on future interest rates. The Group may also write currency options against a portion of the unhedged dollar income at a rate which is consistent with the Group's long-term target rate. At the end of 2009 the Group had US$18.8 billion of forward cover (2008 US$17.1 billion).

The consequence of this policy has been to maintain relatively stable long-term foreign exchange rates. Note 6 to the condensed financial statements includes the impact of revaluing forward currency contracts at market values on December 31, 2009, showing a negative value of £144 million (2008 negative value of £2,181 million) which will fluctuate with exchange rates over time. The Group has entered into these forward contracts as part of the hedging policy, described above, in order to mitigate the impact of volatile exchange rates.

Interest rate risk
The Group uses fixed rate bonds and floating rate debt as funding sources. The Group's policy is to maintain a proportion of its debt at fixed rates of interest having regard to the prevailing interest rate outlook. To implement this policy the Group may utilise a combination of interest rate swaps, forward-rate agreements and interest-rate caps to manage the exposure.

Counterparty credit risk
The Group has an established policy for managing counterparty credit risk. A common framework exists to measure, report and control exposures to counterparties across the Group using value-at-risk and fair-value techniques. The Group assigns an internal credit rating to each counterparty, which is assessed with reference to publicly available credit information, such as that provided by Moody's, Standard & Poor's, and other recognised market sources, and is reviewed regularly.

Financial instruments are only transacted with counterparties that have a publicly assigned long-term credit rating from Standard & Poor's of 'A-' or better and from Moody's of 'A3' or better.

Commodity risk
The Group has an ongoing exposure to the price of jet fuel and base metals arising from business operations. The Group's objective is to minimise the impact of price fluctuations. The exposure is hedged, on a similar basis to that adopted for currency risks, in accordance with parameters contained in written policies set by the Board.

Regulatory developments
In response to the financial crisis governments and regulators around the world are considering various regulatory reforms to the financial markets with the aim of improving transparency and reducing systemic risk. While the proposed reforms are predominantly directed at financial institutions some of them may have implications for non-financial institutions.

In particular, proposals by both US and European regulators to reform the Over-the-Counter (OTC) derivatives market could have implications for the Group in terms of future funding requirements and increased cash flow volatility, if parties to future OTC derivative transactions are required to post collateral to reduce counterparty risk.

Operational risks

Performance of supply chain
The Group's products and services are delivered through the effective operation of its facilities and key capabilities, including its supply chain. The Group's success in strengthening its market position and its presence on a number of high profile civil and defence aerospace programmes places increased demands on the performance of the supply chain. The Group manufactures approximately 30 per cent by value of its gas turbine products, the remainder being provided through external suppliers, including risk and revenue sharing partners. Meeting delivery commitments on schedule, cost and quality are critical to the achievement of business goals. Investment in developing world-class manufacturing processes is continuing in Asia, North America and Europe.

Global supply chains are complex with multiple inter-relationships across a wide network of organisations. While the Group's strategy is to improve integration and simplify the internal and external elements of its supply chain by building long-term strategic links with fewer, stronger suppliers, it remains at risk of disruption from financial or physical causes such as bankruptcy, natural disaster, armed conflict or pandemic. A significant disruption in any of these elements could adversely affect the Group's ability to deliver its operational commitments and would have the potential to affect financial returns.

The planning for, and management of, any such interruption is addressed through the Group's business continuity management process, which is well established and focused on critical facilities, activities, processes, skills and suppliers. The Group's crisis management plan and framework were significantly revised and exercised in 2009. In addition to the Group's comprehensive programme of business interruption insurance, significant investment is being undertaken to establish, where possible, dual sourcing of key components or processes. Increased focus is also being applied to understanding and addressing sources of risk arising in the external supply chain, particularly those associated with financial instability. Procedures are in place to monitor, assess and respond to risks.

IT security
The continuing globalisation of the business and advances in technology have resulted in more data being transmitted internationally, posing an increased security risk. There is also the possibility of unintentional loss of controlled data by authorised users. In either case, adverse impacts upon operational effectiveness, the value of intellectual property, legislative compliance or the reputation of the Group might arise. The active sharing of information through industry and government forums, commitment of additional specialist resources and the continual upgrading of security equipment and software mitigate these risks.

Ethics
The Group conducts business in an ethical and socially responsible manner. This approach extends from the sourcing of raw materials and components to the manufacture and delivery of products and services in all of its global locations and markets. It applies to the provision of a safe and healthy place of work and investment in technologies to reduce the environmental impact of the Group's products and operations. Shortcomings in any of these areas could damage the Group's reputation, expose it to financial penalties and disrupt its business.

The Group is committed to maintaining high ethical standards. A Global Code of Business Ethics in 16 languages has been issued to all employees, supported by a training and engagement programme to strengthen employee awareness of the Group's values. A programme of technical training for specialist roles is underway. The Group's ethical standards are also communicated to the Group's first-tier supply base through a supplier code of conduct. Concerns regarding potentially unethical behaviours can be reported in confidence via dedicated global telephone and internet channels. All such reports are followed up and are monitored by the ethics committee.

Programme risk

The Group manages complex product programmes with demanding technical requirements against stringent, and sometimes fluctuating, customer schedules. This requires the co-ordination of the engineering function, manufacturing operations, the external supply chain and other partners. Failure to achieve programme goals would have significant financial and reputational implications for the Group. These implications include the risk of impairment of the carrying value of the Group's intangible assets and the impact of potential litigation.

The Group seeks continuous improvement of all its processes and employs project management controls to ensure that both technical and business objectives are achieved. All major programmes are subject to Board approval and are reviewed regularly by the Board with a particular focus on the nature and potential impact of emerging risks and the effective mitigation of previously identified threats.

The statements below have been prepared in connection with the Company's full Annual report for the year ended December 31, 2009. Certain parts thereof are not included with this announcement.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and financial risks are described in the business review. In addition, the consolidated financial statements include the Group's objectives, policies and processes for financial risk management, details of its cash and cash equivalents, indebtedness, and borrowing facilities, and its financial instruments, hedging activities and its exposure to counterparty credit risk, liquidity risk, currency risk, interest rate risk and commodity pricing risk.

The Group meets its funding requirements through a mixture of shareholders' funds, bank borrowings, bonds, notes and finance leases. The table in the Finance Director's review shows the maturity profile of the Group's outstanding debt facilities; a total of £108 million is due to expire in 2010. The Group has a further £450 million of term funding available that is currently undrawn.

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group has sufficient financial resources. As a consequence the Directors have a reasonable expectation that the Company and the Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future, despite the current uncertain global economic outlook. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Responsibility statement

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge:

i) each of the Group and parent company financial statements, prepared in accordance with IFRS and UK Accounting Standards respectively, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and

ii) the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Sir John Rose
Chief Executive
February 10, 2010

Andrew Shilston
Finance Director
February 10, 2010