Condensed consolidated income statement

For the half-year ended June 30, 2009

	Notes	**Half-year to June 30, 2009 £m**	Restated* Half-year to June 30, 2008 £m	Restated* Year to December 31, 2008 £m
Revenue	2	**5,142**	4,049	9,082
Cost of sales		**(4,054)**	(3,214)	(7,278)
Gross profit		**1,088**	835	1,804
Other operating income		**68**	13	79
Commercial and administrative costs		**(407)**	(383)	(699)
Research and development costs		**(200)**	(177)	(403)
Share of profit of joint ventures		**47**	33	74
Operating profit		**596**	321	855
(Loss)/profit on sale or termination of businesses		**(3)**	1	7
Profit before financing		**593**	322	862
Financing income	3	**2,170**	359	432
Financing costs	3	**(248)**	(292)	(3,186)
Net financing		**1,922**	67	(2,754)
Profit/(loss) before taxation [1]		**2,515**	389	(1,892)
Taxation		**(658)**	(97)	547
Profit/(loss) for the period		**1,857**	292	(1,345)
Attributable to:				
Equity holders of the parent		**1,859**	294	(1,340)
Minority interests		**(2)**	(2)	(5)
Profit/(loss) for the period		**1,857**	292	(1,345)

* During the period, the Group has reviewed the allocation of costs. As a result, costs of £17m (2008 full year £33m) classified as costs of sales in 2008 have been reclassified as commercial and administrative costs.

Earnings per ordinary share [2]				
Basic	5	**100.87p**	16.22p	(73.63p)
Diluted	5	**99.95p**	15.97p	(73.63p)
Payments to shareholders in respect of the period				
Pence per share	6	**6.00p**	5.72p	14.30p
Total (£m)	6	**111**	105	263
[1] Underlying profit before taxation	2	**445**	410	880

[2] Underlying earnings per share are shown in note 5.

Condensed consolidated statement of comprehensive income

For the half-year ended June 30, 2009

	Half-year to June 30, 2009 £m	Restated * Half-year to June 30, 2008 £m	Restated * Year to December 31, 2008 £m
Profit/(loss) for the period	**1,857**	292	(1,345)
Other comprehensive income			
Foreign exchange translation differences from foreign operations	**(288)**	109	603
Net actuarial gains	**-**	-	944
Movement in unrecognised post-retirement surplus	**(24)**	(43)	(928)
Movement in post-retirement minimum funding liability	**25**	24	66
Transfers from transition hedging reserve	**(27)**	(66)	(80)
Transfers to cash flow hedging reserve	**12**	-	(41)
Related tax movements	**(1)**	23	(4)
Total comprehensive income for the period	**1,554**	339	(785)
Attributable to:			
Equity holders of the parent	**1,557**	341	(782)
Minority interests	**(3)**	(2)	(3)
Total comprehensive income for the period	**1,554**	339	(785)

* 2008 figures have been restated to reflect the adoption of IFRIC 14 with effect from January 1, 2008 - see note 10.

Condensed consolidated balance sheet

At June 30, 2009

	Notes	**June 30, 2009 £m**	Restated * June 30, 2008 £m	Restated * December 31, 2008 £m
ASSETS				
Non-current assets				
Intangible assets	7	**2,286**	1,885	2,286
Property, plant and equipment		**1,916**	1,792	1,995
Investments - joint ventures		**336**	298	345
Other investments		**55**	57	53
Deferred tax assets		**170**	110	804
Post-retirement scheme surpluses	10	**455**	221	453
		5,218	4,363	5,936
Current assets				
Inventory		**2,589**	2,453	2,600
Trade and other receivables		**3,802**	3,069	3,929
Taxation recoverable		**9**	7	9
Other financial assets	9	**776**	498	390
Short-term investments		**1**	1	1
Cash and cash equivalents		**2,716**	1,844	2,471
Assets held for sale		**9**	24	12
		9,902	7,896	9,412
Total assets		**15,120**	12,259	15,348
LIABILITIES				
Current liabilities				
Borrowings		**(6)**	(13)	(23)
Other financial liabilities	9	**(743)**	(159)	(2,450)
Trade and other payables		**(5,301)**	(4,647)	(5,735)
Current tax liabilities		**(153)**	(198)	(184)
Provisions		**(204)**	(163)	(181)
		(6,407)	(5,180)	(8,573)
Non-current liabilities				
Borrowings	8	**(1,879)**	(1,040)	(1,325)
Other financial liabilities	9	**(424)**	(320)	(391)
Trade and other payables		**(1,306)**	(1,026)	(1,318)
Non-current tax liabilities		**(1)**	-	(1)
Deferred tax liabilities		**(309)**	(292)	(307)
Provisions		**(173)**	(161)	(188)
Post-retirement scheme deficits	10	**(930)**	(811)	(1,020)
		(5,022)	(3,650)	(4,550)
Total liabilities		**(11,429)**	(8,830)	(13,123)
Net assets		**3,691**	3,429	2,225
EQUITY				
Capital and reserves				
Called-up share capital		**371**	364	369
Share premium account		**97**	67	82

Capital redemption reserves	**200**	185	204
Hedging reserves	**(29)**	29	(22)
Other reserves	**368**	171	663
Retained earnings	**2,677**	2,603	920
Equity attributable to equity holders of the parent	**3,684**	3,419	2,216
Minority interests	**7**	10	9
Total equity	**3,691**	3,429	2,225

* 2008 figures have been restated to reflect the adoption of IFRIC 14 with effect from January 1, 2008 - see note 10.

Condensed consolidated cash flow statement

For the half-year ended June 30, 2009

	Notes	**Half-year to June 30, 2009 £m**	Half-year to June 30, 2008 £m	Year to December 31, 2008 £m
Reconciliation of cash flows from operating activities				
Profit/(loss) before taxation		**2,515**	389	(1,892)
Share of profit of joint ventures		**(47)**	(33)	(74)
Loss/(profit) on sale or termination of businesses		**3**	(1)	(7)
Profit on sale of property, plant and equipment		**(16)**	(13)	(11)
Net interest payable	3	**18**	5	10
Net post-retirement scheme financing	3	**50**	13	22
Net other financing	3	**(1,990)**	(85)	2,722
Taxation paid		**(50)**	(32)	(117)
Amortisation of intangible assets	7	**57**	56	107
Depreciation of property, plant and equipment		**93**	92	208
Increase in provisions		**30**	16	39
Increase in inventories		**(123)**	(250)	(208)
Increase in trade and other receivables		**(97)**	(490)	(1,072)
(Decrease)/increase in trade and other payables		**(67)**	406	1,242
(Increase)/decrease in other financial assets and liabilities		**(184)**	223	144
Additional cash funding of post-retirement schemes		**(73)**	(58)	(117)
Share-based payments charge		**15**	17	40
Transfers of hedge reserves to income statement		**(27)**	(66)	(80)
Dividends received from joint ventures		**30**	22	59
Net cash inflow from operating activities		**137**	211	1,015
Cash flows from investing activities				
Additions of unlisted investments		**(3)**	(1)	(1)
Disposals of unlisted investments		**-**	1	6
Additions of intangible assets		**(167)**	(122)	(389)
Purchases of property, plant and equipment		**(109)**	(105)	(286)
Disposals of property, plant and equipment		**29**	42	68
Acquisition of businesses		**(1)**	(8)	(50)
Disposals of businesses		**-**	-	6
Investments in joint ventures		**(5)**	(9)	(32)
Disposals of joint ventures		**2**	13	30
Net cash outflow from investing activities		**(254)**	(189)	(648)
Cash flows from financing activities				
Borrowings due within one year - repayment of loans		**(10)**	(3)	(1)

Borrowings due after one year - increase in loans/(repayment)	**692**	(25)	(22)
Capital element of finance lease payments	**(1)**	(2)	(4)
Net cash inflow/(outflow) from increase/(decrease) in borrowings	**681**	(30)	(27)
Interest paid	**(48)**	(55)	(53)
Interest received	**30**	43	52
Interest element of finance lease payments	**-**	-	(1)
Decrease in government securities and corporate bonds	**-**	39	39
Issue of ordinary shares	**17**	-	17
Purchase of own shares	**(16)**	(44)	(44)
Other transactions in own shares	**-**	-	(4)
Redemption of B/C Shares	**(101)**	(58)	(200)
Net cash inflow/(outflow) from financing activities	**563**	(105)	(221)
Increase/(decrease) in cash and cash equivalents	**446**	(83)	146
Cash and cash equivalents at January 1	**2,462**	1,872	1,872
Foreign exchange	**(195)**	48	441
Net cash of businesses acquired/disposed	**1**	-	3
Cash and cash equivalents at period end	**2,714**	1,837	2,462

	Half-year to June 30, 2009 £m	Half-year to June 30, 2008 £m	Year to December 31, 2008 £m
Reconciliation of increase in cash and cash equivalents to movements in net funds			
Increase/(decrease) in cash and cash equivalents	**446**	(83)	146
Cash inflow from decrease in government securities and corporate bonds	**-**	(39)	(39)
Net cash (inflow)/outflow from (increase)/decrease in borrowings	**(681)**	30	27
Change in net funds resulting from cash flows	**(235)**	(92)	134
Net funds of businesses acquired/disposed	**1**	-	(3)
Exchange adjustments	**(194)**	48	439
Fair value adjustments	**136**	(37)	(319)
Movement in net funds	**(292)**	(81)	251
Net funds at January 1 excluding the fair value of swaps	**1,124**	873	873
Net funds at period end excluding the fair value of swaps	**832**	792	1,124
Fair value of swaps hedging fixed rate borrowings	**198**	52	334
Net funds at period end	**1,030**	844	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	Net funds of business acquired £m	Non cash flow £m	Exchange £m	Fair value £m	At June 30, 2009 £m
Cash at bank and in hand	940	321	1	-	(89)	-	1,173
Overdrafts	(9)	6	-	-	1	-	(2)
Short-term deposits	1,531	119	-	-	(107)	-	1,543
Cash and cash equivalents	2,462	446	1	-	(195)	-	2,714
Investments	1	-	-	-	-	-	1
Other borrowings due within one year	(11)	10	-	(1)	-	-	(2)
Borrowings due after one year	(1,324)	(692)	-	1	1	136	(1,878)
Finance leases	(4)	1	-	-	-	-	(3)
	1,124	(235)	1	-	(194)	136	832
Fair value of swaps hedging fixed rate borrowings	334					(136)	198
	1,458	(235)	1	-	(194)	-	1,030

Condensed consolidated statement of changes in equity

For the half-year ended June 30, 2009

	Attributable to equity holders of the parent								
	Share capital £m	Share premium £m	Capital redemption reserves £m	Hedging reserves £m	Other reserves £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At January 1, 2008	**364**	**67**	**191**	**77**	**62**	**2,776**	**3,537**	**12**	**3,549**
Adoption of IFRIC 14 (note 10)	-	-	-	-	-	(353)	(353)	-	(353)
At January 1, 2008 restated	**364**	**67**	**191**	**77**	**62**	**2,423**	**3,184**	**12**	**3,196**
Half-year to June 30, 2008									
Total comprehensive income	-	-	-	(48)	109	280	341	(2)	339
Issue of B Shares	-	-	(73)	-	-	-	(73)	-	(73)
Redemption of B Shares	-	-	58	-	-	(58)	-	-	-
Conversion of B Shares into ordinary shares	-	-	9	-	-	-	9	-	9
Ordinary shares purchased	-	-	-	-	-	(44)	(44)	-	(44)
Ordinary shares vesting in share-based payment plans	-	-	-	-	-	35	35	-	35
Share-based payment adjustment	-	-	-	-	-	(18)	(18)	-	(18)
Related tax movements	-	-	-	-	-	(15)	(15)	-	(15)
At June 30, 2008	**364**	**67**	**185**	**29**	**171**	**2,603**	**3,419**	**10**	**3,429**
Half-year to December 31, 2008									
Total comprehensive income	-	-	-	(51)	492	(1,564)	(1,123)	(1)	(1,124)
Arising on issue of ordinary shares	2	15	-	-	-	-	17	-	17
Issue of B Shares	-	-	(164)	-	-	-	(164)	-	(164)
Redemption of B Shares	-	-	142	-	-	(142)	-	-	-
Conversion of B Shares into ordinary shares	3	-	41	-	-	-	44	-	44
Ordinary shares vesting in share-based payment plans	-	-	-	-	-	2	2	-	2
Share-based payment adjustment	-	-	-	-	-	17	17	-	17
Related tax movements	-	-	-	-	-	4	4	-	4
At December 31, 2008	**369**	**82**	**204**	**(22)**	**663**	**920**	**2,216**	**9**	**2,225**
Half-year to June 30, 2009									
Total comprehensive income	**-**	**-**	**-**	**(7)**	**(295)**	**1,859**	**1,557**	**(3)**	**1,554**
Arising on issue of ordinary shares	**2**	**15**	**-**	**-**	**-**	**-**	**17**	**-**	**17**
Issue of C Shares	**-**	**-**	**(105)**	**-**	**-**	**-**	**(105)**	**-**	**(105)**
Redemption of C Shares	**-**	**-**	**101**	**-**	**-**	**(101)**	**-**	**-**	**-**
Ordinary shares purchased	**-**	**-**	**-**	**-**	**-**	**(16)**	**(16)**	**-**	**(16)**
Ordinary shares vesting in share-based payment	**-**	**-**	**-**	**-**	**-**	**22**	**22**	**-**	**22**

plans									
Share-based payment adjustment	**-**	**-**	**-**	**-**	**-**	**(7)**	**(7)**	**-**	**(7)**
Transactions with minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**
Related tax movements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At June 30, 2009	**371**	**97**	**200**	**(29)**	**368**	**2,677**	**3,684**	**7**	**3,691**

Notes to the condensed consolidated financial statements

1. Basis of preparation and accounting policies

Reporting entity

Rolls-Royce Group plc is a company domiciled in the UK. These condensed consolidated half-year financial statements of the Company as at and for the six months ended June 30, 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures.

The consolidated financial statements of the Group as at and for the year ended December 31, 2008 (2008 Annual report) are available upon request from the Company Secretary, Rolls-Royce Group plc, 65 Buckingham Gate, London SW1E 6AT.

Statement of compliance

These condensed consolidated half-year financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. They do not include all of the information required for full annual statements, and should be read in conjunction with the 2008 Annual report.

The comparative figures for the financial year December 31, 2008 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The Board of directors approved the condensed consolidated half-year financial statements on July 29, 2009.

Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated half-year financial statements are the same as those that applied to the consolidated financial statements of the Group for the year ended December 31, 2008, with the following exceptions:

- IFRS 8 *Operating Segments* has been adopted. Under IFRS 8, reportable segments are determined on the basis of those segments whose operating results are regularly reviewed by the Board. These operating results are prepared on a basis that excludes items considered to be non-underlying in nature. Note 2 of the condensed consolidated financial statements sets out the Group's reportable segments and sets out reconciliations between these and the results reported in the income statement and balance sheet.
- IAS 23 *Borrowing Costs* (as revised) has been adopted. IAS 23 requires borrowing costs that are directly attributable to the acquisition, construction or production of certain assets to be capitalised as part of the cost of the asset. IAS 23 has been adopted prospectively from January 1, 2009. No borrowing costs were eligible for capitalisation during the six months ended June 30, 2009.
- IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* has been adopted with effect from January 1, 2008. IFRIC 14 requires that, where the Group is committed to making future contributions to post-retirement schemes in respect of past service, and those contributions will result in an unrecognisable surplus, a liability for the future contributions should be recognised.

Key sources of estimation uncertainty

In applying the accounting policies, management has made appropriate estimates in many areas, and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date were the same as those that applied to the consolidated financial statements of the Group for the year ended December 31, 2008.

2. Analysis by business segment

The analysis by business segment is presented in accordance with the basis set out in IFRS 8 *Operating segments*. 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, this:

- 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.

	Half-year to June 30, 2009			Half-year to June 30, 2008			Year to December 31, 2008		
	Original equipment £m	**Aftermarket £m**	**Total £m**	Original equipment £m	Aftermarket £m	Total £m	Original equipment £m	Aftermarket £m	Total £m
Underlying revenues									
Civil aerospace	**943**	**1,337**	**2,280**	780	1,322	2,102	1,776	2,726	4,502
Defence aerospace	**473**	**496**	**969**	328	441	769	739	947	1,686
Marine	**851**	**376**	**1,227**	690	326	1,016	1,492	712	2,204
Energy	**236**	**211**	**447**	171	153	324	385	370	755
	2,503	**2,420**	**4,923**	1,969	2,242	4,211	4,392	4,755	9,147

	Half-year to June 30, 2009 £m	Half-year to June 30, 2008 £m	Year to December 31, 2008 £m
Underlying profit before financing			
Civil aerospace	**257**	272	566
Defence aerospace	**136**	104	223
Marine	**110**	87	183
Energy	**1**	(8)	(2)
Reportable segments	**504**	455	970
Central items	**(26)**	(28)	(51)
	478	427	919
Underlying net financing	**(33)**	(17)	(39)
Underlying profit before taxation	**445**	410	880
Underlying taxation	**(85)**	(101)	(217)
Underlying profit for the period	**360**	309	663
Attributable to:			
Equity holders of the parent	**362**	311	668
Minority interests	**(2)**	(2)	(5)
Total comprehensive income for the period	**360**	309	663

	Total assets			Total liabilities			Net assets/(liabilities)		
		Restated *			Restated *			Restated *	
	June 30, 2009	June 30, 2008	December 31, 2008	**June 30, 2009**	June 30, 2008	December 31, 2008	**June 30, 2009**	June 30, 2008	December 31, 2008
Net assets/(liabilities)									
Civil aerospace	**7,835**	6,593	7,543	**(5,164)**	(3,808)	(7,213)	**2,671**	2,785	330
Defence aerospace	**1,102**	959	1,037	**(1,390)**	(1,129)	(1,234)	**(288)**	(170)	(197)
Marine	**2,375**	2,067	2,339	**(1,845)**	(1,462)	(1,851)	**530**	605	488
Energy	**922**	729	834	**(415)**	(401)	(442)	**507**	328	392
Reportable segments	**12,234**	10,348	11,753	**(8,814)**	(6,800)	(10,740)	**3,420**	3,548	1,013
Eliminations	**(663)**	(324)	(477)	**663**	324	477	**-**	-	-
Net funds	**2,915**	1,897	2,806	**(1,885)**	(1,053)	(1,348)	**1,030**	844	1,458
Tax assets/(liabilities)	**179**	117	813	**(463)**	(490)	(492)	**(284)**	(373)	321
Unallocated post-retirement scheme surpluses/(deficits)	**455**	221	453	**(930)**	(811)	(1,020)	**(475)**	(590)	(567)
	15,120	12,259	15,348	**(11,429)**	(8,830)	(13,123)	**3,691**	3,429	2,225

* 2008 figures have been restated to reflect the adoption of IFRIC 14 with effect from January 1, 2008 - see note 10.

	Half-year to June 30, 2009	Half-year to June 30, 2008	Year to December 31, 2008
Group employees at period end			
Civil aerospace	**21,700**	22,300	22,600
Defence aerospace	**5,500**	5,700	5,700
Marine	**8,600**	8,000	8,300
Energy	**2,500**	2,500	2,300
	38,300	38,500	38,900

Underlying revenue adjustments

	Half-year to June 30, 2009 £m	Half-year to June 30, 2008 £m	Year to December 31, 2008 £m
Underlying revenue	**4,923**	4,211	9,147
Release of transition hedging reserve	**27**	66	80
Exclude achieved rate of settled derivative contracts	**192**	(228)	(145)
Revenue per consolidated income statement	**5,142**	4,049	9,082

Underlying profit adjustments

	Half-year to June 30, 2009		Half-year to June 30, 2008		Year to December 31, 2008	
	Profit before financing £m	**Profit before tax £m**	Profit before financing £m	Profit before tax £m	Profit before financing £m	Profit before tax £m
Reportable segments	**504**		455		970	
Central items	**(26)**		(28)		(51)	
Underlying profit	**478**	**445**	427	410	919	880
Release of transition hedging reserve	**27**	**27**	66	66	80	80
Realised gains on settled derivative contracts[1]	**182**	**248**	(191)	(235)	(185)	(292)
Net unrealised fair value changes to derivative contracts[2]	**10**	**1,949**	-	135	4	(2,475)
Effect of currency on contract accounting	**(104)**	**(104)**	20	20	44	44
Revaluation of trading assets and liabilities	**-**	**(8)**	-	(2)	-	14
Financial RRSPs - foreign exchange differences and changes in forecast payments	**-**	**8**	-	8	-	(121)
Net post-retirement scheme financing	**-**	**(50)**	-	(13)	-	(22)
Total underlying adjustments	**115**	**2,070**	(105)	(21)	(57)	(2,772)
Profit/(loss) per consolidated income statement	**593**	**2,515**	322	389	862	(1,892)

1 2008 excluded £24m of realised losses on derivative contracts settled in respect of trading cash flows that would occur after the year end. £10m of these realised losses have been recognised in the period to June 30, 2009.

2 Profit before financing includes £9m of unrealised losses for which the related trading contracts have been cancelled, and includes £1m of unrealised losses (2008: half year nil, full year £4m gain) in respect of derivative contracts held by joint venture undertakings.

3. Net financing

	Half-year to June 30, 2009		Half-year to June 30, 2008		Year to December 31, 2008	
	Per consolidated income statement £m	***Underlying net financing £m***	Per consolidated income statement £m	*Underlying net financing £m*	Per consolidated income statement £m	*Underlying net financing £m*
Financing income						
Interest receivable	**13**	***13***	31	*31*	59	*59*
Fair value gains on foreign currency contracts	**1,909**	**-**	75	-	-	-
Financial RRSPs - foreign exchange differences and changes in forecast payments	**8**	**-**	8	-	-	-
Fair value gains on commodity derivatives	**30**	**-**	60	-	-	-
Expected return on post-retirement scheme assets	**152**	**-**	185	-	373	-
Net foreign exchange gains	**58**	**-**	-	-	-	-
	2,170	***13***	359	*31*	432	*59*
Financing costs						
Interest payable	**(31)**	***(31)***	(36)	*(36)*	(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	**(14)**	***(14)***	(12)	*(12)*	(26)	*(26)*
Fair value losses on commodity derivatives	**-**	**-**	-	-	(96)	-
Interest on post-retirement scheme liabilities	**(202)**	**-**	(198)	-	(395)	-
Net foreign exchange losses	**-**	**-**	(46)	-	(91)	-
Other financing charges	**(1)**	***(1)***	-	-	(5)	*(3)*
	(248)	***(46)***	(292)	*(48)*	(3,186)	*(98)*
Net financing	**1,922**	***(33)***	67	*(17)*	(2,754)	*(39)*
Analysed as:						
Net interest payable	**(18)**	***(18)***	(5)	*(5)*	(10)	*(10)*
Net post-retirement scheme financing	**(50)**	**-**	(13)	-	(22)	-
Net other financing	**1,990**	***(15)***	85	*(12)*	(2,722)	*(29)*
Net financing	**1,922**	***(33)***	67	*(17)*	(2,754)	*(39)*

4. Taxation

The effective tax rate for the half-year is 26.2% (2008 half-year 24.9%, full year 28.9%). The first half tax charge benefited from a one-off £21m credit following the successful completion of certain overseas tax audits.

5. Earnings per ordinary share (EPS)

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

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

	Half-year to June 30, 2009			Half-year to June 30, 2008			Year to December 31, 2008		
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options	Diluted	Basic	Potentially dilutive share options [1]	Diluted
Profit/(loss) (£m)	**1,859**	**-**	**1,859**	294	-	294	(1,340)	-	(1,340)
Weighted average number of shares (millions)	**1,843**	**17**	**1,860**	1,813	28	1,841	1,820	-	1,820
EPS (pence)	**100.87**	**(0.92)**	**99.95**	16.22	(0.25)	15.97	(73.63)	-	(73.63)

[1] As the 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:

	Half-year to June 30, 2009		Half-year to June 30, 2008		Year to December 31, 2008	
	Pence	**£m**	Pence	£m	Pence	£m
Underlying EPS / Underlying profit attributable to equity holders of the parent	**19.64**	**362**	17.15	311	36.70	668
Total underlying adjustments to profit before tax (note 2)	**112.32**	**2,070**	(1.15)	(21)	(152.31)	(2,772)
Related tax effects	**(31.09)**	**(573)**	0.22	4	41.98	764
Basic EPS / Profit attributable to equity holders of the parent	**100.87**	**1,859**	16.22	294	(73.63)	(1,340)

6. Payments to shareholders in respect of the period

Payments to shareholders in respect of the period represent the value of C Shares to be issued in respect of the results for the period. Issues of C Shares were declared as follows:

	Half-year to June 30, 2009		Year to December 31, 2008	
	Pence per share	**£m**	Pence per share	£m
Interim	6.00	111	5.72	105
Final			8.58	158
			14.30	263

7. 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	**(96)**	**(6)**	**(3)**	**-**	**(4)**	**(109)**
Additions	**-**	**26**	**61**	**75**	**5**	**167**
Disposals	**-**	**-**	**-**	**-**	**(4)**	**(4)**
At June 30, 2009	**917**	**588**	**690**	**538**	**251**	**2,984**
Accumulated amortisation and impairment:						
At January 1, 2009	**5**	**165**	**176**	**250**	**48**	**644**
Exchange adjustments	**-**	**(1)**	**-**	**-**	**(1)**	**(2)**
Provided during the period	**-**	**6**	**15**	**22**	**14**	**57**
Disposals	**-**	**-**	**-**	**-**	**(1)**	**(1)**
At June 30, 2009	**5**	**170**	**191**	**272**	**60**	**698**
Net book value at June 30, 2009	**912**	**418**	**499**	**266**	**191**	**2,286**
Net book value at December 31, 2008	1,008	403	456	213	206	2,286

8. 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 six months ended June 30, 2009.

9. Other financial assets and liabilities

	Half-year to June 30, 2009			Half-year to June 30, 2008			Year to December 31, 2008		
	Assets £m	**Liabilities £m**	**Net £m**	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Foreign exchange contracts	**596**	**(680)**	**(84)**	348	(103)	245	112	(2,293)	(2,181)
Commodity contracts	**-**	**(42)**	**(42)**	74	-	74	-	(89)	(89)
	596	**(722)**	**(126)**	422	(103)	319	112	(2,382)	(2,270)
Interest rate contracts	**180**	**(3)**	**177**	76	(1)	75	278	(4)	274
Financial RRSPs	**-**	**(438)**	**(438)**	-	(353)	(353)	-	(455)	(455)
B/C Shares	**-**	**(4)**	**(4)**	-	(22)	(22)	-	-	-
	776	**(1,167)**	**(391)**	498	(479)	19	390	(2,841)	(2,451)

Foreign exchange and commodity financial instruments

	Half-year to June 30, 2009			Half-year to June 30, 2008	Year to December 31, 2008
	Foreign exchange £m	**Commodity £m**	**Total £m**	Total £m	Total £m
At January 1	**(2,181)**	**(89)**	**(2,270)**	418	418
Fair value changes to fair value hedges	**(39)**	**-**	**(39)**	1	83
Fair value changes to net investment hedges	**6**	**-**	**6**	-	-
Fair value changes to other derivative contracts	**1,909**	**30**	**1,939**	135	(2,479)
Fair value of contracts settled	**221**	**17**	**238**	(235)	(268)
Fair value of derivative contracts assumed on formation of joint venture	**-**	**-**	**-**	-	(24)
At period end	**(84)**	**(42)**	**(126)**	319	(2,270)

Financial risk and revenue sharing partnerships (financial RRSPs)

	Half-year to June 30, 2009 £m	Half-year to June 30, 2008 £m	Year to December 31, 2008 £m
At January 1	**(455)**	(315)	(315)
Cash paid to partners	**17**	12	53
Addition	**(15)**	(39)	(40)
Exchange adjustments direct to reserves	**21**	(7)	(6)
Financing charge [1]	**(14)**	(12)	(26)
Excluded from underlying profit: [1]			
Exchange adjustments	**12**	5	(118)
Changes in forecast payments	**(4)**	3	(3)
At period end	**(438)**	(353)	(455)

[1] Total charge included within finance in the income statement is £6m (2008 half-year £4m, full year £147m).

10. Pensions and other post-retirement benefits

The net post-retirement scheme surplus/deficit as at June 30, 2009 is calculated on a year to date basis, using the latest valuation as at December 31, 2008. There have been no significant fluctuations or one-time events during the six-month period that would require adjustments to the actuarial assumptions made at December 31, 2008.

The adoption of IFRC 14 has resulted in the recognition of an additional provision for future minimum funding liabilities. This has increased the scheme deficits by £400m at June 30, 2009 (2008 half year £467m, full year £425m). Consequential deferred tax assets of £112m (2008 half year £131m, full year £119m) have also been recognised.

11. 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 relating to financing arrangements are spread over many years and relate to a number of customers and a broad product portfolio.

During the first half of 2009, there were no material changes to the maximum gross and net contingent liabilities.

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. 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.

12. Related party transactions

Transactions with related parties are shown on page 136 of the Annual report 2008. Significant transactions in the current financial period are as follows:

	Half-year to June 30, 2009 £m	Half-year to June 30, 2008 £m	Year to December 31, 2008 £m
Sales of goods and services to joint ventures	**1,086**	785	1,555
Purchases of goods and services from joint ventures	**(890)**	(688)	(1,482)

13. Events after the balance sheet date

On June 29, 2009, the Group announced that it had agreed to purchase a 33 per cent holding in the ordinary shares of ODIM ASA for NOK700m, a leading provider of specialist marine handling systems to the offshore oil and gas industry. The agreement was conditional on the approval of the investment by the Norwegian competition authority. On July 23, 2009, the relevant approval was obtained and the purchase was completed.

Principal risks and uncertainties

As described on pages 21 to 24 of the Annual report 2008, the Group continues to be exposed to a number of risks and has an established, structured approach to identifying, assessing and managing those risks. The Group has a consistent strategy and long performance cycles and consequently the risks faced by the Group have not changed significantly over the first six months of 2009.

The principal risks reflect the global growth of the business, and the competitive and challenging business environment in which it operates. Risks are considered under four broad headings:

Business environment risks
- Cyclical downturn - global recession
- External events or factors affecting air travel
- Environmental impact of products and operations

Financial risks
- Counterparty credit risk, funding liquidity and credit rating
- Market risks – foreign exchange, interest rate and commodity
- Sales financing

Strategic risks
- Delivery of aftermarket
- Competitive pressures
- Export controls

Operational risks
- Performance of supply chain
- IT security
- Ethics
- Programme risk

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The financial risk management objectives and policies of the Company and the exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk are discussed on pages 60 to 63 of the Annual report 2008.

Statement of directors' responsibilities

The directors confirm that to the best of their knowledge:

- the condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of Rolls-Royce Group plc at February 11, 2009 are listed in the Annual report 2008 on page 65. There have been no changes to the directors since that report.

By order of the Board

Sir John Rose
Chief Executive
July 29, 2009

Andrew Shilston
Finance Director
July 29, 2009

Independent review report to Rolls-Royce Group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

AJ Sykes
for and on behalf of KPMG Audit Plc
Chartered Accountants, London
29 July 2009