Balance sheet

Summary balance sheet - £ million	HY 12	FY 11
Intangible assets	2,865	2,882
Property, plant and equipment	2,394	2,338
Net post-retirement scheme deficits	(570)	(397)
Net working capital	(796)	(1,098)
Net funds	869	223
Provisions	(457)	(502)
Net financial assets and liabilities	(646)	(718)
Investment in joint ventures and associates	1,833	1,680
Assets held for sale	5	178
Other net assets and liabilities	(16)	(67)
Net assets	5,481	4,519
Other items		
USD hedge book	$24,100	$22,000
Net TotalCare assets	1,124	956
Gross customer finance contingent liabilities	602	612
Net customer finance contingent liabilities	76	124

- **Intangible assets** relate to goodwill, certification costs, participation fees, development expenditure, recoverable engine costs, software and other costs that represent long-term assets of the Group. In aggregate, these assets remained broadly unchanged at £2.9bn with increased software costs being offset by amortisation of previously capitalised development costs. The carrying values of the intangible assets are assessed for impairment against the present value of forecast cash flows generated by the intangible asset. The principal risks remain: reductions in assumed market share; programme timings; increases in unit cost assumptions; and adverse movements in discount rates. There have been no impairments in 2012. Further details are given in Note 7 of the condensed financial statements on p.22.

- **Property, plant and equipment** increased by two per cent to £2.4bn due to the ongoing development and refreshment of facilities and tooling, as the Group prepares for increased production volumes.

- **Net post-retirement scheme deficits** increased by 44 per cent, primarily due to a reduction in the discount rates used to value the liabilities for accounting purposes. Over 80 per cent of the assets are held in liability-driven investment portfolios that are designed to match changes to the liabilities on a funding basis.

- **Net funds** increased to £869m largely due to the $1.5bn consideration received following the sale of the Group's 32.5 per cent shareholding in IAE. This was partly offset by the impact of increased capital expenditure and an increase in working capital. As a result of the Tognum investment in the second half of 2011, average net funds decreased from £780m to £(590)m (£755m excluding Tognum). The Group continues to have access to good liquidity with £0.9bn undrawn committed facilities and bond proceeds of £1.4bn, providing total liquidity of £3.2bn when net funds of £0.9bn are taken into consideration.

- **Investment – joint ventures and associates** increased by £153m to £1.8bn, the increase principally reflects the contribution of Bergen Engines AS (£167m) to Engine Holding.

- **Assets held for sale** were derecognised following the completion of the IAE restructuring.

- **Provisions** largely relate to warranties and guarantees provided to secure the sale of OE and services. Provisions in total reduced modestly to £457m following utilisation in the period of previously charged provisions.

- **Net financial assets and liabilities** relate to financial RRSPs and the fair value of foreign exchange, commodity and interest rate contracts, set out in detail in Note 8 to the condensed financial statements on p.23. The change largely reflects the impact of the change in the GBP/USD exchange rate on the valuation of foreign exchange contracts.

- The **USD hedge book** of US$24.1bn represents over five years of net exposure and has an average book rate of £1 to US$1.59. Current forward market exchange rates are similar to current average book rates.

- **Net TotalCare assets** relate to long-term service agreement contracts in the Civil Aerospace business, including the flagship services product TotalCare. These assets represent the timing difference between the recognition of income and costs in the income statement and cash receipts and payments.

- **Customer financing** facilitates the sale of OE and services by providing financing support from to certain customers. Where such support is provided by the Group, it is generally to customers of the civil aerospace business and takes the form of various types of credit and asset value guarantees. The contingent liabilities represent the maximum aggregate discounted gross and net exposure in respect of delivered aircraft, regardless of the point in time at which such exposures may arise. During the first half of 2012, the Group's gross exposure remained relatively stable. The net exposure reduced to £76m (December 31, 2011 £124m) primarily as a result of the IAE restructuring.