

# Notes to the Group accounts (continued)

## 24. Contingent liabilities and commitments

### Aircraft financing contingent liabilities

Included within the aircraft financing provision of £85m (note 23) is an exposure of £70m as discussed below:

	2007 £m	2006 £m
Potential future cash flow payments in respect of aircraft financing obligations	134	191
Anticipated aircraft values	(55)	(159)
Adjustments to net present values	(9)	(5)
Net exposure provided	70	27

The Group has provided residual value guarantees (RVGs) in respect of certain commercial aircraft sold. At 31 December 2007 the Group's exposure to make future payments in respect of these arrangements was £134m (2006 £191m). The Group's net exposure to these guarantees is covered by the provisions held and the residual values of the related aircraft.

The net exposure has increased during the year as a result of the re-assessment of anticipated aircraft values and the settlement of the commitments of six RVGs.

The Group is also exposed to actual and contingent liabilities arising from commercial aircraft financing and RVGs given by Saab AB. Provision is made against the expected net exposures on a net present value basis within the accounts of Saab. The Group's share of such exposure is limited to its percentage shareholding in Saab.

### Guarantees and performance bonds

The Group has entered into a number of guarantee and performance bond arrangements in the normal course of business. Provision is made for any amounts that the directors consider may become payable under such arrangements.

### Operating lease commitments – where the Group is the lessee

The Group leases various offices, factories, shipyards and aircraft under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases and associated future minimum sublease income are as follows:

	2007 £m	2006 £m
Payments due:		
Not later than one year	125	121
Later than one year and not later than five years	460	393
Later than five years	731	731
	1,316	1,245
Total of future minimum sublease income under non-cancellable subleases	249	212

### Capital commitments

Capital expenditure contracted for but not provided for in the accounts is as follows:

	2007 £m	2006 £m
Property, plant and equipment	121	133
Intangible assets	6	5
	127	138

### Treasury contingent liabilities

Treasury contingent liabilities are set out in note 32.

### Other contingent liabilities

The Group is subject to an ongoing investigation by the UK Serious Fraud Office (the SFO) in connection with marketing of the Group's products. The Group is co-operating fully with the SFO.

At this stage management cannot determine whether or not it might lead to any proceedings being brought against the Group. Accordingly, the potential for fines or other penalties cannot currently be assessed, although the directors continue to consider that the Group has not acted unlawfully in relation to any of the matters under investigation. As the investigation is ongoing it is not possible to identify the timescale in which these issues might be resolved.

In addition, in June 2007, the US Department of Justice notified the Group that it had commenced a formal investigation relating to the Group's compliance with anti-corruption laws, including its business concerning the Kingdom of Saudi Arabia. Again, given the status of this matter it is not possible to provide any details of any possible future financial effects that might result from the investigation and any subsequent actions or events that might occur as a result of the investigation. Equally it is not possible to provide any timescale in which these issues might be resolved. The directors continue to consider that the Group has not acted unlawfully in relation to its dealings with the Kingdom of Saudi Arabia or in relation to anti-corruption laws.

Should any financial effects arise as a result of these investigations the directors consider it unlikely that there is any likelihood of reimbursement for such costs from any sources other than certain rights to recover reimbursement of the legal costs under the Group's insurance policies.