

20. Loans and overdrafts

	2007 £m	2006 £m
Non-current		
Euro-Sterling £150m 11 ⁷ / ₈ % bond, repayable 2008	-	150
European Investment Bank loan, final instalment 2009	4	11
Alvis loan notes, redeemable 2009	1	1
Debt instrument of the convertible preference shares, redeemable 2010	-	242
US\$500m 4.75% bond, repayable 2010	254	249
US\$1bn 6.4% bond, repayable 2011	517	515
Class B and Class G certificates, final instalments 2011/2013	498	599
Euro-Sterling £100m 10 ³ / ₄ % bond, repayable 2014	99	99
US\$750m 5.2% bond, repayable 2015	376	382
US\$500m 7.5% bond, repayable 2027	249	253
Bank loans	6	28
Obligations under finance leases	20	31
Debt-related derivative financial instruments	173	216
	2,197	2,776
Current		
Bank loans and overdrafts	41	33
US\$200m 7% bond, repayable 2007	-	102
Euro-Sterling £150m 11 ⁷ / ₈ % bond, repayable 2008	150	-
European Investment Bank loan, final instalment 2009	7	7
Class B and Class G certificates, final instalment 2011/2013	87	82
Obligations under finance leases	14	23
Debt-related derivative financial instruments	-	21
Eurofighter GmbH loan	-	66
	299	334

The maturity of the Group's borrowings is as follows:

	Less than one year £m	Between one and five years £m	More than five years £m	Total £m
At 31 December 2007				
Carrying amount	299	1,157	1,040	2,496
Contractual cash flows ¹	484	1,649	1,370	3,503
At 31 December 2006				
Carrying amount	334	1,578	1,198	3,110
Contractual cash flows ¹	653	1,947	1,554	4,154

1 including interest payments

Contractual cash flows in respect of all other financial liabilities are equal to the balance sheet carrying amount. Current contractual amounts are settled within the normal operating cycle of the business. Non-current amounts are expected to be settled between one and five years.

The European Investment Bank borrowing is fixed with an interest rate of 6.86%.

For more information on the debt instrument of the convertible preference shares refer to note 1.

The US\$500m 4.75% bond, repayable 2010 was converted on issue to a floating rate bond by utilising an interest rate swap giving an effective rate during 2007 of 5.85%.

The US\$1bn 6.4% bond, repayable 2011 has been partially converted to a floating rate bond by utilising a series of interest rate swaps with different tenors; US\$500m has been swapped until maturity of the bond in 2011 and US\$250m was swapped until December 2007. This has been overlaid by US\$300m of floating to fixed interest rate swaps that fix the interest payments at a lower rate than the original coupon. The effective interest rate during 2007 was 6.49% with an interest rate split on the bond at 31 December 2007 being US\$800m fixed and US\$200m floating.

The Class B and Class G certificates are repayable in 2011 and 2013 respectively with fixed US\$ coupon rates of 7.156% and 6.664%, giving a weighted average interest rate of 6.879%. At 31 December 2007, the gross outstanding principal due is US\$1,138m. Of this balance, US\$348m has been converted to a sterling floating rate bond by utilising a cross-currency swap which resulted in an effective interest rate during 2007 of 6.75% on this element.

The US\$500m 7.5% bond, repayable 2027 was converted at issue to a sterling fixed rate bond by utilising a cross-currency swap and has an effective interest rate of 7.73%.

Notes to the Group accounts (continued)

20. Loans and overdrafts (continued)

The debt-related derivative financial instruments represent the market value of certain interest rate and cross-currency derivatives which are specifically hedging loans disclosed within the above note. These derivatives have been entered into specifically to manage the Group's exposure to foreign exchange or interest rate risk.

The US\$200m 7% bond was repaid in July 2007.

The Eurofighter GmbH loan represented surplus cash lent by Eurofighter GmbH to its shareholders. The loan incurred interest at LIBOR minus 10bp and was repaid in January 2007.

Finance lease obligations

The Group has a number of non-cancellable finance lease arrangements predominantly in respect of aircraft. The maturity of these lease liabilities from the balance sheet date is shown below.

	2007 £m	2006 £m
Finance lease liabilities – minimum lease payments due:		
Not later than one year	15	24
Later than one year and not later than five years	22	37
	37	61
Future finance charges on finance leases	(3)	(7)
Present value of finance lease liabilities	34	54
Present value of finance lease liabilities – payments due:		
Not later than one year	14	23
Later than one year and not later than five years	20	31
	34	54

Under the terms of the lease agreements, no contingent rents are payable.

The interest rate inherent in these finance leases is fixed at the contract date for all of the lease term. The average interest rate on finance lease payables at 31 December 2007 was 7% (2006 7%).