

4. Operating costs

	2007 £m	2006 £m
Raw materials and other bought in items	5,557	4,169
Change in inventories of finished goods and work-in-progress	13	153
Cost of inventories expensed	5,570	4,322
Staff costs (note 7)	3,924	3,868
Depreciation, amortisation and impairment	610	422
Loss on disposal of property, plant and equipment	4	1
Loss on disposal of businesses (note 9)	8	1
Other operating charges	3,364	3,149
	13,480	11,763

Included within the analysis of operating costs are the following expenses:

Lease and sublease payments:		
Minimum lease payments	112	84
Contingent rents	-	1
	112	85
Research and development expense including amounts funded under contract	1,460	1,248

Fees payable to the Company's auditor and its associates included in operating costs

	2007			2006		
	UK £'000	Overseas £'000	Total £'000	UK £'000	Overseas £'000	Total £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts*	1,111	-	1,111	1,023	-	1,023
Fees payable to the Company's auditor and its associates for other services						
The audit of the Company's subsidiaries pursuant to legislation*	2,203	3,407	5,610	2,000	2,430	4,430
Other services pursuant to legislation:						
Interim Review	520	-	520	500	-	500
Other including shareholder circular related work	104	-	104	563	22	585
Further assurance services						
Advice on accounting matters	28	-	28	52	-	52
Internal controls	16	-	16	125	-	125
Due diligence	880	1,036	1,916	116	354	470
Tax services						
Compliance	308	793	1,101	301	773	1,074
Advisory	909	488	1,397	687	349	1,036
Other services	313	-	313	46	62	108
Total fees payable to the Company's auditor and its associates	6,392	5,724	12,116	5,413	3,990	9,403

* Total fees payable to the Company's auditor and its associates for audit services **6,721** 5,453

Tax services include tax compliance support and services in relation to the Group's expatriate employees based around the world. The majority of services provided outside the UK were provided in the US.

Significant one-off costs included in operating costs

	2007 £m	2006 £m
Rationalisation programmes	25	51

	2007 £m	Restated ¹ 2006 £m
Electronics, Intelligence & Support	5	14
Land & Armaments	2	17
Programmes & Support	4	3
International Businesses	9	15
HQ & Other Businesses	5	2
	25	51

1 restated following changes to the Group's organisational structure