

Notes to the consolidated financial statements

23 Obligations under leases and hire purchase contracts

Obligations under finance leases and hire purchase contracts

The Group uses finance leases and hire purchase contracts to acquire plant and machinery. These leases have terms of renewal and purchase options but no escalation clauses. Renewals are at the option of the lessee.

The value of future minimum lease payments and their present value, which are the same, is analysed as follows:

	2007 £m	2006 £m
Not later than 1 year	0.2	0.2
Later than 1 year but not later than 5 years	–	0.3
	0.2	0.5

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of plant and machinery. These leases have an average duration of between 3 and 10 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2007 £m	2006 £m
Not later than 1 year	55.4	53.7
Later than 1 year but not later than 5 years	139.3	113.3
Later than 5 years	80.7	57.7
	275.4	224.7

Operating lease agreements where the Group is lessor

The Group has determined that certain executory contracts contain embedded leases as defined by IFRIC 4 'Determining whether an Arrangement contains a Lease'. Accordingly, these are accounted for as leases in accordance with IAS 17 'Leases'.

Future minimum rentals receivable under these embedded operating leases are as follows:

	2007 £m	2006 £m
Not later than 1 year	1.5	18.1
Later than 1 year but not later than 5 years	–	1.5
	1.5	19.6

24 Provisions

	Property provision £m
At 1 January 2007	1.7
Utilisation	(1.0)
Additional provisions in the year	1.8
Unwinding of interest on discounted provisions	0.1
At 31 December 2007	2.6

The property provision is made on a discounted basis for the future rent expense and related cost of leasehold property (net of estimated sub-lease income) where the space is vacant or currently not planned to be used for ongoing operations. The expectation is that this expenditure will be incurred over the remaining periods of the leases which range from one to six years.