

## Notes on the accounts continued

### 18 Property, plant and equipment

2006	Group						Total £m
	Investment properties £m	Freehold premises £m	Long leasehold premises £m	Short leasehold premises £m	Computers and other equipment £m	Operating lease assets £m	
Cost or valuation:							
At 1 January 2006	4,347	2,681	338	1,045	3,310	11,569	23,290
Currency translation and other adjustments	14	(38)	(1)	(29)	(98)	(587)	(739)
Reclassifications	—	(6)	(9)	12	—	3	—
Additions	632	295	26	266	553	2,551	4,323
Expenditure on investment properties	16	—	—	—	—	—	16
Change in fair value of investment properties	486	—	—	—	—	—	486
Disposals and write-off of fully depreciated assets	(610)	(353)	(44)	(40)	(693)	(1,947)	(3,687)
Disposals of subsidiaries	—	—	—	—	(3)	—	(3)
At 31 December 2006	4,885	2,579	310	1,254	3,069	11,589	23,686
Accumulated depreciation and amortisation:							
At 1 January 2006	—	390	121	319	1,891	2,516	5,237
Currency translation and other adjustments	—	(2)	—	(11)	(41)	(95)	(149)
Reclassifications	—	4	(7)	3	—	—	—
Disposals and write-off of fully depreciated assets	—	(5)	(26)	(15)	(539)	(528)	(1,113)
Disposals of subsidiaries	—	—	—	—	(2)	—	(2)
Depreciation charge for the year	—	59	8	78	361	787	1,293
At 31 December 2006	—	446	96	374	1,670	2,680	5,266
Net book value at 31 December 2006	4,885	2,133	214	880	1,399	8,909	18,420

2005	Group						Total £m
	Investment properties £m	Freehold premises £m	Long leasehold premises £m	Short leasehold premises £m	Computers and other equipment £m	Operating lease assets £m	
Cost or valuation:							
At 1 January 2005	4,162	2,878	404	842	3,143	9,447	20,876
Currency translation and other adjustments	(55)	17	11	18	67	469	527
Reclassifications	(2)	34	(31)	—	(1)	—	—
Additions	348	331	25	322	597	3,136	4,759
Expenditure on investment properties	53	—	—	—	—	—	53
Change in fair value of investment properties	26	—	—	—	—	—	26
Disposals and write-off of fully depreciated assets	(176)	(560)	(71)	(127)	(466)	(1,372)	(2,772)
Disposals of subsidiaries	(9)	(19)	—	(10)	(30)	(111)	(179)
At 31 December 2005	4,347	2,681	338	1,045	3,310	11,569	23,290
Accumulated depreciation and amortisation:							
At 1 January 2005	—	417	138	280	1,831	1,782	4,448
Currency translation and other adjustments	—	4	—	6	31	141	182
Disposals and write-off of fully depreciated assets	—	(91)	(24)	(29)	(340)	(159)	(643)
Disposals of subsidiaries	—	—	—	(2)	(21)	(53)	(76)
Depreciation charge for the year	—	60	7	64	390	805	1,326
At 31 December 2005	—	390	121	319	1,891	2,516	5,237
Net book value at 31 December 2005	4,347	2,291	217	726	1,419	9,053	18,053

	2006 £m	2005 £m
Contracts for future capital expenditure not provided for in the accounts at the year end (excluding investment properties and operating lease assets)	117	38
Contractual obligations to purchase, construct or develop investment properties or to repair, maintain or enhance investment properties	6	4
Property, plant and equipment pledged as security	1,222	1,250

Investment properties are valued to reflect fair value, that is, the market value of the Group's interest at the reporting date excluding any special terms or circumstances relating to the use or financing of the property and transaction costs that would be incurred in making a sale. Observed market data such as rental yield, replacement cost and useful life, reflect relatively few transactions involving property that, necessarily, is not identical to property owned by the Group.

Valuations are carried out by qualified surveyors who are members of the Royal Institution of Chartered Surveyors, or an equivalent overseas body. The 31 December 2006 valuation for a significant majority of the Group's investment properties was undertaken by external valuers.

The fair value of investment properties includes £451 million (2005 – £100 million) of appreciation since purchase.

Rental income from investment properties was £278 million (2005 – £250 million; 2004 – £241 million). Direct operating expenses of investment properties were £54 million (2005 – £61 million; 2004 – £72 million).

Property, plant and equipment, excluding investment properties, include £607 million (2005 – £84 million) assets in the course of construction.