

## 16 Taxation

|  | 2007<br>£m     | 2006 <sup>†</sup><br>£m |
|--|----------------|-------------------------|
| <b>Tax (income) charge</b>   |                |                         |
| <b>Current tax</b>   |                |                         |
| UK corporation tax (30%)   | (8)            | (3)                     |
| Foreign tax  | 3              | 11                      |
|  | (5)            | 8                       |
| Adjustments in respect of prior years  | 4              | (1)                     |
| Total current tax (credit) charge  | (1)            | 7                       |
| REIT conversion charge   | 277            |                         |
| Deferred tax on income and revaluations  | (1,289)        | 307                     |
| <b>Group total taxation (net)</b>  | <b>(1,013)</b> | <b>314</b>              |
| <b>Tax reconciliation</b>  |                |                         |
| Profit on ordinary activities before taxation                                      | 1,440          | 1,498                   |
| Less: Profit attributable to funds and joint ventures                              | (459)          | (311)                   |
| Group profit on ordinary activities before taxation                                | 981            | 1,187                   |
| Tax on profit on ordinary activities at UK corporation tax rate of 30% (2006: 30%) | 294            | 356                     |
| Effects of:  |                |                         |
| REIT conversion charge   | 277            |                         |
| REIT conversion on investment gains  | (1,458)        | (8)                     |
| REIT conversion on capital allowance provisions                                    | (134)          | (8)                     |
| REIT exempt income and gains   | (10)           |                         |
| Goodwill impairment  | 31             | 72                      |
| Tax losses and other timing differences  | 19             | (84)                    |
| Expenses not deductible for tax purposes   | (36)           | (13)                    |
| Adjustments in respect of prior years  | 4              | (1)                     |
| <b>Group total taxation</b>  | <b>(1,013)</b> | <b>314</b>              |

<sup>†</sup> Restated as described in note 1.

Tax attributable to underlying profits for the year ended 31 March 2007 is £31m (2006: £43m).

Corporation tax payable at 31 March 2007 was £283m (2006: £8m asset) as shown in note 15. Deferred tax is calculated on temporary differences under the liability method using a tax rate of 30% (2006: 30%). The movement on deferred tax is as shown below:

### Deferred taxation

|                                      | 1 April<br>2005<br>£m | Acquisition<br>£m | Charged<br>(credited)<br>to income<br>£m | Charged<br>(credited)<br>to reserves<br>£m | 31 March<br>2006<br>£m |
|--------------------------------------|-----------------------|-------------------|--|--|------------------------|
| Property and investment revaluations | 851                   | 8                 | 301                                      | 56   | 1,216                  |
| Capital allowances                   | 123                   |                   | 1  |  | 124                    |
| Other timing differences             | (29)                  | (5)               | 5  |  | (29)                   |
| Intangible assets                    |                       | 20                |  |  | 20                     |
|                                      | 945                   | 23                | 307                                      | 56   | 1,331                  |
|                                      | 1 April<br>2006<br>£m | Acquisition<br>£m | Charged<br>(credited)<br>to income<br>£m | Charged<br>(credited)<br>to reserves<br>£m | 31 March<br>2007<br>£m |
| Property and investment revaluations | 1,216                 | 151               | (1,181)                                  | (26)                                       | 160                    |
| Capital allowances                   | 124                   | 2                 | (126)                                    |  |                        |
| Other timing differences             | (29)                  |                   | 23                                       | 10   | 4                      |
| Intangible assets                    | 20                    |                   | (5)                                      |  | 15                     |
|                                      | 1,331                 | 153               | (1,289)                                  | (16)                                       | 179                    |

Under the REIT regime development properties which are sold within three years of completion do not benefit from tax exemption. At 31 March 2007 the value of properties under development is £1,220m and if these properties were to be sold and tax exemption was not available the tax arising would be £100m. No provision is made for this amount as the Group has no current plans to sell these properties. No comparatives are shown as prior to REIT status deferred tax on potential disposals was provided in full.