

2. Sale of commercial assets

	Commercial properties £m	Housing associations £m	Total £m
Net proceeds from sale	(1,890.0)	(2,064.0)	(3,954.0)
Book value of assets sold	1,972.1	2,026.6	3,998.7
	82.1	(37.4)	44.7
Less:			
Costs			13.3
Loss on sale of assets			58.0

In April 2007, the Board took the strategic decision to sell our commercial property and housing association mortgage portfolios in order to focus on the higher margin, high growth, specialist mortgage market to maximise future returns and capital efficiency. The sale of the commercial property and housing association loans completed for £4.0bn.

3. Net interest income

	2007 £m	Group 2006 £m
Net interest income	547.7	510.2
Average interest-earning assets ('IEA')	49,743	42,692
Financed by		
- Interest-bearing liabilities	47,904	41,122
- Interest-free liabilities	1,839	1,570
Average rates	%	%
- Gross yield on IEA	5.96	5.57
- Cost of interest-bearing liabilities	(5.05)	(4.55)
Interest spread	0.91	1.02
Contribution of interest-free liabilities	0.19	0.17
Net interest margin	1.10	1.19
Average bank base rate	5.51	4.64
Average 3-month LIBOR	6.00	4.84
Average 3-year swap rate	5.81	5.07

Included within interest receivable and similar income are the following amounts:

	2007 £m	Group 2006 £m
Interest accrued on impaired financial assets	3.7	2.8

4. Administrative expenses

	2007 £m	Group 2006 £m
Staff costs (see note 5)	105.7	100.5
Property operating lease rentals	7.7	7.9
Equipment hire	0.6	0.4
Depreciation and amortisation (see notes 18 and 19)	23.7	18.2
Other legal and professional services	26.6	26.2
IT costs	42.6	41.4
Other administrative expenses	73.3	77.0
Ongoing administrative expenses	280.2	271.6
Compensation costs	-	89.4
	280.2	361.0

Compensation costs relate to the provision for potential compensation payments to customers for business written in the past by our independent financial advisory business. The independent financial advisory business which made these sales was closed in 2004.