

Consolidated cash flow statement

Year ended 31 December 2007

	Note	2007 £m	2006 £m
Cash flows from operating activities			
Profit before tax from continuing operations		1,185	2,221
Profit (loss) before tax from discontinued operations (including profit on sale)	J1	222	(150)
Total profit before tax*		1,407	2,071
Changes in operating assets and liabilities:			
Investments		(11,730)	(13,748)
Banking customer accounts		(9)	(276)
Other non-investment and non-cash assets		(817)	(232)
Policyholder liabilities (including unallocated surplus)		12,017	13,540
Other liabilities (including operational borrowings)		962	1,136
Interest income and expense and dividend income included in profit before tax		(8,201)	(10,056)
Other non-cash items		(140)	198
Operating cash items:			
Interest receipts		5,541	6,466
Dividend receipts		2,732	3,633
Tax paid		(624)	(523)
Net cash flows from operating activities		1,138	2,209
Cash flows from investing activities			
Purchases of property, plant and equipment	H6	(231)	(174)
Proceeds from disposal of property, plant and equipment		61	34
Costs incurred on purchase of Egg minority interests		–	(6)
Acquisition of subsidiaries, net of cash balances	I6(iv)	(77)	(70)
Disposal of Egg, net of cash balances	I6(iii)	(538)	–
Disposal of other subsidiaries, net of cash balances	I6(v)	157	114
Deconsolidation of investment subsidiaries	I6(v)	(91)	–
Net cash flows from investing activities		(719)	(102)
Cash flows from financing activities			
Structural borrowings of the Group:			
Shareholder-financed operations:			
Issue		–	–
Redemption		(150)	(1)
Interest paid		(171)	(204)
With-profits operations:			
Interest paid		(9)	(9)
Equity capital:			
Issues of ordinary share capital	H11	6	15
Dividends paid	B3	(255)	(323)
Net cash flows from financing activities		(579)	(522)
Net (decrease) increase in cash and cash equivalents		(160)	1,585
Cash and cash equivalents at beginning of year		5,071	3,586
Effect of exchange rate changes on cash and cash equivalents		40	(100)
Cash and cash equivalents at end of year	H10	4,951	5,071

* Profit before tax represents income net of post-tax transfers to unallocated surplus of with-profits funds, before tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders' profits. It does not represent profit before tax attributable to shareholders.