

Consolidated cash flow statement

Year ended 31 December 2006

	Note	2006 £m	2005 £m
Cash flows from operating activities			
Profit before tax*		2,071	2,145
Changes in operating assets and liabilities:			
Investments		(13,748)	(21,462)
Banking customer accounts		(276)	(861)
Other non-investment and non-cash assets		(232)	(957)
Policyholder liabilities (including unallocated surplus)		13,540	21,113
Other liabilities (including operational borrowings)		1,136	180
Interest income and expense and dividend income included in profit before tax		(10,056)	(8,410)
Other non-cash items		198	0
Operating cash items:			
Interest receipts		6,466	5,946
Dividend receipts		3,633	2,680
Tax paid		(523)	(573)
Net cash flows from operating activities		2,209	(199)
Cash flows from investing activities			
Purchases of property, plant and equipment	H6	(174)	(160)
Proceeds from disposal of property, plant and equipment		34	6
Costs incurred on purchase of Egg minority interests	I6	(6)	–
Acquisition of subsidiaries, net of cash balances	I6	(70)	(68)
Disposal of subsidiaries, net of cash balances	I6	114	252
Net cash flows from investing activities		(102)	30
Cash flows from financing activities			
Structural borrowings of the Group:	I10		
Shareholder-financed operations:			
Issue		–	168
Redemption		(1)	(308)
Interest paid		(204)	(204)
With-profits operations:			
Interest paid		(9)	(9)
Equity capital:			
Issues of ordinary share capital	H11	15	3
Dividends paid	B3	(323)	(328)
Net cash flows from financing activities		(522)	(678)
Net increase (decrease) in cash and cash equivalents		1,585	(847)
Cash and cash equivalents at beginning of year		3,586	4,341
Effect of exchange rate changes on cash and cash equivalents		(100)	92
Cash and cash equivalents at end of year	H10	5,071	3,586

*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.