

Consolidated cash flow statement

Year ended 31 December 2008

	Note	2008 £m	2007* £m
Cash flows from operating activities			
(Loss) profit before tax from continuing operations <i>(being tax attributable to shareholders' and policyholders' returns)</i> [†]		(2,074)	1,058
Profit before tax from discontinued operations	I9	–	222
Total (loss) profit before tax		(2,074)	1,280
Changes in operating assets and liabilities:			
Investments		33,255	(11,730)
Other non-investment and non-cash assets		(1,659)	(466)
Policyholder liabilities (including unallocated surplus)		(26,987)	11,845
Other liabilities (including operational borrowings)		(631)	902
Interest income and expense and dividend income included in profit before tax		(4,989)	(8,201)
Other non-cash items		(74)	(141)
Operating cash items:			
Interest receipts		2,937	5,541
Dividend receipts		2,019	2,732
Tax paid		(653)	(624)
Net cash flows from operating activities		1,144	1,138
Cash flows from investing activities			
Purchases of property, plant and equipment	H6	(240)	(231)
Proceeds from disposal of property, plant and equipment		11	61
Acquisition of subsidiaries, net of cash balances	I6(iv)	–	(77)
Disposal of Egg, net of cash balances	I9	–	(538)
Disposal of other subsidiaries, net of cash balances	I6(iv)	–	157
Deconsolidation of investment subsidiaries	I6(iv)	–	(91)
Net cash flows from investing activities		(229)	(719)
Cash flows from financing activities			
Structural borrowings of the Group: I8			
Shareholder-financed operations:			
Redemption		–	(150)
Interest paid		(167)	(171)
With-profits operations:			
Interest paid		(9)	(9)
Equity capital:			
Issues of ordinary share capital	H11	12	6
Dividends paid	B3	(297)	(255)
Net cash flows from financing activities		(461)	(579)
Net increase (decrease) in cash and cash equivalents		454	(160)
Cash and cash equivalents at beginning of year		4,951	5,071
Effect of exchange rate changes on cash and cash equivalents		550	40
Cash and cash equivalents at end of year	H10	5,955	4,951

* The Company has adopted the principles of IFRIC 14 for pension schemes, giving rise to consequential changes to the 2007 comparative results. Note I1 explains the effect of the change.

[†]This measure is the formal (loss) profit before tax measure under IFRS but it is not the result attributable to shareholders.