

Cash Flow Statements

For the year ended 31 December

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Cash flows from operating activities				
Profit for the financial year	93.2	177.7	38.2	151.4
Adjustments to reconcile net profit to cash flow from/(used in) operating activities				
- Income tax expense	32.8	69.0	2.6	37.1
- Depreciation and amortisation	22.6	18.0	12.2	9.6
- Loan impairment loss	29.3	14.9	4.6	4.1
- Investment impairment loss	94.4	-	94.4	-
- Recoveries of loans and advances previously written off	(6.8)	(7.5)	(4.5)	(5.0)
- Loss on sale of assets	58.0	-	58.0	-
- Interest on subordinated liabilities and other capital instruments	91.7	89.6	102.4	98.6
- Net profit on sale of property, plant and equipment and intangible assets	(4.3)	(5.5)	(4.5)	(5.7)
- Gains less losses on sale of debt securities	(3.4)	(2.1)	(3.4)	(2.1)
Cash flows from operating activities before changes in operating assets and liabilities	407.5	354.1	300.0	288.0
Net (increase)/decrease in operating assets				
- Loans and advances to banks and customers	(3,395.3)	(2,782.6)	(12,774.0)	(9,541.7)
- Net proceeds from sale of assets	3,294.8	-	3,294.8	-
- Acquisitions of mortgage portfolios	(4,337.9)	(2,540.6)	-	-
- Debt securities	(119.3)	426.3	(1,063.3)	296.8
- Derivative financial instruments	(884.4)	(28.2)	(190.4)	(78.2)
- Prepayments and accrued income	(3.5)	8.6	(1.7)	20.2
- Other assets	(632.4)	94.0	(632.4)	84.7
Net increase/(decrease) in operating liabilities				
- Deposits by banks and customer accounts	2,396.0	898.2	7,299.7	5,185.4
- Derivative financial instruments	5.2	162.3	74.4	67.4
- Debt securities in issue	(701.5)	(1,811.8)	329.0	(1,738.8)
- Other liabilities	(35.6)	(54.2)	(41.0)	(50.9)
- Accruals and deferred income	210.1	61.0	171.9	54.3
- Provisions	(35.1)	59.9	(35.1)	59.9
- Income taxes (paid)/received	(80.4)	(27.0)	(61.8)	6.0
- Other non-cash items	(165.9)	198.5	(165.6)	198.2
Net cash used in operating activities	(4,077.7)	(4,981.5)	(3,495.5)	(5,148.7)
Cash flows from investing activities				
- Purchase of property, plant and equipment and intangible assets	(34.3)	(26.6)	(26.9)	(17.4)
- Proceeds from sale of property, plant and equipment	14.5	8.5	12.2	7.1
- Proceeds from sale of shares in Group undertakings	-	-	-	13.9
Net cash (used in)/from investing activities	(19.8)	(18.1)	(14.7)	3.6
Cash flows from financing activities				
- Purchase of own shares held to satisfy employee share plans	(18.7)	-	(18.7)	-
- Purchase of own shares for cancellation	(58.6)	-	(58.6)	-
- Proceeds from disposal of own shares	5.2	7.8	5.2	7.8
- Net proceeds from issue of subordinated liabilities	-	250.0	-	250.0
- Repayments of subordinated liabilities	-	(125.0)	-	(125.0)
- Net proceeds from secured funding	6,437.7	6,178.4	6,437.7	6,178.4
- Repayments of secured funding	(1,374.2)	(1,164.8)	(1,254.6)	(1,000.0)
- Interest paid on subordinated liabilities and other capital instruments	(79.7)	(89.0)	(90.5)	(97.5)
- Dividends paid	(126.5)	(119.2)	(126.5)	(119.2)
Net cash from financing activities	4,785.2	4,938.2	4,894.0	5,094.5
Net increase/(decrease) in cash and cash equivalents	687.7	(61.4)	1,383.8	(50.6)
Cash and cash equivalents at beginning of year	3,647.6	3,709.0	2,684.6	2,735.2
Cash and cash equivalents at end of year	4,335.3	3,647.6	4,068.4	2,684.6
Represented by cash and assets with original maturity of three months or less within				
- Cash and balances at central banks	21.0	17.8	21.0	17.8
- Treasury bills	185.0	-	185.0	-
- Loans and advances to banks	2,137.5	3,088.5	1,901.9	2,291.3
- Debt securities	1,991.8	541.3	1,960.5	375.5
	4,335.3	3,647.6	4,068.4	2,684.6
Balances maintained with the Bank of England	188.2	184.8	188.2	184.8

The Group is required to maintain balances with the Bank of England as shown above. These balances are not included in cash and cash equivalents for the purposes of the Cash Flow Statement.