

# Cash Flow Statement

For the year ended 31 December 2007

	Group		Company	
	2007 \$million	2006* \$million	2007 \$million	2006* \$million
<b>Cash flow from operating activities</b>				
Profit before taxation	4,035	3,178	310	713
Adjustment for items not involving cash flow or shown separately:				
Depreciation and amortisation	345	268	-	-
Gain on disposal of property, plant and equipment	(1)	(16)	-	-
Gain on disposal of investment securities and loan and receivable financial assets	(342)	(190)	-	-
Gain arising on initial recognition of Visa Inc. shares	(107)	-	-	-
Writedowns relating to asset backed securities	87	-	-	-
Movement in fair value hedges on available-for-sale assets	(21)	(5)	-	-
Amortisation of discounts and premiums of investment securities	(259)	(257)	-	-
Pension costs for defined benefit schemes	110	96	-	-
Impairment losses on loans and advances and other credit risk provisions	761	629	-	-
Dividend income from subsidiaries	-	-	(385)	(656)
Other impairment	57	15	-	-
Recoveries of acquisition fair values and discount unwind	(164)	(158)	-	-
	466	382	(385)	(656)
Net (decrease)/increase in derivative financial instruments	(466)	45	-	-
Net increase in debt securities, treasury bills and equity shares held at fair value through profit or loss	(3,691)	(4,259)	-	-
Net increase in loans and advances to banks and customers	(14,983)	(11,664)	-	-
Increase in prepayments and accrued income	(519)	(901)	-	-
Net increase in deposits from banks, customer accounts and debt securities in issue	36,135	16,914	-	-
Increase/(decrease) in accruals and deferred income	289	786	(1,051)	(101)
Net increase/(decrease) in other accounts	(1,880)	4,408	111	297
	14,885	5,329	(940)	196
Interest expense on subordinated liabilities	811	643	126	115
Net return from defined benefit schemes	16	47	-	-
UK and overseas taxes (paid)/refunded	(1,097)	(903)	14	-
<b>Net cash from/(used in) operating activities</b>	<b>19,116</b>	<b>8,676</b>	<b>(875)</b>	<b>368</b>
<b>Net cash flows from investing activities</b>				
Purchase of property, plant and equipment	(471)	(245)	-	-
Disposal of property, plant and equipment	22	40	-	-
Acquisition of investment in subsidiaries, net of cash acquired	(85)	(937)	(750)	(2,683)
Redemption of capital in subsidiary	-	-	-	1,000
Acquisition of investment securities	(78,292)	(71,115)	-	-
Dividends received from investment in subsidiaries	-	-	385	656
Disposal and maturity of investment securities	74,457	63,896	-	-
<b>Net cash used in investing activities</b>	<b>(4,369)</b>	<b>(8,361)</b>	<b>(365)</b>	<b>(1,027)</b>
<b>Net cash flows from financing activities</b>				
Issue of ordinary and preference share capital	861	2,070	861	2,070
Purchase of own shares	(15)	(9)	-	-
Exercise of share options through ESOP	39	158	-	-
Redemption of preference share capital	-	(328)	-	(328)
Interest paid on subordinated liabilities	(737)	(562)	(118)	(124)
Gross proceeds from issue of subordinated liabilities	3,051	1,591	-	-
Repayment of subordinated liabilities	(505)	(390)	-	-
Dividends paid to minority interests and preference shareholders	(148)	(80)	(28)	(25)
Dividends paid to ordinary shareholders	(573)	(496)	(573)	(496)
<b>Net cash from financing activities</b>	<b>1,973</b>	<b>1,954</b>	<b>142</b>	<b>1,097</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>16,720</b>	<b>2,269</b>	<b>(1,098)</b>	<b>438</b>
Cash and cash equivalents at beginning of year	38,161	35,226	2,028	1,590
Effect of exchange rate movements on cash and cash equivalents	457	666	-	-
<b>Cash and cash equivalents at end of year (note 42)</b>	<b>55,338</b>	<b>38,161</b>	<b>930</b>	<b>2,028</b>

\* Amounts have been re-presented as explained in note 51 on page 154.