

Condensed consolidated statement of cash flows

	Note	2013 £m	2012* £m	
		Half year	Half year	Full year
Cash flows from operating activities				
Profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>) ^{note (i)}		720	1,196	3,117
Non-cash movements in operating assets and liabilities reflected in profit before tax ^{note (ii)}		533	(1,150)	(1,916)
Other items ^{note (iii)}		70	254	(496)
Net cash inflows from operating activities		1,323	300	705
Cash flows from investing activities				
Net cash outflows from purchases and disposals of property, plant and equipment		(140)	(108)	(125)
Acquisition of subsidiaries, net of cash balance ^{note (iv)}	X	(376)	–	(224)
Change to Group's holdings, net of cash balance		–	23	23
Net cash outflows from investing activities		(516)	(85)	(326)
Cash flows from financing activities				
Structural borrowings of the Group:				
Shareholder-financed operations: ^{note (v)}				
Issue of subordinated debt, net of costs	S	429	–	–
Bank loan		–	–	25
Interest paid		(148)	(139)	(270)
With-profits operations: ^{note (vi)}				
Interest paid	T	(4)	(4)	(9)
Equity capital:				
Issues of ordinary share capital	W	1	14	17
Dividends paid		(532)	(440)	(655)
Net cash outflows from financing activities		(254)	(569)	(892)
Net increase (decrease) in cash and cash equivalents		553	(354)	(513)
Cash and cash equivalents at beginning of period		6,126	6,741	6,741
Effect of exchange rate changes on cash and cash equivalents		161	(52)	(102)
Cash and cash equivalents at end of period		6,840	6,335	6,126

* The Group has adopted new accounting standards on consolidated financial statements and joint arrangements, and amendments to the employee benefits accounting standard, from 1 January 2013 as described in note B. Accordingly, the 2012 comparative results and related notes have been adjusted retrospectively from those previously published for the application of these standards.

Notes

- (i) This measure is the formal profit before tax measure under IFRS but it is not the result attributable to shareholders.
(ii) The adjusting items to profit before tax included within non-cash movements in operating assets and liabilities reflected in profit before tax are as follows:

	2013 £m	2012* £m	
	Half year	Half year	Full year
Other non-investment and non-cash assets	(1,140)	(1,223)	(774)
Investments	(8,074)	(9,228)	(26,993)
Policyholder liabilities (including unallocated surplus)	7,295	10,622	26,362
Other liabilities (including operational borrowings)	2,452	(1,321)	(511)
Non-cash movements in operating assets and liabilities reflected in profit before tax	533	(1,150)	(1,916)

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- (iii) The adjusting items to profit before tax included within other items are adjustments in respect of non-cash items together with operational interest receipts and payments, dividend receipts and tax paid.
(iv) The acquisition of Thanachart Life in the first half of 2013, resulted in a net cash outflow of £376 million. The acquisition of REALIC in the second half of 2012, resulted in a net cash outflow of £224 million. See note X for further details.
(v) Structural borrowings of shareholder-financed operations comprise core debt of the parent company, Prudential Capital bank loan and Jackson surplus notes. Core debt excludes borrowings to support short-term fixed income securities programmes, non-recourse borrowings of investment subsidiaries of shareholder-financed operations and other borrowings of shareholder-financed operations. Cash flows in respect of these borrowings are included within cash flows from operating activities.
(vi) Interest paid on structural borrowings of with-profits operations relate solely to the £100 million 8.5 per cent undated subordinated guaranteed bonds which contribute to the solvency base of the Scottish Amicable Insurance Fund, a ring-fenced sub-fund of the PAC with-profits fund. Cash flows in respect of other borrowings of with-profits funds, which principally relate to consolidated investment funds, are included within cash flows from operating activities.