

## Company Balance Sheet as at 31 December 2005

	Notes	Company	
		2005 £m	2004 £m
<b>Assets</b>			
Intangible assets	8	36	20
Deferred acquisition costs	9	212	210
Investments in subsidiaries	10	25,314	6,770
Investments in associates and joint ventures	11	1,937	1,606
Investment property	12	4,385	6,005
Property and equipment	13	415	573
Deferred tax assets	14	59	15
Reinsurance assets	21	1,104	978
Loans and receivables	15	711	938
Derivative financial assets	16	158	196
Investment securities	17		
Equity securities and interests in pooled investment funds		35,067	30,238
Debt securities		21,989	30,836
		57,056	61,074
Other debtors	18	707	1,039
Cash and cash equivalents	19	2,429	1,215
<b>Total assets</b>		<b>94,523</b>	<b>80,639</b>
<b>Undated intercompany financial instrument</b>	43	<b>245</b>	-
<b>Liabilities</b>			
Non-participating contract liabilities			
Non-participating insurance contracts	20,21	15,934	14,761
Non-participating investment contracts	20,21	33,735	25,055
		49,669	39,816
Participating contract liabilities			
Participating insurance contracts	20,21	19,633	18,264
Participating investment contracts	20,21	18,076	15,929
Present value of future results on non-participating contracts	20,21	(1,528)	(1,041)
Unallocated divisible surplus	23	4,597	3,730
		40,778	36,882
Borrowings	24	68	124
Intragroup subordinated liabilities	25	1,611	1,600
Pension and other post retirement benefit provisions	26	216	348
Deferred income	27	223	221
Deferred tax liabilities	14	399	381
Current tax liabilities	14	147	62
Derivative financial liabilities	16	120	136
Other liabilities	29	1,047	1,069
<b>Total liabilities and undated intercompany financial instrument</b>		<b>94,523</b>	<b>80,639</b>

Approved on behalf of the Board of Directors on 28 March 2006 by the following Directors:

Sir Brian Stewart, Chairman  
Sandy Crombie, Group Chief Executive  
Alison Reed, Group Finance Director

## Company Cash Flow Statement for the year ended 31 December 2005

	Notes	Company	
		12 months to 31 December 2005 £m	13.5 months to 31 December 2004 £m
<b>Cash flows from operating activities</b>			
Transfer to/(from) unallocated divisible surplus		786	(6)
Tax expense		310	256
Coupon payments on undated intercompany financial instrument		6	-
<b>Operating result before tax</b>		<b>1,102</b>	<b>250</b>
Gain on disposal of property and equipment		(10)	-
Depreciation of property and equipment		2	33
Amortisation of intangible assets		4	1
Amortisation of deferred acquisition costs		29	286
Impairment losses on deferred acquisition costs		-	44
Impairment losses on property and equipment		9	11
Reversal of impairment on property and equipment		(4)	-
Change in present value of future results on non-participating contracts		(488)	-
Finance costs		100	80
Foreign exchange (gain)/loss on investment activity		(7)	23
Income arising from associates and joint ventures	11	(67)	(71)
Net (increase)/decrease in operating assets and liabilities	30	1,451	(279)
Adjustment for investment income		(212)	(45)
Taxation paid		(248)	(275)
<b>Net cash flows from operating activities</b>		<b>1,661</b>	<b>58</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	13	(43)	(157)
Proceeds from sale of property and equipment	13	40	-
Acquisition of subsidiaries net of cash*	10	-	(298)
Acquisition of investment in joint ventures	11	(4)	-
Acquisition of investment in associates	11	(14)	-
Purchase of intangible assets	8	(20)	(13)
<b>Net cash flows from investing activities</b>		<b>(41)</b>	<b>(468)</b>
<b>Cash flows from financing activities</b>			
Repayment of other borrowings		-	(2)
Proceeds from subordinated liabilities		-	555
Interest paid on subordinated liabilities		(100)	(65)
Coupon payment on undated intercompany financial instrument	43	(6)	-
Increase in undated intercompany financial instrument	43	(245)	-
<b>Net cash flows from financing activities</b>		<b>(351)</b>	<b>488</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,269</b>	<b>78</b>
Cash and cash equivalents at the beginning of the year	19	1,091	1,030
Effects of exchange rate changes on cash and cash equivalents		1	(17)
<b>Cash and cash equivalents at the end of the year</b>	19	<b>2,361</b>	<b>1,091</b>
<b>Supplemental disclosures</b>			
<b>Included in operating activities are:</b>			
Interest received		1,568	2,288
Dividend received		1,251	789
Rental income received on investment properties		338	432

\* The acquisition of subsidiaries reflects the impact of domestication of the Canadian subsidiary. Refer to Note 42 Domestication of Canadian non-participating business.

The Company's operating portfolio of investment assets includes unit trusts and other investment funds that are classified for financial reporting purposes as subsidiaries. Cash flows in relation to these assets are classified as operating cash flows in the Company Cash Flow Statement.