

## 19 Notes to the cash flow statement

### Reconciliation of profit on ordinary activities before tax to cash generated from operations

	2007 £m	2006 <sup>†</sup> £m
Profit on ordinary activities before tax	1,440	1,498
<b>Non-cash movements</b>		
Net valuation gains on investment properties		
Revaluation of properties	(1,053)	(1,201)
Gains on property disposals (including trading property appropriations)	(115)	(164)
Other revaluations and gains	1	(4)
	<b>(1,167)</b>	<b>(1,369)</b>
Share of profits after tax of funds and joint ventures	(459)	(311)
Spreading of tenant incentives, guaranteed rent uplifts and letting fees	(36)	(55)
Goodwill impairment	106	240
Depreciation and amortisation	15	11
Share options, share awards and pension funding	20	20
	<b>(1,521)</b>	<b>(1,464)</b>
<b>Changes to working capital and other cash movements</b>		
Net financing costs	313	369
Refinancing charges (as described in note 7)	305	122
Dividends received	(51)	(16)
Pension funding	(10)	(6)
Increase in debtors	(29)	(9)
Increase (decrease) in creditors	32	(39)
	<b>560</b>	<b>421</b>
<b>Cash generated from operations</b>	<b>479</b>	<b>455</b>

<sup>†</sup> Restated as described in note 1.

## 20 Share capital and reserves

	Number of ordinary shares	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Issued, called up and fully paid 1 April 2005	518,307,020	130	1,249	12	3,392	4,783
Restatement (note 1)				32	(32)	
Restated position at 1 April 2005	518,307,020	130	1,249	44	3,360	4,783
Total recognised income and expense for the year				132	1,183	1,315
Shares issued	878,269		4			4
Purchase of ESOP shares					(10)	(10)
Adjustment for share and share option awards					8	8
Dividends paid in the year					(84)	(84)
<b>Issued, called up and fully paid 31 March 2006</b>	<b>519,185,289</b>	<b>130</b>	<b>1,253</b>	<b>176</b>	<b>4,457</b>	<b>6,016</b>
Issued, called up and fully paid 1 April 2006	519,185,289	130	1,253	176	4,457	6,016
Total recognised income and expense for the year				356	2,454	2,810
Shares issued	2,113,068		10			10
Purchase of ESOP shares					(16)	(16)
Adjustment for share and share option awards					18	18
Dividends paid in the year					(91)	(91)
<b>Issued, called up and fully paid 31 March 2007</b>	<b>521,298,357</b>	<b>130</b>	<b>1,263</b>	<b>532</b>	<b>6,822</b>	<b>8,747</b>

The authorised share capital is 800,000,000 25p ordinary shares (2006: 800,000,000).

### Other reserves

Other reserves comprise the following reserve accounts:

- (i) Hedging reserve – The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow and foreign currency hedging instruments.
- (ii) Translation reserve – The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the translation of the liabilities that hedge the Company's net investment in a foreign subsidiary.
- (iii) Revaluation reserve – The revaluation reserve relates to development properties and other investments.