

Consolidated cash flow statement

for the year ended 31 December 2003

| | 2003 | 2002 |
|--|------------------|---------------|
| | £m | £m |
| Net cash (outflow)/inflow from operating activities | (1,141.5) | 108.5 |
| Returns on investment and servicing of finance | | |
| Interest paid on perpetual preferred securities | (9.7) | – |
| Interest paid on subordinated liabilities | (62.0) | (49.2) |
| Net cash outflow from returns on investment and servicing of finance | (71.7) | (49.2) |
| Taxation | (61.5) | (54.3) |
| Capital expenditure and financial investment | | |
| Purchase of investment securities | (7,326.9) | (7,072.3) |
| Sale and maturity of investment securities | 7,456.1 | 7,012.0 |
| Purchase of tangible fixed assets | (27.4) | (11.3) |
| Sale of tangible fixed assets | 24.9 | 17.6 |
| Purchase of own shares | (14.3) | (13.3) |
| Disposal of own shares | 1.0 | 2.4 |
| Net cash inflow/(outflow) from capital expenditure and financial investment | 113.4 | (64.9) |
| Acquisitions and disposals | | |
| Net cash outflow from the investment in joint venture | (0.6) | (4.5) |
| Net cash outflow from the acquisitions of subsidiaries | (9.7) | – |
| Net cash outflow from acquisitions and disposals | (10.3) | (4.5) |
| Equity dividends paid | (97.7) | (91.4) |
| Financing | | |
| Net proceeds from the issue of perpetual subordinated liabilities | 444.2 | 197.3 |
| Net proceeds from the issue of perpetual preferred securities | – | 148.5 |
| Net proceeds from secured funding | 970.9 | – |
| Repayment of subordinated liabilities | – | (100.0) |
| Repurchase of own shares | (62.0) | (88.7) |
| Net cash inflow from financing | 1,353.1 | 157.1 |
| Increase in cash | 83.8 | 1.3 |

See note 35 for reconciliations of cash and financing balances and operating profit to net cash flow from operating activities.

Reconciliation of movement in shareholders' funds

for the year ended 31 December 2003

| | Group | | Company | |
|---|---------|---------|---------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| | £m | £m | £m | £m |
| Profit attributable to shareholders | 204.0 | 171.6 | 151.4 | 162.3 |
| Dividends | (102.0) | (96.4) | (102.0) | (96.4) |
| | 102.0 | 75.2 | 49.4 | 65.9 |
| Repurchase of own shares | (62.0) | (88.7) | (62.0) | (88.7) |
| Net addition/(reduction) to shareholders' funds | 40.0 | (13.5) | (12.6) | (22.8) |
| Opening shareholders' funds | 1,261.8 | 1,275.3 | 1,189.5 | 1,212.3 |
| Closing shareholders' funds | 1,301.8 | 1,261.8 | 1,176.9 | 1,189.5 |

No note of historical cost profits and losses has been presented as there is no material difference between the Group's results as disclosed in the Consolidated Profit and Loss Account and the results on an unmodified historical cost basis.