

**Consolidated cash flow statement**

For the six months ended 30 June 2004

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Net cash inflow from operating activities, excluding exceptional items*	<b>1,104</b>	386	1,208
Exceptional items*	–	(503)	(522)
Net cash outflow from servicing of finance	<b>(99)</b>	(84)	(256)
Corporation tax paid	<b>(28)</b>	(90)	(174)
Net purchases of tangible fixed assets	<b>(48)</b>	(36)	(101)
Acquisitions and disposals of subsidiary and associated undertakings†	<b>174</b>	510	600
Equity dividends paid	<b>(341)</b>	(321)	(523)
Proceeds from issue of subordinated debt	–	–	1,567
Net cash inflow from other financing activities:			
Issue of share capital	<b>23</b>	1	2
Net drawdown of loans	<b>69</b>	221	80
<b>Net cash flows</b>	<b>854</b>	84	1,881

**Cash flows were invested as follows:**

Increase/(decrease) in cash holdings	<b>304</b>	(155)	(164)
Net purchases of investments	<b>544</b>	437	2,262
Non-trading cash inflow/(outflow) to long-term business operations	<b>6</b>	(198)	(217)
<b>Net investment of cash flows</b>	<b>854</b>	84	1,881

The cash flows presented in this statement relate to non-long-term business transactions only. Long-term business profits are included as net cash inflows/(outflows) from operating activities only to the extent that they have been remitted to shareholders by way of dividends from life operations.

\* Included within the exceptional items in 2003 are payments to the Berkshire Hathaway Group for reinsurance purchased in December 2000 to secure protection against any adverse impact of the run-off of London Market claims reserves. The final instalment was paid on 2 January 2003.

† The six months to 30 June 2003 and full year 2003 include £651 million of consideration received in relation to the disposal of the Australia and New Zealand general insurance businesses.