

Consolidated statement of cash flows

Year ended 31 December	Note	2016 £m	2015 £m
Cash flows from operating activities			
Profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>) ^{note (i)}		3,212	3,321
Non-cash movements in operating assets and liabilities reflected in profit before tax:			
Investments		(37,824)	(6,814)
Other non-investment and non-cash assets		(2,490)	(1,063)
Policyholder liabilities (including unallocated surplus)		31,135	6,067
Other liabilities (including operational borrowings)		7,861	1,761
Interest income and expense and dividend income included in result before tax		(9,749)	(8,726)
Other non-cash items ^{note (ii)}		834	234
Operating cash items:			
Interest receipts		7,886	7,316
Dividend receipts		2,286	1,777
Tax paid ^{note (v)}		(950)	(1,340)
Net cash flows from operating activities		2,201	2,533
Cash flows from investing activities			
Purchases of property, plant and equipment	C13	(348)	(256)
Proceeds from disposal of property, plant and equipment		102	30
Acquisition of subsidiaries and intangibles		(303)	(286)
Sale of businesses		–	43
Net cash flows from investing activities		(549)	(469)
Cash flows from financing activities			
Structural borrowings of the Group:			
Shareholder-financed operations: ^{note (iii)}	C6.1		
Issue of subordinated debt, net of costs		1,227	590
Interest paid		(335)	(288)
With-profits operations: ^{note (iv)}	C6.2		
Interest paid		(9)	(9)
Equity capital:			
Issues of ordinary share capital		13	7
Dividends paid		(1,267)	(974)
Net cash flows from financing activities		(371)	(674)
Net increase in cash and cash equivalents		1,281	1,390
Cash and cash equivalents at beginning of year		7,782	6,409
Effect of exchange rate changes on cash and cash equivalents		1,002	(17)
Cash and cash equivalents at end of year		10,065	7,782

Notes

- (i) This measure is the formal profit before tax measure under IFRS but it is not the result attributable to shareholders.
- (ii) Other non-cash items consist of the adjustment of non-cash items to profit before tax.
- (iii) Structural borrowings of shareholder-financed operations exclude 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.
- (iv) 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 (SAIF), 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.
- (v) Tax paid includes £226 million (2015: £229 million) paid on profits taxable at policyholder rather than shareholder rates.