

Notes to the Group annual financial statements continued

26 NOTES TO THE STATEMENTS OF CASH FLOWS

	2018 R'000	2017 R'000
26.1 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
Profit before taxation from continuing operations	895 157	724 844
Profit before taxation from discontinued operations	–	7 675
Profit before taxation	895 157	732 519
Adjusted for:		
- amortisation of intangibles	10 647	9 682
- depreciation	158 386	140 390
- (profit)/loss on disposal/scrapping of property, plant and equipment	(1 968)	781
- dividend income	(4 340)	(5 979)
- finance income	(18 270)	(16 938)
- finance costs	26 187	40 253
- equity accounted earnings	(79 252)	(64 144)
- share-based payment expenses	34 345	40 660
- equity options settlement	(6 286)	–
- provision for accounts receivable impairment and credit notes	7 778	22 079
- increase in provisions and post-retirement medical liability	52 120	6 592
- straight-lining of leases	(907)	999
- impairment of intangible asset	2 700	–
- impairment of long-term receivable	2 535	217
- inventories written off	94 854	66 215
- increase in inventory provisions	19 306	15 422
- foreign exchange loss	4 850	13 060
	1 197 842	1 001 808
26.2 WORKING CAPITAL CHANGES		
Increase in inventories	(438 199))	(81 429)
Decrease/(Increase) Increase in trade and other receivables	11 695	(183 547)
Increase in trade and other payables	83 536	31 041
	(342 968)	(233 935)
26.3 DIVIDENDS PAID		
Dividends paid to equity holders of the parent	(235 904)	(170 369)
Dividends paid to non-controlling shareholders	(11 239)	(5 484)
	(247 143)	(175 853)
26.4 TAXATION PAID		
Amounts overpaid at beginning of year	9 642	84 087
Amounts charged to profit or loss	(251 084)	(206 157)
Continuing operations	(251 084)	(204 856)
Discontinued operations	–	(1 301)
Movement in deferred tax	(555)	(2 836)
Acquisition of business	1 579	462
Exchange rate adjustments	(184)	(93)
Reclassification to disposal group held-for-sale	–	898
Amounts overpaid at end of year	(6 061)	(9 642)
	(246 663)	(133 281)

Notes to the Group annual financial statements continued

26 NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

	2018 R'000	2017 R'000
26.5 NET CASHFLOW ON ACQUISITION OF BUSINESSES		
Inventories	87 003	16 485
Trade and other receivables	89 383	5 288
Property, plant and equipment	18 291	2 880
Marketing-related intangible assets	121 385	462
Taxation receivable	1 579	94
Trade and other payables	(99 602)	(11 015)
Cash and cash equivalents/(bank overdraft)	9 082	(2 275)
Short-term borrowings	(24 297)	(1 198)
Long-term borrowings	–	(920)
Deferred tax	(27 622)	204
Provisions	(2 255)	–
Fair value of net assets	172 947	10 005
Goodwill arising on acquisition	163 758	5 595
Deferred consideration	–	(8 000)
Consideration paid	336 705	7 600
Net (cash)/bank overdraft acquired with the business	(9 082)	2 275
Cash outflow on business combination	327 623	9 875
26.6 FINANCE INCOME RECEIVED		
Finance income – continuing operations	18 270	15 665
– discontinued operations	–	1 273
	18 270	16 938
Less movement in receivable	(907)	–
	17 363	16 938
26.7 FINANCE COSTS PAID		
Finance costs – continuing operations	(26 187)	(38 239)
– discontinued operations	–	(2 014)
	(26 187)	(40 253)
Add/(Less) movement in accrual	582	(1 359)
	(25 605)	(41 612)
26.8 DIVIDEND INCOME RECEIVED		
Dividend income (note 3)	4 340	5 979
Dividend received from joint ventures	25 760	15 389
	30 100	21 368

Notes to the Group annual financial statements continued

	2018 R'000	2017 R'000				
26	NOTES TO THE STATEMENTS OF CASH FLOWS (continued)					
26.9	MOVEMENT IN BORROWINGS					
Balance at beginning of year	251 908	500 000				
Non-cash items: Acquisition of business (note 1.1)	24 297	2 118				
Exchange rate adjustments	(28)	(82)				
Reclassification to disposal group held-for-sale	–	(7 822)				
Balance at end of year	–	(251 908)				
Cash movement in borrowings	276 177	242 306				
Disclosed as follows:						
Increase in borrowings	–	9 917				
Repayment of borrowings	(276 177)	(252 223)				
	(276 177)	(242 306)				
26.10	DECREASE IN OTHER FINANCIAL ASSETS					
Proceeds from sale of interest in Group Risk Holdings Proprietary Limited	–	318				
Decrease in Black Managers Share Trust	5 232	32 038				
	5 232	32 356				
27	CONTINGENT LIABILITIES					
The wholly-owned South African companies in the Group provide cross-sureties for the debt obligations (refer note 21) and overdraft facilities (refer note 17) in South Africa.						
28	COMMITMENTS AND CONTINGENCIES					
28.1	OPERATING LEASE COMMITMENTS					
The Group has entered into the following material lease agreements in South Africa for premises used as offices and distribution centres for pharmaceutical products. These leases represent more than 95% of the lease commitments of the Group.						
	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5	Lease 6
	New Road	Durban	Cape Town	Port Elizabeth	Capital Hill Office Park	19 Louis Gradner Street, Cape Town (4th Floor)
Initial lease period (years)	10	12	10	5	2	5
Ending	30 November 2021	31 October 2022	31 August 2022	31 July 2022	31 May 2019	31 October 2020
Renewal option period (years)	10	10	5	5	N/A	N/A
Ending	30 November 2031	31 October 2032	31 August 2027	31 July 2027	N/A	N/A
Escalation %	7.3%	8.5%	7.0%	7.0%	8.0%	7.5%
					2018 R'000	2017 R'000
Future minimum rentals payable under all non-cancellable operating leases are as follows:						
Within one year					50 388	38 780
After one year but not more than five years					150 485	164 783
More than five years					1 455	6 572
					202 328	210 135