

Notes to the consolidated financial statements

for the year ended 30 June

	2017 R'000	2016 R'000
12. Acquisition of businesses, subsidiaries and associates		
Property, plant and equipment	(248 992)	(116 936)
Deferred taxation	124 198	23 366
Interest in associates	(60 416)	(241 052)
Investments and advances	(43 818)	(262)
Inventories	(631 214)	(264 650)
Trade and other receivables	(513 987)	(229 171)
Cash and cash equivalents	(178 524)	(17 484)
Borrowings	1 956 179	292 224
Trade and other payables and provisions	536 040	272 588
Taxation	14 557	4 401
Net fair value of liabilities (assets)	954 023	(276 976)
Goodwill	(634 198)	(423 090)
Gain on a bargain purchase	11 374	9 310
Intangible assets	(684 799)	(132 520)
Non-controlling interest	(15 179)	(84 943)
Total value of acquisitions	(368 779)	(908 219)
Less: Cash and cash equivalents acquired	178 524	17 484
Vendors for acquisition at beginning of year	(28 534)	(14 955)
Vendors for acquisition at end of year	39 523	28 534
Transfer to NCI put option liability	–	20 464
Costs incurred in respect of acquisitions	(24 230)	(8 416)
Net amounts paid	(203 496)	(865 108)

The Group acquired 100% of the share capital of Brandcorp with effect from 1 October 2016. Brandcorp is a value-added distributor of niche industrial and consumer products trading under the Industrial brands, Matus, Renttech, Burncrete, Moto Quip, Leisure Quip and Consumer brands, Cellini and MIC Prestige. The acquisition forms part of the Bidvest Commercial Products segment and will enable the Group to expand its range of complementary products and services provided by Bidvest Commercial Products. The acquisition has been funded with a combination of long-term borrowings and existing cash resources.

The Group also made a number of less significant acquisitions and disposals during the year. Certain of these acquisitions resulted in insignificant bargain purchase price gains.

Goodwill arose on the acquisitions as the anticipated value of future cash flows that were taken into account in determining the purchase consideration exceeded the net assets acquired at fair value. The acquisitions have enabled the Group to expand its range of complementary products and services and, as a consequence, has broadened the Group's base in the marketplace.

Trade receivables acquired above are stated net of impairment allowances of R31,1 million (2016: R9,2 million). There were no significant contingent liabilities identified in the businesses acquired.

The impact of these acquisitions on the Group's results can be summarised as follows:

	Brandcorp R'000	Other smaller acquisitions R'000	Total R'000
Identifiable assets and liabilities acquired			
Property, plant and equipment	185 302	63 690	248 992
Deferred taxation	(116 534)	(7 664)	(124 198)
Interest in associates	27 626	32 790	60 416
Investments and advances	–	43 818	43 818
Inventories	572 519	58 695	631 214
Trade and other receivables	480 411	33 576	513 987
Cash and cash equivalents	118 444	60 080	178 524
Borrowings	(1 945 120)	(11 059)	(1 956 179)
Trade and other payables and provisions	(434 490)	(101 550)	(536 040)
Taxation	(9 277)	(5 280)	(14 557)
Intangible assets	684 282	517	684 799
Total net identifiable (liabilities) assets	(436 837)	167 613	(269 224)
Contribution to results for the year			
Revenue	1 811 047	281 451	2 092 498
Operating profit before acquisition costs	198 298	30 907	229 205
Contribution to results for the year if the acquisitions had been effective on 1 July 2016			
Revenue	2 570 713	445 717	3 016 430
Operating profit before acquisition costs	251 701	50 057	301 758