

Summarised annual financial statements continued

Notes to the summarised consolidated financial statements continued

for the year ended 30 June 2017

2 BUSINESS ACQUISITION

2.1 Acquisition of subsidiary

On 29 July 2016, the holding company acquired the entire issued share capital of Dwarsrivier Chrome Mine Proprietary Limited (DCM) from Assmang.

In accordance with IFRS 3 - Business Combinations, the fair value of the assets acquired and liabilities assumed in a business combination are required to be determined within one year of the acquisition of control of the entity. The previous business combination disclosure (which was reported as part of the "Events after reporting period" for the year ended 30 June 2016) contained provisional values as the initial accounting for the business combination had not been completed. The fair values previously disclosed, were provisional as the "purchase price allocation" was not yet included at that point in time. On the basis of a valuation performed and independently reviewed effective 1 July 2016 the fair values of the identifiable assets and liabilities of Dwarsrivier at 1 July 2016, together with the fair value of the purchase consideration, were determined and the results for the financial year ending 30 June 2017 were adjusted to bring into account the finalisation of the initial accounting for the business combination and the valuation referred to above.

The following finalised values have been used in determining the bargain purchase gain:

	R'000
Property, plant and equipment	691 596
Mining right	712 502
Inventories	455 631
Trade and other receivables	231 491
Long-term provisions	(63 322)
Trade and other payables	(277 918)
Short-term provisions	(119 695)
Deferred tax liability raised in respect of the fair value of assets	(282 383)
Pre-acquisition liability	(55 313)
Fair value of identifiable assets acquired and liabilities assumed	1 292 589
Fair value of interest already held by the group	(560 709)
– purchase price for acquisition of 50% DCM "A" shares issued to ARM	(237 562)
– fair value of equity interest distributed by Assmang	(323 147)
Fair value of purchase consideration	(475 125)
Purchase price, agreed as at 1 July 2014	(450 000)
Interest foregone on purchase consideration placed in escrow on 1 July 2015 and paid to seller on 29 July 2016 in terms of acquisition agreement	(25 125)
Bargain purchase gain	256 755
The above bargain purchase gain results largely from the purchase price being agreed upon as at 1 July 2014 and the transaction being concluded on 29 July 2016, when all of the conditions precedent were met.	
The following results of Dwarsrivier have been included in the consolidated income statement, for the year to 30 June 2017:	
Revenue	3 380 466
Profit attributable to shareholders	843 199

2.2 Acquisition of associate

With effect from 1 April 2017, Wonderstone Limited, a wholly owned subsidiary, acquired a 40% shareholding in Dakot Wear Ceramics Proprietary Limited ("DWC"). DWC produces milling media, technical ceramics and other associated products and is located in Gingindlovu, KwaZulu-Natal.

In accordance with IFRS, the results of DWC are accounted by the group using the equity method.

Aggregate carrying amount of interest in DWC	690
Loss from continuing operations, after taxation	(690)