Notes to the financial statements continued

for the year ended 30 September 2014

39 Business combinations

39.1 Dangote Flour Mills Plc (DFM)

2013

On 4 October 2012, Tiger Brands acquired 63,35% of the issued share capital of DFM, a company based in Nigeria and engaged mainly in the manufacturing of flour, pasta and noodles, for a purchase consideration of R1,5 billion less a warranty claim recognised of R27,5 million.

The purchase consideration was accounted for as follows:

(R'million)	Acquisition value
Trademarks	134,1
Property, plant and equipment	2 370,8
Deferred tax asset	73,9
Inventory	868,0
Trade and other receivables*	728,9
Cash and cash equivalents	(32,4)
Short-term borrowings	(968,2)
Trade payables	(1 064,5)
Taxation payable	(31,1)
Long-term borrowings	(497,2)
Deferred tax liability	(214,0)
Fair value of net assets acquired	1 368,3
Non-controlling interest	(529,6)
Goodwill	646,3
Purchase consideration	1 485,0

**Includes gross trade receivables of R811,7 million less allowance for doubtful debts of R326,3 million.*

From date of acquisition to 30 September 2013, the DFM business contributed R3,4 billion to group revenue and R277,7 million to losses after tax.

Non-controlling interests were calculated using the proportionate share method.

Goodwill represents the difference between the purchase consideration and the fair value of the net assets acquired and provides Tiger Brands with access to new markets and improved synergies.

The purchase consideration was financed out of operating cash flows.

40 Subsequent events

There are no material events that occurred during the period subsequent to 30 September 2014, but prior to these financial statements being authorised for issue.