Notes to the financial statements continued

for the year ended 30 June 2014

33. Business combinations

33.1 Subsidiary acquired

Hyprop acquired an 87% interest in African Land Investments Limited on 5 December 2013 for R768 million. Pre-acquisition dividend received amounted to R10 million.

The acquisition was in line with Hyprop's strategy to expand its investments in prime-quality shopping centres to sub-Saharan Africa (excluding SA).

2014	Principal activity	Date of acquisition	Proportion of voting equity interest acquired	Consideration transferred
African Land Investments Limited	Acquiring income producing investment property in sub-Saharan Africa (excluding SA)	5 December 2013	87%	758 264

33.2 Assets acquired and liabilities recognised at the date of acquisition[1]

Non-current assets	
Investment property (refer to note 2.2)	1 557 394
Property, plant and equipment (refer to note 3.4)	35 447
Current assets	
Trade and other receivables	4 149
Cash and cash equivalents	12 012
Non-current liabilities	
Long-term loans	(601 008)
Current liabilities	
Trade and other payables	(18 295)
	989 699

[1] *All amounts reflect 100% of acquisition values for African Land Investments Limited*

Trade receivables acquired had a fair value and gross contractual amount of R8 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected was R4 million, resulting in net trade receivables of R4 million.

33.3 Non-controlling interests

The non-controlling interest recognised at the acquisition date was measured by reference to the agreements concluded with minority shareholders and amounted to	13%	128 540

The non-controlling interest is recognised at its proportionate interest in the subsidiary acquired.

33.4 Gain on bargain purchase

Consideration transferred	758 264
Less: Fair value of identifiable net assets acquired	(861 159)
Gain on bargain purchase	(102 895)

The gain on bargain purchase amounting to R102,9 million relates to Hyprop's acquisition of African Land and was calculated in terms of IFRS 3 *Business Combinations*. The gain represents the amount by which the fair value of net assets acquired exceeds the consideration paid and has no impact on distributable earnings. The initial accounting for the business combination at 31 December 2013 was based on provisional amounts which resulted in a reported gain on bargain purchase of R64,8 million. The gain on bargain purchase at 30 June 2014 was adjusted retrospectively in accordance with IFRS 3.45.

The gain on bargain purchase arose as a consequence of the effective purchase price for Manda Hill (Lusaka, Zambia) being lower than the most recent fair valuation of the property.

33. Business combinations *continued*

33.5 Impact of acquisition on results of the group

Revenue for the year includes R78 million attributable to revenue from African Land Investments Limited.

Included in profit for the year is R62,3 million representing profit from African Land Investments Limited.

Had the business combination been effected on 1 July 2013, the total Hyprop consolidated revenue would have been R2,6 billion and the total Hyprop consolidated profit would have been R1,9 billion.

	Consideration transferred
33.6 Net cash outflow on acquisition of African Land Investments Limited	
Consideration transferred	758 264
Cash	747 769
Units issued	10 495
Less: Cash and cash equivalents acquired	12 012
Less: Units issued	10 495
Net cash outflow	735 757

34. Related parties and related-party transactions

Related parties with whom the group transacted during the period were:

	GROUP June 2014 R000	GROUP June 2013 R000	COMPANY June 2014 R000	COMPANY June 2013 R000
Mantrablox (Proprietary) Limited				
Loan receivable				117 600
Interest received	4 540	4 957	4 540	4 957
Relationship: directorial and associate				
Atterbury Africa Limited				
Co-investor with Hyprop				
Loan receivable	812 459	336 909		
Interest received	45 460	7 560		
Relationship: directorial and joint venture				
Ellerine Bros (Proprietary) Limited				
Rental income received – Stuttafords Branches	22 775	12 700	22 775	12 700
Relationship: directorial and co-owner of The Glen and Canal Walk				
Attacq Limited				
Sale of Mantrablox	139 000		139 000	
Loan receivable	341		341	
Interest received	5 167		5 167	
Dividend paid by African Land Investments Limited	4 344			
Relationship: directorial and shareholder of African Land Investments Limited				
Hyprop Investments Employee Incentive Scheme (Proprietary) Limited				
Dividend received			365	
Relationship: subsidiary				
African Land Investments Limited				
Dividend received			30 308	
Dividend received (pre-acquisition)			10 137	
Relationship: subsidiary				
Hyprop Investments (Mauritius) Limited				
Loan receivable			188	188
Dividend received			4 770	1 434
Relationship: subsidiary				
Word4Word Marketing (Proprietary) Limited				
Dividend received			1 500	700
Marketing retainers and other fees paid			12 738	4 285
Relationship: subsidiary				

All related-party transactions were made on terms equivalent to those that prevail in similar arm's-length transactions.