26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE

Acquisitions that resulted in business combinations

Cork Community Imaging Limited (Cork)

The Group, through Alliance Medical, acquired 100% of Cork on 25 May 2019 for a total consideration of R4 million. Goodwill of R3 million was recognised. No significant contingent liabilities existed at the acquisition date.

European Scanning Centre Limited (ESC)

Acquirer	Alliance Medical
Country of incorporation	United Kingdom
Acquisition date	21 December 2018
Percentage voting equity interest acquired	100%
Primary reasons for business combination	In line with Life Healthcare's strategy to establish a sizeable international business, and complements the Group's existing diagnostic services segment
Qualitative factors that make up goodwill recognised	Attributable to future earnings potential and synergies relating to property consolidation, reduction in administrative costs and improved procurement
Contingent liabilities at acquisition	None

None of the goodwill recognised is expected to be deductible for income tax purposes.

Details of the fair value of net assets acquired and goodwill are as follows:

	ESC 2019 R'm
Total purchase consideration	**(211)**
Cash portion	**(195)**
Contingent consideration[1]	**(16)**
Fair value of net assets acquired	**80**
Property, plant and equipment	**40**
Customer relationships	**71**
Brand name	**15**
Trade and other receivables	**12**
Cash and cash equivalents	**8**
Interest-bearing borrowings	**(4)**
Deferred tax liabilities	**(15)**
Trade and other payables	**(46)**
Income tax payable	**(1)**
Goodwill	**(131)**

[1] Contingent consideration is based on performance and is expected to become payable between six and 12 months from the date of acquisition.

26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE continued

Acquisitions that resulted in business combinations continued

	ESC 2019 R'm
Cash outflow to acquire business, net of cash acquired	
Initial cash consideration	195
Less: Cash at acquisition	(8)
	187
Impact on consolidated information from date of acquisition	
Revenue	54
Net loss	(7)
Impact on consolidated information if business combination took place on 1 October 2018	
Revenue	76
Net loss	(16)

Changes to fair values of previously acquired business

During the prior year, the Group acquired the business of Piramal Imaging (renamed Life Molecular Imaging (LMI)). The fair values identified on acquisition were treated as provisional and have now been finalised. The following adjustments were made during the current year:

	R'm
Increase in intellectual property	93
Decrease in goodwill	(92)
Decrease in trade and other receivables	(24)
Increase in trade and other payables	23

26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE continued

	2019 R'm	2018 R'm
Contingent consideration liabilities		
Balance at 1 October	**534**	116
Arising on acquisition of subsidiaries	**16**	413
Paid during the year	**(79)**	(33)
Fair value adjustment recognised in profit or loss	**(2)**	18
Unwinding of contingent consideration	**44**	–
Effect of foreign currency movement	**30**	20
Balance at 30 September	**543**	534
Included under non-current liabilities	**506**	463
Included under current liabilities	**37**	71
	543	534

Disposal of investment in subsidiary – Life Piet Retief Hospital Proprietary Limited

On 31 May 2019, the Group disposed of its 62.28% interest in Life Piet Retief Hospital Limited (incorporated in South Africa):

	2019 R'm
Proceeds from disposal	**48**
Carrying amount of net assets sold	**(55)**
Non-controlling interest	**18**
Profit on disposal	**11**

Disposal of investment in joint venture – Max

On 21 June 2019, the Group disposed of its 49.7% equity shareholding in Max (incorporated in India):	
Proceeds from disposal	**4 347**
Investment in joint venture	**(2 846)**
Profit on disposal	**1 501**
Transaction costs relating to disposal	**(118)**
Withholding tax	**(94)**
Profit on disposal after transaction costs and withholding tax	**1 289**

The net cash proceeds of R3.8 billion (after payment of withholding tax and costs) were utilised to repay interest-bearing borrowings.

26. ACQUISITIONS AND DISPOSALS OF INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE
continued

Transactions with non-controlling interests

Increase and decrease in ownership interest in southern Africa and Polish subsidiaries

During the current and previous financial year, the Group had increases in its percentage shareholdings in some of its subsidiary companies.

The largest impact on the Group cash flows was the acquisition of additional shares in Border Hospitals Proprietary Limited (2018: Metropol Hospitals Proprietary Limited and Border Hospitals Proprietary Limited).

	2019 R'm	2018 R'm
Total purchase consideration	**(125)**	(484)
Cash portion	**(125)**	(484)
Carrying amount of non-controlling interest recognised	**57**	10
Carrying amount of non-controlling interest acquired	**57**	10
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**68**	474
During the current and previous financial year, the Group disposed of marginal percentages of its holdings in subsidiary companies to non-controlling interest. The Group still maintained control over the subsidiary entities after the decrease in ownership interest.		
Total value of decrease in carrying amount of non-controlling interest	**(13)**	(29)
Transactions with non-controlling interest reserve	**(8)**	–
Proceeds on disposal of investments	**21**	29