37. EVENTS AFTER REPORTING PERIOD

On 2 October 2017, the Group will acquire an additional 74,5% interest in the voting shares of Ceramic Industries (Pty) Ltd ("Ceramic") for a consideration of R3,5 billion, increasing its ownership interest to 95,5%. Ceramic is a manufacturer of glazed porcelain floor tiles; ceramic wall and floor tiles; vitreous china sanitaryware and acrylic baths and shower trays. The Group acquired the additional interest in Ceramic because the acquisition will result in improved efficiencies and reduced costs, enhance the allocation of capital as well as create a depth of management, experience and skill within the Group.

The Group has elected to measure non-controlling interests in Ceramic at book value.

Assets and liabilities as at 30 June 2017

The book values of the identifiable assets and liabilities of Ceramic as at 30 June 2017 are:

	R'000
Assets	
Property, plant and equipment	**1 392 886**
Goodwill	**4 520**
Equity-accounted investee	**57 957**
Deferred taxation assets	**1 629**
Inventories	**234 371**
Trade and other receivables	**500 879**
Income tax receivable	**2 511**
Cash and cash equivalents	**250 701**
	2 445 454
Liabilities	
Shareholders' loans	**3 808**
Deferred taxation liabilities	**77 520**
Trade and other payables and provisions	**338 225**
Income tax payable	**6 685**
Shareholders for dividends	**310**
	426 548
Total identifiable net assets at fair value	**2 018 906**

Notes to the financial statements continued

for the year ended 30 June 2017

37. EVENTS AFTER REPORTING PERIOD (continued)

The Group will also obtain a controlling interest in Ezee Tile Adhesive Manufacturing (Pty) Ltd ("Ezee Tile") as a result of the Acquisition. Prior to the Acquisition, Italtile Ceramics and Ceramic each hold a 35,63% interest in Ezee Tile. Post the Acquisition, the Group will hold an effective interest of 71,54% in Ezee Tile.

The book values of the identifiable assets and liabilities of Ezee Tile (Pty) Ltd as at 30 June 2017 are:

	R'000
ASSETS	
Property, plant and equipment	**38 261**
Investments in subsidiaries	**5 324**
Inventories	**43 465**
Loans to group companies	**290**
Trade and other receivables	**57 058**
Cash and cash equivalents	**27 346**
	171 744
LIABILITIES	
Deferred tax	**1 091**
Trade and other payables	**40 389**
Loans from group companies	**7 635**
Current tax payable	**259**
Provisions	**2 550**
	51 924
Total identifiable net assets at fair value	**119 820**

Accounting treatment post-year end

The Group will apply a pooling of interest accounting policy to account for the Acquisition which is a common control transaction and thus scoped out of IFRS 3 – *Business Combinations* ("IFRS 3"). Under the pooling of interest method, the carrying amounts of the assets and liabilities of Ceramic and Ezee Tile will be included in the statement of financial position of Italtile, with any difference between the purchase consideration and the net assets of Ceramic and Ezee Tile being included directly in equity as a common control reserve.

No goodwill will be recognised.

Intercompany transactions and balances between Italtile, Ceramic and Ezee Tile will be eliminated for consolidation purposes. These include sales, unrealised profits on inventory, rebate and other charges, and receivable and payable balances.

Acquisition transaction costs of R23 million will be incurred and included in the cost of investment in Ceramic and not expensed.

As a result of the impending consolidation of Ceramic and Ezee Tile, associate investment balances as recorded by Italtile for these entities will be eliminated for consolidation purposes.