Ras Al Khaimah Ceramics PSC and its subsidiaries

Consolidated financial statements

31 December 2015

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RAK Ceramics PSC

Report of the Board of Directors

On financial performance during the year 2015

11 February 2016

Dear Members,

It is our pleasure to present the Business & Operations report for the year 2015, along with the Audited Consolidated Financial Statements as on 31 December 2015.

A year of challenges and accomplishments

2015 has been a year filled with challenges for the Group. Challenges were faced ranging from political instability in the major markets as well as depreciation of Euro and other currencies. Amid these challenges, the Group has accomplished several strategic initiatives penned in the previous year.

In core business, the Group has completed acquisition of share of non-controlling interests in its subsidiaries in India and Iran, making them wholly owned subsidiaries of the Group. The Group has also completed sale of its stake in its subsidiary in Sudan. The Group has also set up its wholly owned operations in Singapore (Asia Pacific) and Saudi Arabia. The expansion of capacity in sanitary-ware by 1,000 pieces per day, at Bangladesh has commenced production in April 2015.

In non-core business, the Group has completed sale of its stake in following units –

Laticrete RAK LLC, UAE	RAK Pharmaceuticals Pvt. Ltd., Bangladesh
RAK Piling LLC, UAE	Al Hamra Aluminum & Glass Industries LLC, UAE
RAK Gypsum & Decorations LLC, UAE	RAK Logistics LLC, UAE and its subsidiaries
RAK Paints Pvt. Ltd., Bangladesh	RAK Mosfly (BD) Pvt. Ltd., Bangladesh

Results

During the period, the Company continued executing its re-focused strategy to scale down less profitable Non-Core businesses and focus on Core operations.

Core ceramic tiles, Sanitaryware & tableware recorded revenues (excluding discontinued operations) of AED 2,586 million (AED 2,664 million in 2014). Major drop in the revenue is owing to the depreciation of Euro, GBP & other currencies against USD which has adverse impact of AED 94 million. Non-Core revenues of AED 493 million (excluding discontinued operations) increased by 6.9%. The consolidated revenues were AED 3,079 million (AED 3,125 million in 2014). On cost side, average natural gas cost in the UAE increased by AED 37 million over 2014.

Notwithstanding the challenging market conditions, volatile macro environment and cost push from natural gas price increase in the UAE, the strategic alignment and value creation initiatives have resulted in 2015 EBITDA increasing 1.7% to AED 594 million (AED 584 million in 2014). The net profit for the period from the continuing operations amounted to AED 312 million (AED 328 million in 2014): a decrease of 4.9%. After the loss from discontinued operations, the net profit was AED 310 million (AED 282 million in

2014): an increase of 10.2%. Adjusted net profit (excluding hyperinflation impact in Sudan and Iran) was AED 349 million (AED 338 million in 2014): an increase of 3.2%.

Financial highlights for the year 2015

Particulars	**Unit**	**YTD 2015 December 31**	**YTD 2014 December 31**	**Change**
Core* Net Revenue (excluding discontinued operations)	AED Mio	2,586.4	2,663.9	(2.9%)
Non-Core Net Revenue (excluding discontinued operations)	AED Mio	492.5	460.6	6.9%
Total Net Revenue	AED Mio	3,078.9	3,124.5	(1.5%)
Gross Profit	AED Mio	868.0	809.0	7.3%
GP Margin	%	28.2%	25.9%	230 bps
EBITDA	AED Mio	594.1	584.4	1.7%
EBITDA Margin	%	19.3%	18.7%	60 bps
Reported Net Income	AED Mio	310.3	281.7	10.2%
Hyper-inflation adjustment-Loss	AED Mio	38.7	56.6	(31.6%)
Adjusted Net Income	AED Mio	349.0	338.3	3.2%
Reported Profit after NCI (Minority)	AED Mio	281.4	278.9	0.9%
Reported Earnings per share	AED	0.35	0.34	2.9%
Reported Earnings per share from Continuing Operations	AED	0.35	0.39	(10.3%)

Particulars	**Unit**	**2015 December 31**	**2014 December 31**	**Change**
Total Assets	AED Mio	5,981.8	5,999.9	(0.3%)
Share Capital	AED Mio	817.5	817.5	-
Shareholders' Equity	AED Mio	2,937.5	3,034.8	(3.2%)
Net Debt [#]	AED Mio	1,609.6	1,421.2	13.3%
Net Debt / EBITDA	Times	2.7	2.4	12.5%
Cost of Debt	%	2.6%	3.0%	(40 bps)

* Core ceramic tiles, sanitary ware & table ware revenue represents consolidated sales from production locations. Non-core revenue represents contracting & other activities.

[#] excludes cash & bank balances of discontinued operations.

Corporate Social Responsibility & Other Activities during the year

The company continued to re-affirm its commitment towards the protection of environment and socio-economic development in the following ways:

Visits and Educational Tours We were pleased to serve several visitors to our headquarters including the Luxembourg Ambassador, students from Fortune Institute Of International Business (India), Indian Public High School, and Palm Beach Atlantic University, SIES College of Management, Swiss Business school, SP Jain School, Gulf Medical Center and Birla Institute of Technology.

Charity Participation RAK Ceramics was proud to take part in the 6th annual RAK Terry Fox Run for Cancer Research at the Al Qawasim Corniche. Over 100 employees took part.

RAK Ceramics participated in collecting charity and donated for Nepal Earth Quake victims. Also, prizes at Tower Links Nepal Fund Raiser were sponsored. Tiles were also donated to DBS School. RAK Ceramics supported the Department of Art and Design at Dubai British School by donating tiles to 275 students aged 11 to 14 years old to create their own designs as part of a project inspired by Islamic Art and Arab Culture in the spirit of Ramadan. Table Tennis, cricket and football tournaments were organized for employees. Tiles were donated to City University College of Ajman for the UAE Flag Day.

Environmental Activities RAK Ceramics employees participated in Can Collection Day, organised by Emirates Environmental Group and collected waste aluminum cans from within the company premises which were then sent for recycling. They also participated in Earth Hour by switching off the lights in its production facilities, employee accommodation buildings and offices for one hour in order to spread awareness amongst its employees on environmental sustainability. RAK Ceramics employees participated in Earth Day by planting more than 300 trees in campus and also, in World Day for Health & Safety at work with RAK Police to avoid accidents at work place.

Exhibitions RAK Ceramics participated in Cersai exhibition in Italy, with two dedicated stands one for tiles and other for sanitary ware. The tiles stand focused on the enormous and majestic Maximus Mega Slab – the latest in extra-large format slabs produced using SACMI Continua+ technology. The sanitary ware stand focused on bath ware from its Resort, Harmony and Moon ranges as well as launching a collection of complementary accessories including cabinets, cisterns, seat covers with integrated bidets and urinal accessories. The newly launched products were well appreciated by the visitors. The teams also participated in the BIG 5 exhibition in the UAE.

UAE Innovation Week RAK Ceramics participated in the UAE Innovation week at RAK Expo between 24-26 November. The event was organised by Sheikh Saqr Programme for Government Excellence in collaboration with the RAK Department for Economic Development. RAK Ceramics showcased the recently launched giant slab, Maximus Mega Slab measuring 135x305cm.

Awards In 2015 RAK Ceramics achieved Superband status for the seventh consecutive year. RAK Ceramics also won a number of International Business Stevie® Awards in 2015, winning a silver award for Most Innovative Company and a bronze Award for Health, Safety and Environment Programme of the Year in the Middle East and North Africa.

RAK Ceramics was awarded Brand of the Year at the prestigious World Branding Awards 2015

RAK Ceramics sponsored the Interior Design category at the Africa & Arabia Property Awards 2015. The awards ceremony took place at JW Marriott Marquis, Dubai. RAK Ceramics sponsored category was one of four categories with a range of awards paying tribute to the achievements of residential and commercial property professionals and companies across all sectors of the property and real estate industry. In addition to the sponsorship, RAK Ceramics showcased its latest extra-large slab, Maximus Mega Slab through a specially commissioned video.

Future Outlook

RAK Ceramics is focused on improving profitability and its sales and distribution strategy. This involves significant expansion in the Sanitary Ware business, continued disposal of non-core activities and investing in our distribution platform across the globe.

We have acquired in January 2016, the balance stake of non-controlling interests in the units in the UK and Germany, making these units wholly owned subsidiaries of the Group, to further strengthen our control in European market. Tiles expansion of 3.35 million sqm per year in Bangladesh is expected to be operational by March 2016 and Sanitary-ware capacity expansion in the UAE, for 500 thousand pieces per year, shall be operational by May 2016. With Iran economy getting opened for trade and commerce, the Group stands for a better opportunity to grow in that market.

Financial Reporting

Consolidated Financial Statements of the Company prepared in accordance with International Financial Reporting Standards (IFRSs), fairly present its financial position, the result of its operations, cash flows and changes in equity.

Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgments. There are no matters which call into question the company's ability to continue as a going concern.

Vote of Thanks

The Board would like to take this opportunity to thank Government bodies, the shareholders, investors, bankers & employees for their continuous commitment, co-operation, confidence & continuous support in achieving the company's objectives.

11 FEB 2016

Chairman | **Director** | **Chief Executive Officer**

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Independent auditors' report

The Shareholders
Ras Al Khaimah Ceramics PSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Ras Al Khaimah Ceramics PSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income (comprising a separate consolidated income statement and a consolidated statement of profit or loss and other comprehensive income), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and its preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Independent auditors' report (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in notes 5 and 15 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2015;

vi) note 28 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 with any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2015.

KPMG Lower Gulf Limited
Munther Jawad Adeeb Aldajani
Registration No. 268
Dubai, United Arab Emirates
Date: 11 FEB 2016

Ras Al Khaimah Ceramics PSC and its subsidiaries

Consolidated income statement
for the year ended 31 December 2015

	Note	**2015** **AED'000**	2014 AED'000
Continuing operations			
Revenue	*6*	**3,078,857**	3,124,527
Cost of sales	*7*	**(2,210,839)**	(2,315,490)
Gross profit		**868,018**	809,037
Administrative and general expenses	*8*	**(220,751)**	(242,400)
Selling and distribution expenses	*9*	**(332,099)**	(326,708)
Other income	*10*	**60,254**	69,022
Operating profit		**375,422**	308,951
Finance costs	*11*	**(84,503)**	(87,190)
Finance income	*11*	**6,352**	17,250
Share in profit of equity accounted investees	*15*	**16,525**	38,008
(Loss) / gain on disposals of subsidiaries - net	*5(b)*	**(28,773)**	11,093
Gain / (loss) on disposal of equity accounted investees	*15(ii)*	**48,965**	(6,812)
Gain on settlement of related party balances	*28(ii)*	-	59,082
Gain on net monetary position		**-**	10,524
Profit before tax from continuing operations		**333,988**	350,906
Tax expense	*29*	**(22,371)**	(23,381)
Profit from continuing operations		**311,617**	327,525
Discontinued operations			
Loss from discontinued operations	*21*	**(1,299)**	(45,826)
Profit for the year		**310,318**	281,699
Profit attributable to:			
Owners of the Company		**281,354**	278,921
Non-controlling interests		**28,964**	2,778
Profit for the year		**310,318**	281,699
Earnings per share			
Basic and diluted earnings per share (AED)	*23*	**0.35**	0.34
Earnings per share – continuing operations			
Basic and diluted earnings per share (AED)	*23*	**0.35**	0.39

The notes on pages 14 to 86 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 5 and 6.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2015

	Note	**2015** **AED'000**	2014 AED'000
Profit for the year		**310,318**	281,699
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences		**(35,895)**	(33,114)
Hyperinflation effect	*34*	**16,248**	204,585
Reclassification of hyperinflation reserve on sale of a subsidiary	*21 & 22*	**(32,032)**	-
		---------	----------
Total comprehensive income for the year		**258,639**	453,170
		======	======
Total comprehensive income attributable to:			
Owners of the Company		**234,957**	448,726
Non-controlling interests		**23,682**	4,444
		--------	----------
Total comprehensive income for the year		**258,639**	453,170
		======	======

The notes on pages 14 to 86 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 5 and 6.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Consolidated statement of financial position

as at 31 December 2015

	Note	2015 AED'000	2014 AED'000
Assets			
Non-current assets			
Property, plant and equipment	*12*	**1,065,530**	1,174,689
Capital work in progress	*12*	**182,271**	73,268
Goodwill	*5(d)*	**50,356**	50,356
Intangible assets	*13*	**18,032**	19,391
Investment properties	*14*	**1,158,899**	1,119,795
Investments in equity accounted investees	*15*	**127,563**	151,276
Long term receivables	*17(i) & 28(i)*	**127,642**	-
Deferred tax asset	*29*	**298**	268
		2,730,591	2,589,043
Current assets			
Inventories	*16*	**1,141,156**	1,139,391
Trade and other receivables	*17*	**1,207,338**	1,147,899
Contract work-in-progress	*18*	**15,442**	28,598
Due from related parties	*28*	**523,778**	314,953
Derivative financial assets	*27*	**-**	29
Cash in hand and at bank	*19*	**363,470**	448,346
Assets held for sale	*20*	**-**	331,616
		3,251,184	3,410,832
Total assets		**5,981,775**	5,999,875
Equity and liabilities			
Equity			
Share capital	*22*	**817,522**	817,522
Reserves	*22*	**1,950,636**	1,990,786
Equity attributable to owners of the Company		**2,768,158**	2,808,308
Non-controlling interests	*31*	**169,294**	226,505
Total equity		**2,937,452**	3,034,813
Non-current liabilities			
Long term islamic bank borrowings	*24(a)*	**-**	18
Other long term bank borrowings	*24(b)*	**1,309,706**	770,370
Provision for employees' end of service benefits	*26*	**78,285**	78,864
Deferred tax liabilities	*29*	**8,323**	8,755
		1,396,314	858,007
Current liabilities			
Short term islamic bank borrowings	*24(a)*	**340,205**	297,773
Other short term bank borrowings	*24(b)*	**323,186**	801,409
Trade and other payables	*25*	**835,944**	814,037
Billings in excess of valuation	*18*	**2,791**	3,316
Due to related parties	*28*	**23,277**	56,575
Provision for taxation	*29*	**122,606**	103,135
Liabilities held for sale	*20*	**-**	30,810
		1,648,009	2,107,055
Total liabilities		**3,044,323**	2,965,062
Total equity and liabilities		**5,981,775**	5,999,875

The notes on pages 14 to 86 are an integral part of these consolidated financial statements.

The consolidated financial statements were authorised for issue on behalf of the Board of Directors on ________.

11 FEB 2016

Chairman — Director — Chief Executive Officer

The independent auditors' report is set out on pages 5 and 6.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Consolidated statement of cash flows
for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Cash flows from operating activities		
Profit for the year before tax	**332,689**	305,146
Adjustments for:		
Share in profit of equity accounted investees	**(16,525)**	(38,008)
Loss on net monetary position	**2,306**	18,825
Gain on settlement of related party balances	**-**	(59,082)
Interest expense	**51,658**	62,994
Interest income	**(6,352)**	(32,376)
Gain on sale of property, plant and equipment	**(8,168)**	(2,599)
Depreciation on property, plant and equipment	**190,887**	195,052
Capital work in progress written off	**659**	9,045
Amortisation of intangible assets	**3,305**	2,904
Gain on disposal of investment property	**(2,038)**	
Depreciation on investment property	**9,608**	7,323
Impairment loss on receivables and due from related parties	**26,027**	39,065
Provision for employees' end-of-service benefits	**13,881**	25,590
(Gain)/loss on disposal of equity accounted investees	**(48,965)**	6,812
Loss/(gain) on sale of a subsidiary	**28,773**	(11,093)
	----------	----------
	577,745	529,598
Change in:		
- inventories (including contract work in progress)	**19,591**	35,064
- trade and other receivables (including long term receivables)	**(41,071)**	(33,502)
- due from related parties (including long term receivables)	**(138,718)**	(22,518)
- deferred tax assets	**(30)**	2,410
- due to related parties	**(33,153)**	(11,699)
- trade and other payables (including billings in excess of valuation)	**23,471**	(202,060)
- derivative financial instruments	**29**	1,236
- deferred tax liabilities	**(432)**	1,315
Employees' end of services benefits paid	**(13,637)**	(26,808)
Income tax paid	**(9,518)**	(27,051)
Currency translation adjustment	**(475)**	(670)
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Net cash generated from operating activities	**383,802**	245,315
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Ras Al Khaimah Ceramics PSC and its subsidiaries

Consolidated statement of cash flows (continued)
for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Cash flows from investing activities		
Addition to property, plant and equipment and capital work in progress	**(267,445)**	(282,291)
Proceeds from disposals of property, plant and equipment	**10,601**	3,911
Additions to intangible assets	**(657)**	(6,418)
Proceeds from disposal of investment property	**17,800**	-
Interest received	**6,352**	29,368
Investment made in equity accounted investee	**(1,739)**	-
Dividend received from equity accounted investees	**23,577**	32,179
Sale proceeds of held for sale assets	**41,286**	-
Acquisition of shares in subsidiaries	**(45,913)**	-
Cash forgone as part of disposal of shares in subsidiaries	**(51,753)**	-
Cash acquired as part of conversion from equity accounted investee into a subsidiary	**6,553**	50,139
Proceeds from sale of equity accounted investees	**49,030**	10,286
Addition to investment property	-	(52)
Proceeds from sale of shares in subsidiary	**16,846**	726
Net cash used in investing activities	**(195,462)**	(162,152)
Cash flows from financing activities		
Long term bank loans availed	**1,480,074**	165,330
Long term bank loans repaid	**(1,095,898)**	(295,880)
Change in bank deposits	**(17,160)**	31,829
Net movement in short term bank borrowings	**(167,007)**	94,378
Interest paid	**(51,658)**	(62,994)
Dividend paid to non-controlling interests	**(44,809)**	(7,246)
Remuneration paid to the Board of Directors	**(4,228)**	(2,400)
Funds invested by non-controlling interests	**-**	751
Dividend paid	**(286,133)**	(111,480)
Net cash used in financing activities	**(186,819)**	(187,712)
Net increase/(decrease) in cash and cash equivalents	**1,521**	(104,549)
Cash and cash equivalents at the beginning of the year	**331,455**	436,004
Cash and cash equivalents at the end of the year	**332,976**	331,455
These comprise the following:		
Cash in hand and at bank (net of bank deposits on lien)	**341,620**	453,741
Bank overdraft	**(8,644)**	(122,286)
	332,976	331,455

The notes on pages 14 to 86 are an integral part of these consolidated financial statements.

The independent auditors' report on is set out on pages 5 and 6.

Ras Al Khaimah Ceramics PSC and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital AED'000	**Share premium AED'000**	**Legal reserve AED'000**	**Translation reserve AED'000**	**Hyper-inflation reserve AED'000**	**General reserve AED'000**	**Capital reserve AED'000**	**Retained earnings AED'000**	**Total reserves AED'000**	**Total AED'000**	**Non-controlling interests AED'000**	**Total equity AED'000**
Balance at 1 January 2014 (restated)	743,202	221,667	353,855	(68,629)	(260,181)	82,805	55,044	1,345,699	1,730,260	2,473,462	165,973	2,639,435
Total comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	278,921	278,921	278,921	2,778	281,699
Other comprehensive income												
Foreign currency translation differences	-	-	-	(10,695)	(16,875)	-	-	-	(27,570)	(27,570)	(5,544)	(33,114)
Hyperinflation adjustment (refer note 22)	-	-	-	-	197,375	-	-	-	197,375	197,375	7,210	204,585
Total comprehensive income for the year	-	-	-	(10,695)	180,500	-	-	278,921	448,726	448,726	4,444	453,170
Other equity movements												
Transfer to legal reserve	-	-	42,405	-	-	-	-	(42,405)	-	-	-	-
Transactions with owners of the Company directly recorded in equity												
Contributions by and distributions to owners of the Company												
Directors' fees	-	-	-	-	-	-	-	(2,400)	(2,400)	(2,400)	-	(2,400)
Dividends distributed to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(7,246)	(7,246)
Dividend declared and paid	-	-	-	-	-	-	-	(111,480)	(111,480)	(111,480)	-	(111,480)
Bonus shares issued	74,320	-	-	-		-	-	(74,320)	(74,320)	-	-	-
Changes in ownership interests in subsidiaries												
Funds invested by non-controlling interests	-	-	-	-	-	-	-	-	-	-	751	751
Increase in non-controlling interests due to acquisition of subsidiary (refer note 5(a))	-	-	-	-	-	-	-	-	-	-	62,583	62,583
At 31 December 2014	**817,522**	**221,667**	**396,260**	**(79,324)**	**(79,681)**	**82,805**	**55,044**	**1,394,015**	**1,990,786**	**2,808,308**	**226,505**	**3,034,813**

Ras Al Khaimah Ceramics PSC and its subsidiaries

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2015

	Attributable to owners of the Company											
	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Hyper-inflation related AED'000	General reserve AED'000	Capital reserve AED'000	Retained earnings AED'000	Total reserves AED'000	Total AED'000	Non-controlling interests AED'000	Total equity AED'000
Balance at 1 January 2015	817,522	221,667	396,260	(79,324)	(79,681)	82,805	55,044	1,394,015	1,990,786	2,808,308	226,505	3,034,813
Total comprehensive income for the year:												
Profit for the year	-	-	-	-	-	-	-	281,354	281,354	281,354	28,964	310,318
Other comprehensive income												
Foreign currency translation differences	-	-	-	(13,328)	(17,285)	-	-	-	(30,613)	(30,613)	(5,282)	(35,895)
Hyperinflation adjustment (refer note 22)	-	-	-	-	16,248	-	-	-	16,248	16,248	-	16,248
Reclassification of hyperinflation reserve on sale of a subsidiary (refer note 21)	-	-	-	-	(32,032)	-	-	-	(32,032)	(32,032)	-	(32,032)
Total comprehensive income for the year				(13,328)	(33,069)	-	-	281,354	234,957	234,957	23,682	258,639
Other equity movements												
Transfer to legal reserve	-	-	66,091	-	-	-	-	(66,091)	-	-	-	-
Transactions with owners of the Company directly recorded in equity												
Contributions by and distributions to owners of the Company												
Directors' fees	-	-	-	-	-	-	-	(3,639)	(3,639)	(3,639)	(589)	(4,228)
Dividends distributed to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(44,809)	(44,809)
Dividend declared and paid	-	-	-	-	-	-	-	(286,133)	(286,133)	(286,133)	-	(286,133)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in non-controlling interests due to acquisition of subsidiaries (refer notes 5(a), 5(b)(i),5(b)(iv) and 5(b)(vi))	-	-	-	(2,096)	30,074	-	(1,178)	(12,135)	14,665	14,665	(35,495)	(20,830)
At 31 December 2015	**817,522**	**221,667**	**462,351**	**(94,748)**	**(82,676)**	**82,805**	**53,866**	**1,307,371**	**1,950,636**	**2,768,158**	**169,294**	**2,937,452**

The notes on pages 14 to 86 are an integral part of these consolidated financial statements.

1 Reporting entity

Ras Al Khaimah Ceramics PSC ("the Company" or "the Holding Company") was incorporated under Emiri Decree No. 6/89 dated 26 March 1989 as a limited liability company in the Emirate of Ras Al Khaimah, UAE. Subsequently, under Emiri Decree No. 9/91 dated 6 July 1991, the legal status of the Company was changed to Public Shareholding Company. The registered address of the Company is P.O. Box 4714, Al Jazeerah Al Hamra City, Ras Al Khaimah, United Arab Emirates. The Company is listed on Abu Dhabi Securities Exchange, UAE.

These consolidated financial statements as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (collectively referred to as "the Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities. The Group's subsidiaries and equity accounted investees, their principal activities and the Group's interest have been disclosed in note 36 to these consolidated financial statements.

The principal activities of the Company are manufacturing and sale of a variety of ceramic products including tiles, bathroom sets and sanitary wares. The Company and certain entities in the Group are also engaged in investing in other entities, in UAE or globally, that undertake similar or ancillary activities. Accordingly, the Company also acts as a Holding Company of the Group entities. The Group is also engaged in contracting and other industrial manufacturing activities.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the relevant Articles of the Company and the UAE Federal Law No. (2) of 2015.

UAE Federal Law No (2) of 2015 being the Commercial Companies Law ("UAE Companies Law of 2015") was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost except for the derivative financial instruments that are carried at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2 Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgments and estimation uncertainties

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 37.

(e) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Management have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. Management regularly reviews significant unobservable inputs and valuation adjustment. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirement of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 14 – investment property; and
Note 33 – financial instruments.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

These consolidated financial statements comprise the consolidated statement of financial position and the consolidated results of operations of the Company and its subsidiaries (collectively referred to as “the Group”) on a line by line basis together with the Group’s share in the net assets of its equity accounted investees. The principal subsidiaries, associates and jointly controlled entities have been disclosed in note 36 to the consolidated financial statements.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree’s employees (acquiree’s awards), then all or a portion of the amount of the acquirer’s replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree’s awards and the extent to which the replacement awards relate to pre-combination service.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests (“NCI”)

The Group measures any non-controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3 Significant accounting policies (continued)

Basis of consolidation (continued)

Business combinations (continued)

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Stepped acquisition

When an acquisition is completed by a series of successive transactions, the Group re-measures its previously held equity interest in the aquiree at its acquisition date, fair value and recognises the resulting gain or loss, if any, in profit or loss.

Any amount recognised in other comprehensive income related to the previously held equity interest is recognised on the same basis as would be required if the Group had disposed of the previously held equity interest directly.

Investments in equity accounted investees

The Group's interest in equity accounted investees comprises interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Hyperinflation

The financial statements of subsidiary companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation in accordance with the procedures described in note 34 prior to their translation to AED. Once restated, all items of the financial statements are converted to AED using the closing exchange rate. Amounts shown for prior years for comparative purposes are not restated at consolidation level as the presentation currency of the Group is not of a hyperinflationary economy. On consolidation, the effect of price changes in the prior periods on the financial statements of the subsidiary has been recognised in other comprehensive income and presented in the hyperinflation reserve in equity (refer note 22(iv)).

3 Significant accounting policies (continued)

Hyperinflation (continued)

The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are adjusted to reflect the changes in purchasing power of the local currency, such that all items in the statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the reporting date and all income and expenses are restated quarterly by applying appropriate conversion factors as defined in note 34. The difference between initial adjusted amounts is taken to profit or loss.

When a functional currency of subsidiary ceases to be hyperinflationary, the Group discontinues hyperinflation accounting in accordance with IAS 29 for annual periods ending on or after the date that the economy is identified as being non-hyperinflationary. The amounts expressed in the measuring unit current at the end of the last period in which IAS 29 was applied are used as the basis for the carrying amounts in subsequent financial statements.

To determine the existence or cessation of hyperinflation, the Group assesses the qualitative characteristics of the economic environment of the country, such as the trends in inflation rates over the previous three years.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to AED at exchange rates at the reporting date. The income and expenses of foreign operations are translated to AED at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (referred as “translation reserve” in the consolidated financial statements) in equity. In case of foreign currency translation differences pertaining to hyperinflationary economies, these differences are presented in hyperinflation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests.

3 Significant accounting policies (continued)

Foreign currency (continued)

Foreign operations (continued)

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loan and receivables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfer nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Directly attributable transaction costs are recognized in profit and loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

3 Significant accounting policies (continued)

Financial instruments (continued)

Non-derivative financial assets – measurement (continued)

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash balances and call deposits with original maturities of three month or less from the acquisition date. Fixed deposits under lien against certain bank facilities are not included as part of cash and cash equivalents.

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss. If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

3 Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

Property, plant and equipment

Recognition and measurement

Items of property plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see accounting policy on impairment), if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property considering that the accounting policy for investment property is the ‘Cost Model’ in accordance with IAS 40.

Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

3 Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation (continued)

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Life (years)
• Buildings	20-35
• Plant and equipment	5-15
• Furniture and fixtures	3
• Vehicles	3-5
• Roads and asphalting	10
• Quarry and land development	10
• Office equipment	3

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any, until the construction is completed. Upon completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalised borrowing costs are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

Intangible assets

Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives of 5 to 15 years from the date that they are available for use, and is generally recognised in profit or loss. Goodwill is not amortised.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3 Significant accounting policies (continued)

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or rendering services or for administrative purposes.

Investment property is accounted for using the "Cost Model" under the International Accounting Standard 40 *"Investment Property"* and is stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on buildings is charged over its estimated useful life of 30 to 35 years.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

The cost of investment property acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets; comprises the fair value of the asset received or asset given up. If the fair value of the asset received and asset given up can be measured reliably, the fair value of the asset given up is used to measure cost, unless the fair value of the asset received is more clearly evident.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventory, the transfer is effected at the carrying value of such property at the date of reclassification.

Leases

Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease, if any.

3 Significant accounting policies (continued)

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction contracts in progress / Billings in excess of valuation

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses.

In the statement of financial position, construction contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented contracts work in progress. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as billings in excess of valuation. Advances received from customers are presented as billings in excess of valuation.

Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

3 Significant accounting policies (continued)

Impairment (continued)

Non-derivative financial assets (continued)

Financial assets measured at amortised cost (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Equity accounted investees

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies (continued)

Employee benefits

Short- term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as the related services are provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3 Significant accounting policies (continued)

Employee benefits (continued)

Terminal benefits

The provision for staff terminal benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law and the relevant local laws applicable to overseas subsidiaries. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Assets and liabilities held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

3 Significant accounting policies (continued)

Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Rendering of services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of the construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity. The percentage of completion is estimated on the basis of proportion that the actual cost bears to the total estimated contract cost. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive the payment is established.

Finance income and finance costs

Finance income comprises interest income on fixed deposits, amounts due from related parties and trade receivables. Interest income is recognised in profit or loss as it accrues, using the effective interest rate method.

3 Significant accounting policies (continued)

Finance income and finance costs (continued)

Finance cost comprises interest expense on bank borrowings and amounts due to related parties. All borrowing costs are recognised in profit or loss using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset only if certain criteria are met

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3 Significant accounting policies (continued)

Zakat

In respect of operations in certain subsidiaries and equity accounted investees, zakat is provided in accordance with relevant fiscal regulations. Zakat is recognised in profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

The provision for zakat is charged to profit or loss. Additional amount, if any, that may become due on finalisation of an asset is accounted for in the year in which assessment is finalised.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

Government grants

Government grants are recognised at nominal value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in the profit or loss on a systematic basis in the same periods in which the expenses are recognised.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components.

Segment results that are reported to the Company’s CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

4 New standards, amendments and interpretations

A number of new standards and amendments to standards are not yet effective but earlier application is permitted; however, the Group has not early applied the new or amended standards in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

- Disclosure Initiative (Amendments to IAS 1) – amendments to IAS 1 is effective for annual reporting periods beginning on or after 1 January 2016.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) – amendments to IFRS 11 is effective for annual reporting periods beginning on or after 1 January 2016.
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) – amendments to IAS 16 and IAS 38 is effective for annual reporting periods beginning on or after 1 January 2016.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) – amendments to IFRS 10, IFRS 12 and IAS 28 is effective for annual reporting periods beginning on or after 1 January 2016.
- IFRS 9 *Financial instruments* - IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.
- IFRS 15 *Revenue from Contracts with Customers* - IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.
- IFRS 16 *Leases* – IFRS 16 is effective for the annual reporting periods beginning on or after 1 January 2019.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of abovementioned IFRSs.

5 Acquisition and disposal of subsidiaries and non-controlling interests

(a) Acquisitions

Acquisition of non-controlling interests in 2015

(i) During the current year, the Group acquired remaining non-controlling interests in RAK Ceramics PJSC Limited ("RAK Iran") and RAK Ceramics India Private Limited ("RAK India") for AED 14.69 million and AED 20.60 million respectively. These are now wholly owned subsidiaries of the Group. The Group recognised:

	RAK Iran AED'000	**RAK India AED'000**
- decrease in non-controlling interests	**(29,612)**	**(4,723)**
- decrease in retained earnings	**(15,156)**	**(13,779)**
- increase / (decrease) in hyperinflation / translation reserve	**30,074**	**(2,099)**
Total consideration	**(14,694)**	**(20,601)**

5 Acquisition and disposal of subsidiaries and non-controlling interests (continued)

(a) Acquisitions (continued)

Acquisition of non-controlling interests in 2015 (continued)

(ii) Effective 9 November 2015, due to additional investments in and change in composition of Board of Directors of RAK Porcelain Europe S.A. (a jointly controlled entity until 8 November 2015), the Group can now exercise control over the financial and operating policies of the investee. Considering that the Group has the power to control activities and operations of investee, the acquisition accounting had been done based on fair values at the date when the Group acquired control. RAK Porcelain Europe S.A. is engaged mainly in the import and export of porcelain tableware. Also refer note 15.

The fair value of the identifiable assets and liabilities of RAK Porcelain Europe S.A. acquired by the Group were as follows:

	AED'000
Property, plant and equipment	**435**
Inventory	**11,698**
Trade and other receivables	**12,054**
Cash and bank balance	**6,470**
Total assets	**30,657**
Less: total liabilities	**(21,960)**
Net assets acquired	**8,697**
Book value of pre-existing interest in RAK Porcelain Europe S.A. (refer note 15)	**7,915**
Increase in non-controlling interests	**782**

In the period from acquisition of controlling interests in RAK Porcelain Europe S.A up to 31 December 2015, the investee contributed revenue of AED 12.02 million and loss of AED 0.96 million to the Group's result.

(iii) Effective 21 October 2015, the Group has acquired entire remaining shareholding of 65% and 43% in RAK Securities & Services Private Limited and RAK Power Private Limited respectively at a consideration of AED 0.89 million and AED 10.62 million. Accordingly, equity accounted investees and non-controlling interests have been reduced by AED 0.39 million and AED 5.99 million respectively. Also refer note 15(ii).

(iv) During the current year, the Group has further acquired the 0.04% shareholding of Electro RAK LLC at a consideration of AED 9.19 million resulting a decrease in NCI by AED 6.05 million.

Acquisition of a subsidiary in 2014

Effective 1 October 2014, due to change in composition of Board of Directors of RAK Porcelain LLC (a jointly controlled entity until 30 September 2014), the Group can now exercise control over the financial and operating policies of the investee. Considering that the Group has the power to control activities and operations of investee, the acquisition accounting had been done based on book values at the date when the Group acquired control. RAK Porcelain LLC is engaged mainly in the manufacturing of porcelain tableware.

5 Acquisition and disposal of subsidiaries and non-controlling interests (continued)

(a) Acquisitions (continued)

Acquisition of a subsidiary in 2014 (continued)

The fair value which represents the book values of the identifiable assets and liabilities of RAK Porcelain LLC acquired by the Group were as follows:

	AED'000
Assets:	
Total assets	187,875
Less: total liabilities	(62,709)

Net assets acquired	125,166
	=====
Book value of pre-existing interest in RAK Porcelain LLC	62,583
	=====
Increase in non-controlling interests	62,583
	=====

(b) Disposals

Disposals of subsidiaries / non-controlling interests in 2015

(i) During the current year, the Group has sold 2,500,000 number of shares out of total 243,910,021 issued and paid up shares of RAK Ceramics (Bangladesh) Limited. Shares were sold through the automated trading system of Dhaka Stock Exchange Limited. Accordingly the Group's shareholding has decreased from 72.41% to 71.57%, resulting in increase in non-controlling interests by AED 2.6 million.

(ii) During the current year, the Group sold its entire shareholding in a subsidiary in Sudan namely "Ceramics Ras Al Khaimah Sudanese Investment Company" at a consideration of AED 197.82 million and recognised a net loss of AED 41.97 million. As per sale purchase agreement, the consideration is to be paid in instalments. As at reporting date, an amount of AED 164.73 million is shown in other receivables which will be received in 45 equal monthly instalments of AED 3.67 million commencing from January 2016 till September 2019. Also refer notes 17(i) and 21.

(iii) During the current year, the Group has disposed its 100% holding in subsidiaries namely "Al Hamra Aluminium and Glass Industries LLC" and "RAK Gypsum and Decoration LLC" and recognised a cumulative loss of AED 1.96 million.

(iv) During the current year, the Group has disposed its entire 55% and 75.71% shareholdings in "RAK Pharmaceutical Private Limited" and "RAK Piling LLC" and recognised a net gain of AED 0.56 million and AED 0.29 million respectively. Furthermore, the disposals resulted in net increase in non-controlling interests of AED 7.96 million. Also refer note 21.

5 Acquisition and disposal of subsidiaries and non-controlling interests (continued)

(b) Disposals (continued)

Disposals of subsidiaries / non-controlling interests in 2015 (continued)

(v) During the current year, the Group has disposed of its entire 100% shareholding in a subsidiary "RAK Logistics LLC" and recognised a gain of AED 12.03 million (refer note 28).

	Book value AED'000
Assets	
Property, plant and equipment	**3,046**
Trade and other receivables	**16,305**
Cash in hand and at bank	**5,616**
	24,967
Liabilities	
Staff terminal benefits	**(461)**
Trade and other payables	**(20,541)**
Net assets (A)	**3,965**
Consideration (B)	**16,000**
Gain on disposal (B-A)	**12,035**

(vi) Effective 1 April 2015, the Group has disposed its 39% holding in a subsidiary namely "RAK Watertech LLC" and has recognised the remaining investment of 51% at fair value as an equity accounted investee.

The fair values of the identifiable assets and liabilities of RAK Watertech LLC at the disposal date were as follows:

	AED'000
Assets	
Property, plant and equipment	**293**
Investment in equity accounted investee	**2,510**
Inventories	**1,223**
Trade and other receivables	**30,641**
Cash in hand and at bank	**13,375**
	48,042
Liabilities	
Staff terminal benefits	**(659)**
Trade and other payables	**(42,325)**
Net assets	**5,058**
Less: carrying value of non-controlling interests	**(506)**
Less: fair value of residual interest retained (refer note 15(i))	**(2,580)**
Less: sale consideration	**(4,247)**
(Gain) on disposal	**(2,275)**

5 Acquisition and disposal of subsidiaries and non-controlling interests (continued)

(b) Disposals (continued)

Disposals of subsidiary in 2014

During the year ended 31 December 2014, the Group disposed of its entire 100% shareholding in a subsidiary "PT RAK Minerals Indonesia" and recognised a profit of AED 11.09 million on disposal.

	Book value AED'000
Total assets	6,754
Less: total liabilities	(17,121)

Net liabilities	(10,367)
	=====
Consideration received	726
	===
Gain on disposal	11,093
	=====

(c) Overall impact of acquisitions and disposals in 2015 on cash flows

Cash acquired / (forgone) as part of acquisition and disposal of shares:

	2015 AED'000	2014 AED'000
RAK Logistics LLC	**(401)**	-
RAK Watertech LLC	**(13,375)**	-
Ceramic Ras Al Khaimah Sudanese Investment Company	**(37,977)**	-
RAK Porcelain Europe S.A.	**6,470**	-
RAK Securities & Services Private Limited	**83**	-
RAK Porcelain LLC	**-**	50,139
	---------	--------
	(45,200)	50,139
	=====	====

(d) Goodwill

Goodwill amounting to AED 50.36 million was recognised on the acquisition of Ceramin FZ-LLC in 2012. Goodwill arising from a business combination is tested annually for impairment. The impairment tests are based on the "value in use" calculation. These calculations have used cash flow projections based on estimated operating results of the respective cash generating units. The key assumptions used to determine the values are as follows:

Discount rate	7%
Average annual growth rate	0.62%
Terminal value growth rate	0.5% - 1%
Years of forecast	5 years

Management considers that no reasonably possible change in key assumptions would result in having a value in use lower than the carrying amount of the respective cash generating unit.

6 Revenue

	2015	2014
	AED'000	AED'000
Sale of goods	**2,672,066**	2,764,452
Rendering of services	**86,390**	105,735
Construction contract revenue	**320,401**	254,340
	3,078,857	3,124,527

7 Cost of sales

	2015	2014
	AED'000	AED'000
Raw materials consumed (refer note 16)	**942,083**	971,222
Provision for slow moving and obsolete inventory (refer note 16)	**29,915**	27,476
Direct labour	**274,734**	281,265
Power and fuel	**201,485**	195,350
LPG and natural gas	**246,900**	253,991
Depreciation (refer note 12)	**163,890**	150,967
Repairs and maintenance	**249,580**	248,280
Sub-contractors' fee	**13,744**	68,714
Others	**88,508**	118,225
	2,210,839	2,315,490

8 Administrative and general expenses

	2015	2014
	AED'000	AED'000
Staff costs	**99,829**	91,982
Depreciation (refer note 12)	**20,088**	22,881
Depreciation on investment properties (refer note 14)	**9,608**	7,323
Telephone, postal and office supplies	**8,856**	8,876
Repairs and maintenance	**10,638**	10,373
Legal and professional fee	**12,005**	14,714
Rental cost	**7,392**	6,656
Utility expenses	**2,855**	4,778
Insurance	**12,273**	8,869
Security charges	**2,288**	2,852
Amortisation of intangible assets (refer note 13)	**3,305**	2,572
Loss on disposal of property, plant and equipment	**582**	-
Impairment loss on trade receivables / amounts due from related parties (refer note 33)	**26,027**	39,065
Others	**5,005**	21,459
	220,751	242,400

9 Selling and distribution expenses

	2015 AED'000	2014 AED'000
Staff costs	**71,426**	64,657
Freight and transportation	**109,499**	125,291
Performance rebates	**71,810**	82,552
Advertisement and promotions	**59,310**	37,237
Travel and entertainment	**1,893**	1,524
Depreciation (refer note 12)	**1,154**	928
Others	**17,007**	14,519
	332,099	326,708

10 Other income

	2015 AED'000	2014 AED'000
Rental income from investment properties (refer note 14(i))	**29,653**	16,297
Sale of scrap and miscellaneous items	**7,574**	8,453
Insurance claims	**171**	255
Gain on disposal of property, plant and equipment	**8,155**	2,583
Tax subsidies (i)	**1,899**	1,221
Supplier settlement discounts (ii)	**1,701**	2,872
Other miscellaneous income	**11,101**	37,341
	60,254	69,022

(i) This represents sales tax and custom duty subsidies received by the Group entity in India.
(ii) Pertains to discounts received from suppliers as part of the settlement negotiations.

11 Finance income and expense

	2015 AED'000	2014 AED'000
Finance expense		
Interest on bank borrowings	**51,717**	56,864
Interest on amounts due to related parties (refer note 28(A))	**-**	37
Net change in the fair value of derivatives (refer note 27(ii))	**29**	1,236
Bank charges	**7,595**	9,774
Net foreign exchange loss	**25,162**	19,279
Total finance expenses	**84,503**	87,190
Finance income		
Interest on fixed deposits	**3,376**	5,356
Interest on amounts due from related parties (refer note 28(B))	**826**	5,202
Others	**2,150**	6,692
Total finance income	**6,352**	17,250
Net finance expense recognised in profit or loss	**78,151**	69,940

12 Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Vehicles AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Road and asphalting AED'000	Quarry and land development AED'000	Capital work in progress AED'000	Total AED'000
Cost									
Balance at 1 January 2014	687,188	2,520,886	82,328	43,794	39,878	19,958	129	51,568	3,445,729
Hyperinflationary effect	73,221	326,982	15,909	4,579	2,050	6,846	-	938	430,525
Additions	1,143	121,535	43,082	1,455	3,164	-	-	111,912	282,291
Acquisition through business combination	24,253	84,744	180	542	-	-	-	-	109,719
Transfer from capital work in progress	8,620	70,795	(1,171)	821	127	-	-	(79,192)	-
Disposals/write offs	(2,559)	(4,732)	(7,280)	(2,049)	(335)	-	-	(11,670)	(28,625)
Reclassification to assets held for sale	(93,859)	(355,684)	(19,607)	(7,106)	(3,189)	(7,675)	-	-	(487,120)
Effect of movements in exchange rates	(12,161)	(39,660)	(570)	(288)	(141)	(345)	-	(288)	(53,453)
Balance at 31 December 2014	685,846	2,724,866	112,871	41,748	41,554	18,784	129	73,268	3,699,066
Balance at 1 January 2015	685,846	2,724,866	112,871	41,748	41,554	18,784	129	73,268	3,699,066
Additions	898	33,103	9,459	2,438	4,456	1,174	-	215,917	267,445
Acquisition through business combination (refer note 5(a))	358	775	113	69	568	-	-	-	1,883
Transfer from capital work in progress	12,176	84,413	-	133	11,530	1,505	-	(109,757)	-
Transfer to intangibles/investment properties (refer notes 13 and 14)	(72,232)	-	-	-	-	-	-	(1,312)	(73,544)
Disposals/write offs	(10,748)	(27,425)	(7,665)	(418)	(1,446)	-	-	(659)	(48,361)
Effect of movements in exchange rates	(17,445)	(51,297)	(859)	(644)	(556)	(442)	-	4,814	(66,429)
Balance at 31 December 2015	**598,853**	**2,764,435**	**113,919**	**43,326**	**56,106**	**21,021**	**129**	**182,271**	**3,780,060**

12 Property, plant and equipment (continued)

	Land and buildings AED'000	Plant and equipment AED'000	Vehicles AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Road and asphalting AED'000	Quarry and land development AED'000	Capital work in progress AED'000	Total AED'000
Accumulated depreciation and impairment losses									
Balance at 1 January 2014	289,627	1,840,453	71,396	30,329	30,861	13,954	129	-	2,276,749
Hyperinflationary effect (refer note 34)	30,708	235,544	13,242	4,156	1,667	6,047	-	-	291,364
Charge for the year	28,532	146,216	9,344	3,600	5,939	1,421	-	-	195,052
Acquisition through business combination (refer note 5(a))	16,764	63,509	149	-	410	-	-	-	80,832
On disposals/write offs	(614)	(13,651)	(5,385)	(2,155)	(285)	-	-	-	(22,090)
Reclassification to assets held for sale	(38,293)	(271,257)	(17,614)	(5,619)	(2,582)	(7,675)	-	-	(343,040)
Effect of movements in exchange rates	(4,222)	(22,839)	(407)	(79)	(82)	(129)	-	-	(27,758)
Balance at 31 December 2014	322,502	1,977,975	70,725	30,232	35,928	13,618	129	-	2,451,109
Balance at 1 January 2015	322,502	1,977,975	70,725	30,232	35,928	13,618	129	-	2,451,109
Charge for the year	17,835	136,464	17,407	3,603	7,279	2,544	-	-	185,132
Acquisition through business combination (refer note 5(a))	-	441	47	38	477	-	-	-	1,003
Transfer to investment properties (refer note 14)	(18,720)	-	-	-	-	-	-	-	(18,720)
On disposals/write offs	(9,094)	(26,615)	(4,408)	(399)	(1,401)	-	-	-	(41,917)
Effect of movements in exchange rates	(7,115)	(35,126)	(698)	(885)	(242)	(282)	-	-	(44,348)
Balance at 31 December 2015	**305,408**	**2,053,139**	**83,073**	**32,589**	**42,041**	**15,880**	**129**	**-**	**2,532,259**
Net book value									
At 31 December 2015	**293,445**	**711,296**	**30,846**	**10,737**	**14,065**	**5,141**	**-**	**182,271**	**1,247,801**
At 31 December 2014	363,344	746,891	42,146	11,516	5,626	5,166	-	73,268	1,247,957

12 Property, plant and equipment (continued)

The depreciation charge has been allocated as follows:

	2015	2014
	AED'000	AED'000
Cost of sales (refer note 7)	**163,890**	150,967
Administrative and general expenses (refer note 8)	**20,088**	22,881
Selling and distribution expenses (refer note 9)	**1,154**	928
Depreciation relating to discontinued operations	**-**	20,276
	185,132	195,052

(i) Land and buildings

The Group's certain factory buildings and investment properties are constructed on plots of land measuring 46,634,931 sq.ft. which were received from the Government of Ras Al Khaimah under an Emiri Decree, free of cost as a Government grant. These plots of land are recorded at nominal value. Also refer note 14.

(ii) Capital work-in-progress

Capital work in progress mainly includes building structure under construction and heavy equipment, machinery and software under installation.

(iii) Change in estimates

The useful lives of certain items of property, plant and equipment in a subsidiary were revised in 2015. This did not have a material impact on the consolidated financial statements of the Group.

(iv) Impairment of property, plant and equipment

Property, plant and equipment includes AED 69.19 million and AED 118.64 million *(2014: AED 71.14 million and AED 166.72 million)* which represents certain manufacturing units of the Group. In 2014, the Group had temporarily suspended its production at these plants. Management has carried out an impairment test for the property, plant and equipment based on the fair value as determined by an independent valuer.

The fair value of the cash generating units exceeded its carrying amount. Accordingly, no impairment loss has been recorded against this property, plant and equipment in the current year. Refer note 14(ii) for valuation techniques and significant unobservable inputs.

13 Intangible assets

	2015	2014
	AED'000	AED'000
Balance at 1 January	**19,391**	20,459
Additions during the year (refer note 12)	**1,969**	6,324
Amortisation during the year (refer note 8)	**(3,305)**	(2,904)
Reclassification to assets held for sale	**-**	(4,687)
Effect of movements in exchange rates	**(23)**	199
Balance at 31 December	**18,032**	19,391

Intangible assets mainly include an ERP software (SAP) which was implemented in the Company and certain subsidiaries. These are amortised over the period for which the software is used and licence is acquired, which is in the range from 5 to15 years.

14 Investment properties

	2015	2014
	AED'000	AED'000
Cost		
Balance at 1 January	**1,170,658**	265,155
Acquisition through business combination	**-**	6,510
Additions during the year	**11,594**	899,371
Transfers from property, plant & equipment (refer note 12)	**72,232**	-
Disposals	**(25,500)**	-
Effect of movements in exchange rates	**(632)**	(378)
Balance at 31 December	**1,228,352**	1,170,658

	2015	2014
	AED'000	AED'000
Accumulated depreciation and impairment losses		
Balance at 1 January	**50,863**	42,991
Acquisition through business combination	**-**	549
Charge for the year (refer note 8)	**9,608**	7,323
Transfers from property, plant & equipment (refer note 12)	**18,720**	-
Disposals	**(9,738)**	-
Balance 31 December	**69,453**	50,863
Net book value – at 31 December	**1,158,899**	1,119,795
Fair value - at 31 December	**1,385,363**	1,288,036

14 Investment properties (continued)

(i) During the year ended 31 December 2015, the Group has earned rental income amounting to AED 29.65 million *(2014: AED 16.29 million)* from its investment properties (refer note 10).

(ii) The fair value of the Group's investment property at 31 December 2015 has been arrived at on the basis of a valuation carried out on that date by an external, independent property valuer. The valuer has appropriate qualifications and recent experience in the valuation of properties in the location and category of the property being valued. The valuation was performed based on replacement market value. The independent valuation of the fair value of the Group's property is done periodically. The fair value of investment properties as per the report of the independent valuer is AED 1,385 million *(2014: AED 1,288 million)*. As the fair values of investment properties exceed the carrying value, the Group has not recognised any impairment loss during the current year *(2014: Nil).* Also refer notes 12(i) and 12(iv).

Fair values

Valuation techniques and significant unobservable inputs

The following table show the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Inter- relationship between significant and fair value measurement**
The investment properties were valuated using the market approach, adjusted by the influence of the major driving market factors, like demand, transactions, availability, inflation and purchase power of money.	-Inflation rate : > 4% (at end of December 2015) -Interest rate : Eibor + 1% -Cost of capital : Eibor + 6.5% -Statistical average growth rate: 2,3% -Estimated GDP and FDI published by International Monetary Fund	The estimated fair value would change if the following were changed : - Interest rate - Inflation rate - Targeted profit tendency - Demand improvement

15 Investments in equity accounted investees

Movement in investments in equity accounted investees is set out below:

	2015	2014
	AED'000	AED'000
At 1 January	**151,276**	214,329
Investments made during the year (refer note (i) below)	**4,319**	12,396
Share in results	**16,525**	38,008
Disposals (refer note (ii) below)	**(10,550)**	(17,098)
Adjustment due to controlling interest in a joint venture (refer note 5(a)(ii) and (iii))	**(8,302)**	(62,583)
Dividends received during the year	**(23,577)**	(32,179)
Effect of movements in exchange rates	**(2,128)**	(1,597)
	----------	----------
At 31 December	**127,563**	151,276
	======	======

(i) During the year, the Group has made further investment in the following entities:

	2015	2014
	AED'000	AED'000
RAK Watertech LLC (refer * below)	**2,580**	-
RAK Porcelain Europe S.A.	**1,739**	3,168
Restofair RAK LLC	**-**	9,228
	-------	--------
	4,319	12,396
	====	=====

* Effective 1 April 2015, the Group has sold its 39% shareholding in a subsidiary namely RAK Watertech LLC and recognised the remaining investment of 51% as an equity accounted investee as the control over RAK Watertech LLC's operations is jointly controlled with the other shareholder. The fair value of the remaining investment at the disposal date amounted to AED 2.58 million. Also refer note 5(b)(vi).

(ii) Disposal of equity accounted investees

Disposal of equity accounted investees in 2015

Effective 21 October 2015, the Group has acquired remaining 65% shareholding in an equity accounted investee namely RAK Securities and Services Private Limited and converted it to a wholly owned subsidiary. Accordingly, the investment in equity accounted investees is adjusted by AED 0.39 million. Refer note 5(a)(iii).

15 Investments in equity accounted investees (continued)

(ii) Disposal of equity accounted investees (continued)

Disposal of equity accounted investees in 2015 (continued)

Further, the Group has also disposed its entire 51%, 47% and 20% equity interests in jointly controlled entities “Laticrete RAK LLC”, “RAK Paints Private Limited” and “RAK Moshfly (Bangladesh) Private Limited” respectively.

	Laticrete RAK LLC AED'000	RAK Paints Private Limited AED'000	RAK Moshfly Bangladesh Private Limited AED'000	Total AED'000
Net carrying value	**10,550**	**-**	**-**	**10,550**
Less: sale consideration	**(48,122)**	**(10,485)***	**(908)**	**(59,515)**
	---------	---------	-----	--------
(Gain) on disposal of investments	**(37,572)**	**(10,485)**	**(908)**	**(48,965)**
	=====	=====	===	=====

***** As per sale purchase agreement, the sale consideration of AED 10.49 million is to be paid in 6 equal semi-annual instalments of AED 1.75 million commencing from March 2016 till September 2018. Also refer note 28(i).

Disposal of equity accounted investees in 2014

On 1 October 2014, the Group disposed its entire 50% and 40% equity interests in jointly controlled entities "RAK Piling Bangladesh Private Limited" and "RAK Ceramics Holding Private Limited" respectively. The Group sold RAK Piling Bangladesh Private Limited and RAK Ceramics Holding Private Bangladesh Private Limited to another shareholder at consideration of AED 3.67 million and AED 6.61 million and recognised a loss of AED 6.8 million and a gain of AED 0.02 million respectively.

15 Investments in equity accounted investees (continued)

(iii) The following summarises the information relating to each of the Group's investment in equity accounted investees.

Equity accounted investees

	Within UAE		Outside UAE		Total	
December	**2015**	2014	**2015**	2014	**2015**	2014
	AED '000					
Non-current assets	**271,399**	149,683	**40,114**	61,130	**311,513**	210,813
Current assets	**157,673**	169,099	**366,681**	382,336	**524,354**	551,435
Non-current liabilities	**19,161**	26,895	**16,269**	24,778	**35,430**	51,673
Current liabilities	**223,734**	80,338	**307,506**	334,180	**531,240**	414,518
Net assets	**186,177**	211,549	**83,020**	84,508	**269,197**	296,057
Group's share of net assets	**92,292**	104,167	**42,077**	47,737	**134,369**	151,904
Elimination of unrealised profit on downstream sales	**241**	-	**(7,047)**	(628)	**(6,806)**	(628)
Carrying amount of interest in equity accounted investees	**92,533**	104,167	**35,030**	47,109	**127,563**	151,276
	=====	======	=====	=====	======	======
Revenue	**217,752**	331,348	**374,094**	583,345	**591,846**	914,693
Profit and total comprehensive income	**39,678**	72,425	**7,686**	5,918	**47,364**	78,343
Group's share	**19,254**	35,975	**4,077**	2,661	**23,331**	38,636
Elimination of unrealised profit on downstream sales	**241**	-	**(7,047)**	(628)	**(6,806)**	(628)
Group's share of profit	**19,495**	35,975	**(2,970)**	2,033	**16,525**	38,008
	====	====	=====	====	====	====
Dividend received by the Group	**23,158**	28,086	**419**	4,093	**23,577**	32,179
	=====	=====	==	====	=====	=====

16 Inventories

	2015 AED'000	2014 AED'000
Finished goods	**697,388**	667,988
Less: provision for slow moving and obsolete inventories	**(66,192)**	(42,535)
	631,196	625,453
Raw materials	**276,574**	313,128
Goods-in-transit	**57,771**	31,341
Work-in-progress	**21,520**	19,330
Stores and spares	**209,921**	199,707
	1,196,982	1,188,959
Less: provision for slow moving raw materials and stores and spares *	**(55,826)**	(49,568)
	1,141,156	1,139,391

* Stores and spares are depreciated based on the useful life of the plant until they are issued to the factory for capitalisation. The depreciation charge is recognised in these consolidated financial statements under provision for inventories.

At 31 December 2015, the Group has recognised a cumulative loss due to write-down of finished goods inventories of AED 46.3 million against the cost of AED 321.1 million *(2014: AED 33 million against the cost of AED 316.5 million)* to bring them to their net realisable value which was lower than their costs. The difference in write down is included in cost of sales in the consolidated statement of profit or loss (refer note 7).

Inventories amounting to AED 228.79 million *(2014: AED 201.88 million)* are subject to a charge in favour of banks against facilities obtained by the Group (refer note 24(b)(vii)).

The movement in provision for slow moving inventories is as follows:

	2015 AED'000	2014 AED'000
As at 1 January	**92,103**	64,627
Charge for the year (refer note 7)	**29,915**	27,476
At 31 December	**122,018**	92,103

17 Trade receivables and other receivables

	2015 AED'000	2014 AED'000
Trade receivables	**1,067,622**	1,062,058
Less: allowance for impairment losses (refer note 33)	**(155,992)**	(145,543)
	911,630	916,515
Advances and prepayments	**145,294**	118,357
Deposits	**9,978**	10,502
Other receivables (refer note 17(i))	**140,436**	102,525
	1,207,338	1,147,899

Trade receivables amounting to AED 26.23 million *(2014: AED 29.85 million)* are subject to a charge in favour of banks against facilities obtained by the Group (refer note 24(b)(vii)).

17 Trade receivables and other receivables (continued)

(i) Long term receivables

	2015 AED'000	2014 AED'000
Long term amount receivable	**164,734**	-
Less: current portion	**(44,082)**	-
Long term portion	**120,652**	-

Also refer note 5(b)(ii).

The above long term receivables carry interest at normal commercial rates.

18 Contract work-in-progress / billings in excess of valuations

	2015 AED'000	2014 AED'000
Costs incurred to date	**178,717**	588,824
Add: estimated attributable profits less expected losses	**21,027**	8,425
	199,744	597,249
Less: progress billings	**(187,093)**	(571,967)
Contract work-in-progress	**12,651**	25,282

Disclosed in the statement of financial position as below:

	2015	2014
Contract work in progress	**15,442**	28,598
Billing in excess of valuations	**(2,791)**	(3,316)
	12,651	25,282

19 Cash in hand and at bank

	2015 AED'000	2014 AED'000
Cash in hand	**1,391**	1,628
Cash at bank		
- in fixed deposits	**80,825**	114,365
- in current accounts	**260,983**	314,643
- in margin deposits	**3,758**	2,540
- in call accounts	**16,513**	15,170
	363,470	448,346

Cash in hand and cash at bank includes AED 0.35 million *(2014: AED 0.21 million)* and AED 68.27 million *(2014: AED 83.99 million)* respectively, held outside UAE.

Fixed deposits carry interest at normal commercial rates. Fixed deposits include AED 21.86 million *(2014: AED 4.69 million)* which are held by bank under lien against bank facilities availed by the Group (refer note 24(b)(viii)).

20 Assets and liabilities of disposal group held for sale

During the current year, assets and liabilities held for sale in "RAK Pharmaceuticals Private Limited" and "Ceramics Ras Al Khaima Sudanese Investment Company Limited" have been disposed off (refer note 21). Furthermore, the Group has a subsidiary involved in boat manufacturing which had been classified as a disposal group held for sale in previous year. During the year, management's plan to sell the disposal group has changed and efforts for the sale have been discontinued. Accordingly, assets of AED 20.31 million and liabilities of AED 1.5 million which were previously classified as held for sale are reclassified to assets and liabilities as at 31 December 2015.

21 Discontinued operations

In the previous year, the Group committed to a plan to sell its subsidiaries namely "RAK Pharmaceuticals Private Limited" and "Ceramics Ras Al Khaima Sudanese Investment Company Limited" and accordingly, these entities were presented as disposal group held for sale. During the current year, the Group sold these subsidiaries and recognised a net loss of AED 41.41 million.

	Ceramics Ras Al Khaima Sudanese Investment Co. Limited AED'000	**RAK Pharmaceuticals Private Limited AED'000**	**Total AED '000**
	2015		
Revenue	**29,722**	**-**	**29,722**
Expense	**(28,715)**	**-**	**(28,715)**
Loss on net monetary position (refer note 34)	**(2,306)**	**-**	**(2,306)**
Loss for the year	**(1,299)**	**-**	**(1,299)**

	Ceramics Ras Al Khaima Sudanese Investment Co. Limited AED'000	RAK Pharmaceuticals Private Limited AED'000	Total AED '000
	2014		
Revenue	143,277	21,842	165,119
Expense	(152,099)	(29,431)	(181,530)
Loss on net monetary position	(29,348)	-	(29,348)
Results from operating activities	(38,170)	(7,589)	(45,759)
Income tax	-	(67)	(67)
Loss for the year	(38,170)	(7,656)	(45,826)

Loss from discontinued operations

	2015 AED'000	2014 AED'000
Attributable to the owners of the Company	**1,299**	41,219
Attributable to NCI	**-**	4,607
Total	**1,299**	45,826

21 Discontinued operations (continued)

Cash flows from discontinued operations

	2015 AED'000	2014 AED'000
Net cash generated from/(used in) operating activities	**37,259**	(11,353)
Net cash generated from/(used in) investing activities	**73,407**	(3,842)
Net cash (used in)/generated from financing activities	**(9,364)**	8,959

Effect of disposals of subsidiaries on the consolidated financial statement of the Group

	Ceramics Ras Al Khaima Sudanese Investment Co. Limited AED'000	**RAK Pharmaceuticals Private Limited AED'000**
Assets		
Property, plant and equipment	**120,032**	**26,538**
Intangible assets	**-**	**4,693**
Inventories	**75,522**	**3,416**
Trade and other receivables	**49,199**	**2,186**
Other currents	**37,977**	**1,828**
	282,730	**38,661**
Liabilities		
Borrowings	**(37,557)**	**(37,307)**
Trade and other payables	**(11,034)**	**(21,818)**
Net assets / (liabilities)	**234,139**	**(20,464)**
Less: non-controlling interests	**-**	**(9,196)**
Net assets / (liabilities) attributable to parent (A)	**234,139**	**(11,268)**
Consideration (B)	**197,818**	**17,044**
(Loss)/gain on disposal (B-A)	**(36,321)**	**28,312**
Less: loan receivable from the subsidiaries written off	**(37,683)**	**(27,751)**
Add: hyperinflation reserve reclassified to profit or loss on disposal of a subsidiary	**32,032**	**-**
(Loss)/gain on disposals – net	**(41,972)**	**561**

22 Capital and reserves

	2015 AED'000	2014 AED'000
(i) Share capital		
Authorised and issued		
170,000,000 shares of AED 1 each paid up in cash	**170,000**	170,000
647,522,200 shares of AED 1 each issued as bonus shares	**647,522**	647,522
	----------	----------
	817,522	817,522
	======	======

The holders of ordinary shares are entitled to receive dividends declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(ii) Share premium reserve

	AED'000
On the issue of shares of:	
- Ras Al Khaimah Ceramics PSC (refer note (a) below)	**165,000**
- RAK Ceramics (Bangladesh) Limited, Bangladesh (refer note (b) below)	**60,391**
Less: Share issue expenses	**(3,583)**

Total	**221,808**
	======

(a) In October 1998, the shareholders of the Company resolved to issue 15 million ordinary shares at an exercise price of AED 12 per share resulting in share premium of AED 165 million.

(b) In February 2010, the shareholders of RAK Ceramics (Bangladesh) Limited resolved to issue 44.51 million ordinary shares at an exercise price of AED 1.36 per share resulting in share premium of AED 60.39 million. The share issue costs resulting from the increase in share capital of RAK Ceramics (Bangladesh) Limited of AED 3.58 million was recognised as a reduction in equity.

(c) In 2012, the Group sold 500,000 number of shares of RAK Ceramics PSC (Bangladesh) Limited out of shares issued at share premium. Accordingly share premium was reversed by AED 0.14 million

(iii) Translation reserve

The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of monetary items that form part of Group's net investment in foreign operations.

22 Capital and reserves (continued)

(iv) Hyperinflation reserve

The hyperinflation reserve comprises of all foreign currency differences arising from the translation of the financial statements entities operating in a hyperinflationary economy (Sudan and Iran) and the effect of translating their financial statements at current index due to the application of IAS 29: *Financial Reporting in Hyperinflation Economies*.

	RAK Iran AED'000	RAK Sudan AED'000	Total AED'000
As at 31 December 2013	(104,909)	(155,272)	(260,181)
For the year 2014			
Foreign currency translation differences	(19,396)	2,521	(16,875)
Hyperinflation effect relating to the owners of the Company	28,840	168,535	197,375
As at 31 December 2014	(95,465)	15,784	(79,681)
For the year 2015			
Foreign currency translation differences	**(17,285)**	**-**	**(17,285)**
Hyperinflation effect relating to the owners of the Company (refer note 34)	**-**	**16,248**	**16,248**
Addition due to acquisition (refer note 5(a)(i))	**30,074**	**-**	**30,074**
Less: reclassified to profit or loss (refer note 21)	**-**	**(32,032)**	**(32,032)**
As at 31 December 2015	**(82,676)**	**-**	**(82,676)**

In 2015, the economy of the Islamic Republic of Iran ceased to meet the criteria of hyperinflationary economy. Accordingly, beginning 1 January 2015, the Group ceased to apply IAS 29 on a prospective basis for the subsidiary in Iran. As a result of this change, the carrying amounts of non-monetary assets are expressed at 31 December 2014 formed the basis for the respective assets in the subsidiary in Iran as at 1 January 2015.

(v) Legal reserve

In accordance with the Articles of Association of entities in the Group and Article 239 of UAE Federal Law No. (2) of 2015, 10% of the net profit for the year of the individual entities to which the law is applicable, has been transferred to a statutory reserve. Such transfers may be discontinued when the reserve equals 50% of the paid up share capital of these entities. This reserve is non-distributable except in certain circumstances as mentioned in the abovementioned Law. The consolidated statutory reserve reflects transfers made post acquisition for these subsidiary companies.

(vi) General reserve

General reserve of AED 82.8 million *(2014: AED 82.8 million)* represents net profit of prior years retained in reserve. This reserve is distributable.

(vii) Capital reserve

Capital reserve of AED 53.87 million *(2014: AED 55.04 million)* represents the Group's share of retained earnings capitalised by various subsidiaries. The capital reserve is non-distributable.

22 Capital and reserves (continued)

(viii) Proposed dividend

For 2015, the Directors have proposed a cash dividend of 30% and a stock dividend of 5% which will be submitted for approval of the shareholders at the Annual General Meeting in 10 March 2016. On 26 April 2015, the shareholders of the Company in their Annual General Meeting approved 35% cash dividend (AED 0.35 per share) for the year 2014 which was proposed by the Board of Directors.

(ix) Directors' fee

At the Annual General Meeting (AGM) held on 26 April 2015, the shareholders approved the proposed Directors' fees amounting to AED 3.63 million for the year ended 31 December 2014 which has been paid during the year.

23 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding as at 31 December 2015, calculated as follows:

	2015	2014	**2015**	2014	**2015**	2014
	Continuing operations		**Discontinuing operations**		**Total**	
Earnings per share						
Net profit attributable to owners of the Company (AED'000)	**282,653**	320,140	**(1,299)**	(41,219)	**281,354**	278,921
	=====	======	====	=====	======	=====
Weighted average number of shares outstanding ('000s)	**817,522**	817,522	**817,522**	817,522	**817,522**	817,522
	======	======	======	=====	======	=====
Earnings / (loss) per share (AED)	**0.35**	0.39	**0.00**	(0.05)	**0.35**	0.34
	===	===	===	====	===	===

There was no dilution effect on the basic earnings per share as the Company does not have any such outstanding commitment as at the reporting date.

24 Bank borrowings

(a) Islamic bank borrowings

	2015	2014
	AED'000	AED'000
Short-term		
Short-term loans	**224,287**	183,675
Trust receipts	**115,918**	113,990
Current portion of long-term loans	**-**	108
	340,205	297,773
Long-term		
Bank loans	**-**	126
Less: current portion of long-term loans	**-**	(108)
	-	18

The terms and conditions of outstanding long-term loans were as follows:

Currency	**Profit range**	**2015 AED'000**	2014 AED'000
AED	4% - 5%	**-**	126
Total		**-**	126

Islamic Bank Borrowings represents facilities such as Ijara, Murabaha and Mudarabah facilities obtained from Islamic Banks for meeting working capital requirements. These bank borrowings are denominated either in the functional currency of the Company or in USD, a currency against which the functional currency of the Company is currently informally pegged. Rate of interest on the above bank loans are based on profit.

These bank borrowings are secured by:

(i) Negative pledge over certain assets of the Group;
(ii) Pari-passu rights with other unsecured and unsubordinated creditors; and
(iii) Promissory note for AED 140 million.

24 Bank borrowings (continued)

(b) Other bank borrowings

	2015 AED'000	2014 AED'000
Short-term		
Bank overdrafts	**8,644**	122,286
Short-term loans	**123,562**	315,365
Trust receipts	**-**	17,744
Current portion of long-term loans	**190,980**	346,014
	323,186	801,409
Long-term		
Bank loans	**1,500,686**	1,116,384
Less: current portion of long-term loans	**(190,980)**	(346,014)
	1,309,706	770,370

The terms and conditions of outstanding long-term loans were as follows:

Currency	**Interest range**	**2015 AED'000**	2014 AED'000
AUD	4.9% - 6.0%	**13,637**	15,465
AED	3% - 4%	**17**	221
EUR	0.9%-5.55%	**-**	5,957
INR	9.7%-9.8%	**8,174**	17,770
USD	1.6% - 3.5%	**1,478,858**	1,076,971
Total		**1,500,686**	1,116,384

The Group has also obtained long term and short term non-Islamic bank facilities from various banks for financing acquisition of assets, project financing or to meet its working capital requirements. The majority of these bank borrowings are denominated either in the functional currencies of the respective borrowing entities or in USD, a currency against which the functional currency of the Company is currently informally pegged. Rates of interest on the above bank loans are based on normal commercial rates. The maturity profile of term loans range from 2016 to 2023.

These bank borrowings are secured by:

(i) Negative pledge over certain assets of the Group;
(ii) Pari-passu rights with other unsecured and unsubordinated creditors;
(iii) Mortgage / hypothecation of relevant motor vehicles in favour of the bank (refer note 12);
(iv) Promissory note for AED 779 million;
(v) Assignment of insurance over furniture, fixtures and equipment's of certain Group entities in favour of the bank;
(vi) Corporate guarantee given by the Company;
(vii) Hypothecation of inventories and receivables of certain Group entities (refer notes 16 and 17); and
(viii) Fixed deposits held under lien (refer note 19).

25 Trade and other payables

	2015 AED'000	2014 AED'000
Trade payables	**427,512**	439,577
Accrued and other expenses	**267,686**	221,908
Advances from customers	**57,784**	71,837
Commissions and rebates payables	**53,250**	44,750
Other payables	**29,712**	35,965
	835,944	814,037

26 Staff terminal benefits

	2015 AED'000	2014 AED'000
At 1 January	**78,864**	77,939
On acquisition of a subsidiary	**105**	3,454
Charge for the year	**13,881**	24,949
Payments made during the year	**(14,296)**	(28,226)
Effect of movements in exchange rate	**(269)**	748
At 31 December	**78,285**	78,864

27 Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analyzed by term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	Positive fair value AED'000	**Negative fair value AED'000**	**Notional amount AED'000**	**Maturity within 1 year AED'000**
31 December 2015				
Currency swaps	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**
31 December 2014				
Currency swaps	29	-	3,835	3,835
	29	-	3,835	3,835

27 Derivative financial instruments (continued)

(i) During the year ended 31 December 2014, the Group had entered into cross currency swaps with commercial banks whereby its foreign currency obligations upto USD 1.04 million had been converted into the hedged Indian Rupees (INR) amount.

(ii) During the current year, the difference between net mark-to-market value of the derivative financial instruments as at 31 December 2015 amounting to nil as compared to the value of AED 0.03 million on 31 December 2014 has resulted in a loss of AED 0.03 million *(2014: loss of AED 1.24 million)* which has been recognized as finance expense *(2014: finance expense)* (refer note 11).

Information about the Group's exposure to credit and market risks, and the fair value measurement is included in note 33.

28 Related parties

The Group, in the ordinary course of business, enters into transactions with other business enterprises that fall within the definition of related parties as contained in International Accounting Standard 24 *"Related Party Disclosures"*. The management approves prices and terms of payment for these transactions and these are carried out at mutually agreed rates. The significant transactions entered into by the Group with related parties during the year, other than those disclosed elsewhere in these consolidated financial statements (in particular notes 5 and 15), are as follows:

Transactions with related parties

		2015	2014
		AED'000	AED'000
A)	**Equity accounted investees**		
	Sale of goods and services and construction contracts	**368,454**	290,809
	Purchase of goods and services	**7,451**	4,797
	Interest expense (refer note 11)	**-**	37
	Interest income (refer note 11)	**629**	1,499
	Rental income	**4,403**	4,939
		====	====
B)	**Other related parties**		
	Sales of goods and services and construction contracts	**126,268**	99,322
	Purchase of goods and services	**208,821**	168,457
	Interest income (refer note 11)	**197**	3,703
	Rental income	**7,938**	7,433
		====	==

28 Related parties (continued)

C) Investments and divestments with related parties

(i) Consideration on sale of subsidiaries / equity accounted investees

	2015	2014
	AED'000	AED'000
RAK Logistics LLC (refer note 5(b)(v) and below*)	**16,000**	-
RAK Watertech LLC (refer note 5(b)(vi))	**4,247**	-
RAK Moshfly Bangladesh Private Limited (refer note 15(b))	**908**	-
RAK Paints Private Limited (refer note 15(b))	**10,485**	-
	=====	==

* During the current year, the Group has sold its investment in RAK Logistics LLC to a significant shareholder in the Company. In order to manage conflict of interests for the finalisation of this transaction, relevant board members and related parties who were having a conflict, were not involved in the decision making process in relation to this transaction.

(ii) Consideration on purchase of subsidiaries / equity accounted investees

	2015	2014
	AED'000	AED'000
RAK Porcelain Europe S.A. (refer note 5(a)(ii))	**1,868**	-
RAK Ceramics (Iran) PJSC (refer note 5(a)(i))	**14,694**	-
RAK Ceramics India Private Limited (refer note 5(a)(i))	**20,601**	-
RAK Securities & Services Private Limited (refer note 5(a)(iii))	**883**	-
RAK Power Private Limited (refer note 5(a)(iii))	**10,618**	-
	=====	==

Key management personnel compensation

The remuneration of Directors and other members of key management of the Company during the year were as follows:

	2015	2014
	AED'000	AED'000
Short-term benefits	**15,636**	15,505
Staff terminal benefits	**424**	782
Board of Directors' remuneration	**4,228**	2,400
	====	====

Due from related parties

Due from related parties includes receivable from certain entities which are related parties of the Group by virtue of common ultimate ownership and directorship of certain individuals in the Company and these entities. The Board of Directors of the Company, based on their review of these outstanding balances, are of the view that the existing provision is sufficient to cover any expected impairment losses there against. During the current and previous year, the Group has recognised impairment loss on amounts due from related parties primarily domiciled in the UAE and Europe.

28 Related parties (continued)

	2015 AED'000	2014 AED'000
Equity accounted investees	**582,783**	410,955
Other related parties	**90,155**	42,228
	672,938	453,183
Less: allowance for impairment losses (refer note 33)	**(142,170)**	(138,230)
Less: long term receivables (refer note (i) below)	**(6,990)**	**-**
	523,778	314,953

Due to related parties

	2015 AED'000	2014 AED'000
Others	**23,277**	56,575
	23,277	56,575

(i) Long term receivables

	2015 AED'000	2014 AED'000
Long term amount receivable	**10,485**	-
Less: current portion	**(3,495)**	-
Long term portion	**6,990**	-

Also refer note 15(ii).

(ii) Settlement of certain related party receivable balances

During the previous year, the ultimate beneficial owner of certain related parties had settled balances payable by these related parties to the Group having a carrying value of AED 839.3 million (net) in the form of a plot of land on behalf of these related parties. Accordingly, the Group received a plot of land in consideration of the settlement of these related party balances.

The land was fair valued by an independent valuer, in accordance with the requirements of IFRS 13: *Fair value measurement*, at AED 899.3 million which was recognised as an investment property and a resultant gain of AED 59.1 million (net of transaction costs) was recognised on the settlement of the above mentioned related party balances. The cost of investment property acquired in exchange for the related party receivables (monetary assets) was determined at the fair value of the investment property received

29 Income tax

Tax expense relates to corporation tax payable on the profits earned by certain Group entities which operate in taxable jurisdictions, as follows:

	2015	2014
	AED'000	AED'000
Current tax		
Current year	**21,865**	19,841
Deferred tax		
Originating and reversal of temporary tax differences	**4,806**	191
Adjustment for prior years	**(4,300)**	3,349
Total deferred tax	**506**	3,540
Tax expense for the year	**22,371**	23,381
Provision for tax	**122,606**	103,135
Deferred tax liability	**8,323**	8,755
Deferred tax asset	**298**	268

The Company operates in a tax free jurisdiction. The Group's consolidated effective tax rate is 6.7% for 2015 *(2014: 6.7%)* which is primarily due to the effect of tax rates in foreign jurisdictions.

30 Contingent liabilities and commitments

	2015	2014
	AED'000	AED'000
Letters of guarantee	**31,627**	91,230
Letters of credit	**74,287**	227,207
Capital commitments	**4,323**	6,189
VAT and other tax contingencies	**33,888**	48,890

In some jurisdictions, the tax returns for certain years have not been reviewed by the tax authorities and there are unresolved disputed corporate tax assessments and VAT claims by the authorities. However, the Group's management is satisfied that adequate provisions have been recognised for potential tax contingencies.

Certain other contingent liabilities may arise during normal course of the Group's contracting business, which based on the information presently available, cannot be quantified at this stage. However, in the opinion of the management these contingent liabilities are not likely to be material.

The Company has issued corporate guarantees for advances obtained by related parties from commercial banks. Guarantees outstanding as at 31 December 2015 amounts to AED 253 million *(31 December 2014: AED 364 million)*.

31 Non-controlling interests

The following summarises the information relating to the Group's non-controlling interests.

	Subsidiaries within UAE		Subsidiaries outside UAE		Intra group eliminations		Total	
December	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	AED'000							
Non-current assets	**56,331**	70,316	**239,495**	479,954	**(25,678)**	(28,850)	**270,148**	521,420
Current assets	**295,706**	422,729	**351,051**	692,162	**-**	-	**646,757**	1,114,891
Non-current liabilities	**13,570**	8,339	**37,911**	74,746	**-**	-	**51,481**	83,085
Current liabilities	**122,236**	208,186	**226,430**	434,269	**-**	-	**348,666**	642,455
Net assets	**216,231**	276,520	**326,205**	663,101	**(25,678)**	(28,850)	**516,758**	910,771
Carrying amount of NCI	**112,769**	131,995	**82,203**	123,360	**(25,678)**	(28,850)	**169,294**	226,505
Revenue	**294,252**	314,331	**604,568**	785,490	**-**	-	**898,820**	1,099,821
Profit	**46,812**	2,955	**9,749**	9,343	**-**	-	**56,561**	12,298
Other comprehensive income	**(64)**	65	**(32,114)**	24,991	**-**	-	**(32,178)**	25,056
Total comprehensive income	**46,748**	3,020	**(22,365)**	34,334	**-**	-	**24,383**	37,354
Profit allocated to NCI	**24,433**	847	**6,925**	376	**(2,394)**	1,555	**28,964**	2,778
Other comprehensive income allocated to NCI	**(31)**	38	**(5,251)**	5,506	**-**	-	**(5,282)**	5,544

32 Operating leases

As lessor

Certain Group entities lease out their investment properties under operating leases. The leases typically run for a period of more than five years, with an option to renew the lease after that date. Lease rentals are usually reviewed periodically to reflect market rentals.

	2015	2014
	AED'000	AED'000
Less than one year	**28,303**	21,916
Between two and five years	**67,226**	65,370
More than five years	**116,667**	134,411
	212,196	221,697

33 Financial instruments

Risk management framework

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management practices in others.

The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by the internal audit department. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

33 Financial instruments (continued)

Risk management framework (continued)

As part of the application of the risk management policies, senior management is also responsible for development and implementation of controls to address operational risks arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors arising from legal and regulatory requirements, political and economic stability in the jurisdictions that the Group operates and generally accepted standards of corporate behavior.

At 31 December 2015, the Group has a subsidiary in Iran, RAK Ceramics PJSC Limited ("RAK Iran") which is engaged in the manufacturing and sale of ceramic tiles and has net assets amounting to AED 137.38 million *(2014: AED 207.64 million)* as at that date. Refer note 34.

Previously, due to the political situation in Iran and the imposition of stricter financial and trade sanctions and oil embargo, the movement of funds through banking channels from Iran had been exceedingly difficult. Discussions were undertaken for easing of sanctions and releasing the imposition of stricter financial and trade sanctions. Subsequent to the year ended 31 December 2015, the stricter financial and trade sanctions were released and relaxed to an extent. Management is in the process of assessing the implications of such changes on the business.

The Company's management has reviewed the Group's exposure in Iran at the reporting date in view of the current global and political conditions. Based on its review, management is of the view that the Group will be able to recover its investment in Iran and accordingly are of the view that no allowance for impairment is required to be recognised in these consolidated financial statements as at reporting date.

The Group's non-derivative financial liabilities comprise bank borrowings, trade and other payables and balances due to related parties. The Group has various financial assets such as trade and other receivables, cash and cash equivalents and due from related parties.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables, due from related parties and balances with bank.

33 Financial instruments (continued)

Credit risk (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015	2014
	AED'000	AED'000
Long term receivables	**127,642**	-
Trade and other receivable (excluding advances and prepayments)	**1,062,044**	1,029,542
Cash at bank	**362,079**	446,718
Due from related parties	**523,778**	314,953
	2,075,543	1,791,213

Trade and other receivables and amount due from related parties

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which the customers operate, as these factors may have an influence on credit risk. The Group's ten largest customers account for 31.58% *(2014: 32.98%)* of the outstanding trade receivables as at 31 December 2015. Geographically the credit risk is significantly concentrated in the Middle East and European region.

The management has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the senior Group management; these limits are reviewed periodically.

In monitoring credit risk, customers and related parties are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables, related parties receivables and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

33 Financial instruments (continued)

Credit risk (continued)

Exposure to credit risk (continued)

Trade and other receivables and amount due from related parties (continued)

The maximum exposure to credit risk (trade, related parties and other receivable) at the reporting date by geographic region and operating segments was as follows.

	2015	2014
	AED'000	AED'000
Middle East (ME)	**1,045,752**	806,908
Euro-zone countries	**212,672**	213,222
Asian countries (Other than ME)	**187,123**	189,332
Other regions	**267,917**	135,033
	1,713,464	1,344,495
Trading and manufacturing	**1,489,933**	1,103,885
Contracting	**112,862**	118,759
Other industrial	**39,540**	47,535
Others	**71,129**	74,316
	1,713,464	1,344,495

Impairment losses

At 31 December 2015, trade receivables with a nominal value of AED 155.99 million *(2014: AED 145.54 million)* were impaired. Movement in the allowance for impairment loss of trade receivables were as follows:

	2015	2014
	AED'000	AED'000
At 1 January	**145,543**	181,855
Charge / (reversal) for the year -net (refer note 8)	**22,087**	(26,200)
Amounts written off	**(11,638)**	(10,112)
At 31 December	**155,992**	145,543

The movement in the allowances for impairment loss on amount due from related parties is as follows:

	2015	2014
	AED'000	AED'000
At 1 January	**138,230**	72,965
Charge for the year (refer note 8)	**3,940**	65,265
At 31 December	**142,170**	138,230

33 Financial instruments (continued)

Credit risk (continued)

Impairment losses (continued)

At 31 December, the ageing of unimpaired trade receivables is as follows:

	Total AED'000	Neither past due nor impaired AED'000	Past due but not impaired: <180 days AED'000	Past due but not impaired: 180-360 days AED'000	Past due but not impaired: >360 days AED'000
2015	**911,630**	**463,375**	**250,860**	**91,907**	**105,488**
	=====	=====	=====	====	=====
2014	916,515	475,676	266,759	71,377	102,703
	=====	=====	=====	=====	=====

Unimpaired receivables are expected, on the basis of past experience, segment behaviour and extensive analysis of customer credit risk to be fully recoverable. It is the practice of the Group to obtain post dated cheques, letter of credit and collections documents backed by bill of exchange over certain receivables, however, majority receivables remain unsecured.

Balances with banks

The Group limits its exposure to credit risk by placing balances with international and local banks. Given the profile of its bankers, management does not expect any counter party to fail to meet its obligations. The bank balances are held with the banks and financial institutions of repute.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity price will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

33 Financial instruments (continued)

Market risk (continued)

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The entities within the Group which have AED as their functional currency are not exposed to currency risk on transactions denominated in USD as AED is currently informally pegged to USD at a fixed rate. The currencies giving rise to this risk are primarily EURO and GBP.

The Group enters into forward exchange contracts to hedge its currency risk, generally with a maturity of less than one year from the reporting date. The Group also enters currency swap arrangements with a maturity of more than 1 year. However, the Group does not hold any forward exchange contracts and currency swap arrangement at reporting date to hedge its currency risk.

Interest on borrowings is denominated in the currency of respective borrowing, generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The Group’s exposure to foreign currency risk is as follows:

	GBP	EURO
31 December 2015	|---------‘000	------------|
Trade and other receivable (including due from related parties)	**6,522**	**51,912**
Cash and bank balances	**2,641**	**6,736**
Trade and other payables	**(4,670)**	**(35,145)**
Bank borrowings	**-**	**(6,178)**
	------	--------
Net statement of financial position exposure	**4,493**	**17,325**
	====	====

33 Financial instruments (continued)

Market risk (continued)

Exposure to currency risk (continued)

31 December 2014	GBP	EURO
	|----------'000----------|	
Trade and other receivable (including due from related parties)	8,457	51,842
Cash and bank balances	3,475	2,330
Trade and other payables	(3,381)	(34,998)
Bank loans	(278)	(7,059)
Net statement of financial position exposure	8,273	12,115

The following are exchange rates applied during the year:

	Reporting date Spot rate		**Average rate**	
	2015	2014	**2015**	2014
Great Britain Pound (GBP)	**5.439**	5.702	**5.616**	6.050
Euro (EUR)	**4.016**	4.471	**4.078**	4.878

Sensitivity analysis

A strengthening (weakening) of the AED, as indicated below, against the EUR and GBP by 5% at 31 December would have increased (decreased) profit or loss by the amounts shown below. The analysis is based on foreign currency exchange variances that the Group considers to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignore any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2014.

	Strengthening		**Weakening**	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
	---------------------------AED'000-------------------------			
31 December 2015				
GBP	**(1,262)**	**-**	**1,262**	**-**
EURO	**(3,534)**	**-**	**3,534**	**-**
31 December 2014				
GBP	(2,359)	-	2,359	-
EURO	(2,709)	-	2,709	-

33 Financial instruments (continued)

Market risk (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this, the Group enters into interest rate swaps, from time to time whereby the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2015, 1% *(2014: 6%*) of the Group's term loans are at a fixed rate of interest.

At the reporting date, the interest rate profile of the Group’s interest bearing financial instruments was:

	2015	2014
	AED’000	AED’000
Fixed rate instruments		
Financial assets		
Fixed deposits	**80,825**	114,365
Margin deposits	**3,758**	2,540
Due from related parties	**4,920**	-
	====	==
Financial liabilities		
Bank borrowings	**25,349**	110,830
	=====	=====
Variable rate instruments		
Financial assets		
Due from related parties	**-**	2,756
	=	====
Financial liabilities		
Due to related parties	**-**	7,444
Bank borrowings	**1,947,748**	1,758,740
	=======	=======

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2014.

33 Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

	Profit or loss	
	100bp increase AED'000	**100 bp decrease AED'000**
31 December 2015		
Financial liabilities -net		
Variable instruments	**(19,477)**	**19,477**
	=====	====
31 December 2014		
Financial liabilities - net		
Variable instruments	(17,634)	17,634
	=====	====

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's credit terms require the amounts to be received within 90-180 days from the date of invoice. Trade payable are normally settled within 60-90 days of the date of purchase.

Typically the Group ensures that it has sufficient cash in hand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

33 Financial instruments (continued)

Liquidity risk (continued)

The following are the remaining contractual maturities of the Group's financial liabilities at the reporting dates, including estimated interest payments:

		Contractual cash flows				
	Carrying amount AED'000	Total AED'000	2 months or less AED'000	2-12 months AED'000	1-2 years AED'000	More than 2 years AED'000
At 31 December 2015						
Non-derivative financial liabilities						
Bank borrowings	**1,973,097**	**(2,091,032)**	**(18,951)**	**(692,751)**	**(277,980)**	**(1,101,350)**
Trade and other payables	**778,160**	**(778,160)**	**(224,381)**	**(553,779)**	**-**	**-**
Due to related parties	**23,277**	**(23,277)**	**(21,894)**	**(1,383)**	**-**	**-**
Derivative financial liabilities						
Currency swaps	**-**	**-**	**-**	**-**	**-**	**-**
	2,774,534	**(2,892,469)**	**(265,226)**	**(1,247,913)**	**(277,980)**	**(1,101,350)**
At 31 December 2014						
Non-derivative financial liabilities						
Bank borrowings	1,869,570	(1,935,615)	(336,123)	(791,282)	(352,399)	(455,811)
Trade and other payables	742,200	(742,200)	(142,851)	(574,936)	(24,413)	-
Due to related parties	56,575	(56,575)	(33,120)	(19,600)	(3,855)	-
Derivative financial liabilities						
Currency swaps	3,835	(3,835)	-	(3,835)	-	-
	2,672,180	(2,738,225)	(512,094)	(1,389,653)	(380,667)	(455,811)

Equity risk

The Group is not significantly exposed to equity price risk.

Capital management

The Group's policy is to maintain a strong capital base to sustain future development of the business and maintain investor and creditor confidence. The Board seeks to maintain a balance between the higher returns and the advantages and security offered by a sound capital position.

33 Financial instruments (continued)

Capital management (continued)

The Group manages its capital structure and make adjustments to it in light of changes in business conditions. Capital comprises share capital, share premium reserve, capital reserve, legal reserve, translation reserve, general reserve and retained earnings and amounts to AED 2,937 million as at 31 December 2015 *(2014: AED 3,035 million)*. Debt comprised interest bearing loans and borrowings.

The debt equity ratio at the reporting date was as follows:

	2015	2014
	AED'000	AED'000
Equity	**2,937,452**	3,034,813
	=======	=======
Debt	**1,964,452**	1,747,284
	=======	=======
Debt equity ratio	**0.67**	0.58
	===	===

There was no change in the Group's approach to capital management during the current year.

Fair values

Accounting classifications and fair values

The Group holds financial liabilities, measured at fair value which are classified in Level 2 at the reporting date.

Further, the Group does not disclose the fair values of financial instruments such as trade and other receivables, due from / due to related parties, trade and other payables and bank borrowings because their fair value approximates to their book values due to the current nature of these instruments as the effect of discounting is immaterial. In case of the non-current financial instruments, the fair value is estimated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

34 Hyperinflationary accounting

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the statement of financial position date and that corresponding figures for previous periods be stated in the same terms to the latest statement of financial position date. This had been applied in RAK Ceramics PJSC Limited, a subsidiary in Iran (from 2013), and in Ceramic Ras Al Khaimah Sudanese Investment Company, a subsidiary in Sudan (from 2014) and hence the impact had been calculated by means of conversion factors derived from the Consumer Price Index (CPI).

In 2015, the economy of the Islamic Republic of Iran ceased to meet the criteria of hyperinflationary economy. Accordingly, beginning 1 January 2015, the Group ceased to apply IAS 29 on a prospective basis. As a result of this change, the carrying amounts of non-monetary assets are expressed at 31 December 2014 formed the basis for the respective assets at 1 January 2015.

34 Hyperinflationary accounting (continued)

Transactions undertaken subsequent to 31 December 2014 are reported at actual, nominal amounts except for those involving non-monetary assets and liabilities acquired and incurred prior to 1 January 2014. Results of operations involving such assets and liabilities are recognised based on restated cost, which was calculated by applying to the carrying values of these assets and liabilities the change in the general index through 31 December 2014.

The conversion factors used to restate the financial statements of the subsidiaries are as follows:

	---------------Iran--------------		--------------Sudan------------	
	Index	**Conversion factor**	**Index**	**Conversion factor**
31 March 2015	-	-	527	1.184
31 December 2014	548	1.120	459	1.004
31 December 2013	489	1.315	457	1.419
31 December 2012	372	1.383	322	1.460
31 December 2011	269	1.224	220	1.212
31 December 2005	104	-	100	1.060
31 December 2004	-	-	94	-

The above mentioned restatement is affected as follows:

i. Financial statements prepared in the currency of a hyperinflationary economy are stated after applying the measuring unit current at statement of financial position date and corresponding figures for the previous period are stated on the same basis. Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the statement of financial position date. Monetary items are money held and items to be recovered or paid in money;

ii. Non-monetary assets and liabilities that are not carried at amounts current at the statement of financial position date and components of shareholders' equity are restated by applying the relevant conversion factors;

iii. Comparative financial statements are restated using general inflation indices in terms of the measuring unit current at the statement of financial position date;

iv. All items in the income statement are restated by applying the relevant quarterly average or year-end conversion factors; and

v. The effect on the net monetary position of the Group is included in the consolidated statement of profit or loss as a monetary loss/gain from hyperinflation.

34 Hyperinflationary accounting (continued)

The application of the IAS 29 restatement procedures has the effect of amending certain accounting policies at the subsidiary's level which are used in the preparation of the financial statements under the historical cost conversion. The impact of hyperinflationary accounting on the consolidated financial statements due to Iran and Sudan subsidiaries is as follows:

	Iran AED'000	Sudan AED'000	Total AED'000
Hyperinflation effect recorded upto 31 December 2014	**205,757**	**168,535**	**374,292**
	======	======	======
For the year 2015			
Impact on statement of financial position			
Increase in property plant and equipment	**-**	**8,683**	**8,683**
Increase in inventories	**-**	**5,161**	**5,161**
Increase in other assets	-	**2,404**	**2,404**
	--	--------	---------
Increase in net book value	**-**	**16,248**	**16,248**
	=	=====	=====
Allocated to:			
Increase in other comprehensive income due to cumulative hyperinflation	**-**	**16,248**	**16,248**
	=	=====	=====
	2015 AED'000	**2015 AED'000**	**2015 AED'000**
Impact on profit or loss:			
Increase in depreciation charge for the year	**-**	**7,372**	**7,372**
Decrease in other income	**-**	**(2,852)**	**(2,852)**
Loss on net monetary position (refer note 21)	**-**	**2,306**	**2,306**
	---	-------	-------
	-	**6,826**	**6,826**
	=	====	====

35 Segment reporting

Basis for segmentation

The Group has broadly three reportable segments as discussed below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

Ceramics products	includes manufacture and sale of ceramic wall and floor tiles, Gres Porcellanato and bath-ware products.
Contracting products	includes construction projects, civil works and contracting for the supply, installation, execution and maintenance of electrical and mechanical works.
Other industrial	includes power, table ware, paints, plastics, glue, chemicals, and faucets.
Others	other operations include food and beverages, trading, travel, hotel, real estate and warehousing.

Information about the reportable segments

Information regarding the operations of each separate segment is included below. Performance is measured based on segment profit as management believes that profit is the most relevant factor in evaluating the results of certain segments relative to other entities that operate within these industries.

	Ceramics Products AED'000	Contracting AED'000	Other industrial AED'000	Others AED'000	Eliminations AED'000	Total AED'000
Year ended 31 December 2015						
External revenue	**2,440,861**	**320,401**	**231,205**	**86,390**	**-**	**3,078,857**
Inter segment revenue	**211,100**	**23,620**	**163,297**	**121,294**	**(519,311)**	**-**
Reportable segment profit before tax	**484,437**	**88,422**	**58,231**	**63,391**	**(361,792)**	**332,689**
Interest income	**8,234**	**715**	**606**	**-**	**(3,203)**	**6,352**
Interest expense	**52,728**	**1,414**	**11**	**111**	**(2,547)**	**51,717**
Depreciation and amortisation	**126,381**	**58,014**	**7,605**	**6,045**	**-**	**198,045**
Share of profit of equity accounted investees	**(3,167)**	**32**	**11,775**	**9,655**	**(1,770)**	**16,525**
Reportable segment assets	**6,285,616**	**485,081**	**494,031**	**357,961**	**(1,640,914)**	**5,981,775**
Reportable segment liabilities	**3,050,492**	**246,083**	**113,622**	**119,949**	**(485,823)**	**3,044,323**
	=======	=====	=====	======	=======	=======

35 Segment reporting (continued)

Information about the reportable segments (continued)

	Ceramics Products AED'000	Contracting AED'000	Other industrial AED'000	Others AED'000	Eliminations AED'000	Total AED'000
Year ended 31 December 2014						
External revenue	2,627,525	254,340	136,927	105,735	-	3,124,527
Inter segment revenue	188,112	41,967	158,019	109,218	(497,316)	-
Reportable segment profit before tax	278,349	(22,640)	76,829	16,054	(43,446)	305,146
Interest income	26,096	1,007	175	50	(10,078)	17,250
Interest expense	55,052	1,091	8	860	(110)	56,901
Depreciation and amortisation	156,195	36,268	6,872	5,944	-	205,279
Share of profit of equity accounted investee	1,020	29	31,393	4,041	1,525	38,008
Reportable segment assets	6,811,018	521,689	875,046	368,549	(2,576,427)	5,999,875
Reportable segment liabilities	3,502,769	470,627	108,507	161,570	(1,278,411)	2,965,062
	=======	=====	=====	======	=======	=======

Geographical information

The ceramic products, contracting and other industrial segments are managed on worldwide basis, but operate manufacturing facilities primarily in UAE, India, Iran, China and Bangladesh.

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets. Investment in equity accounted investees is presented based on the geographical location of the entity holding the investment.

Revenue

	2015 AED'000	2014 AED'000
Middle East (ME)	**1,995,946**	1,686,793
Euro zone countries	**396,574**	394,037
Asian countries (other than ME)	**460,624**	763,147
Others	**225,713**	280,550
	------------	-----------
	3,078,857	3,124,527
	=======	=======
Non-current assets		
Middle East (ME)	**2,040,954**	2,036,809
Asian countries (other than ME)	**514,608**	502,118
Others	**175,029**	50,116
	------------	------------
	2,730,591	2,589,043
	=======	=======

35 Segment reporting (continued)

Reconciliation of reportable segment

	2015 AED'000	2014 AED'000
Revenues		
Total revenue for reportable segments	**3,598,168**	3,621,843
Elimination of inter segment revenue	**(519,311)**	(497,316)
	3,078,857	3,124,527
Profit before tax		
Total profit or loss for reportable segments before tax	**694,481**	348,592
Elimination of inter-segment profits	**(361,792)**	(43,446)
	332,689	305,146
Assets		
Total assets for reportable segment	**5,854,212**	5,848,599
Equity accounted investees	**127,563**	151,276
	5,981,775	5,999,875
Other material items		
Interest income	**6,352**	17,250
Interest expense	**51,717**	56,901
Depreciation and amortization	**188,437**	177,393

36 Subsidiaries and equity accounted investees

Name of the entity	Country of incorporation	Ownership interest 2015	2014	Principal activities
A **Subsidiaries of Ras Al Khaimah Ceramics PSC**				
RAK Ceramics (Bangladesh) Limited (refer note 5(b)(i))	Bangladesh	**71.57%**	72.41%	Manufacturers of ceramic tiles and sanitary ware
RAK (Gao Yao) Ceramics Co. Limited	China	**100%**	100%	Manufacturers of ceramic tiles
Ceramic Ras Al Khaimah Sudanese Investment Company (refer notes 5(b)(ii) and 21)	Sudan	**-**	100%	Manufacturers of ceramic tiles
RAK Ceramics PJSC Limited (refer note 5(a)(i))	Iran	**100%**	80%	Manufacturers of ceramic tiles
RAK Ceramics India Private Limited (refer note 5(a)(i))	India	**100%**	90%	Manufacturers of ceramic tiles and sanitary ware
Elegance Ceramics LLC	UAE	**100%**	100%	Manufacturers of ceramic tiles
Prestige Tiles Pty Limited	Australia	**95%**	95%	Trading in ceramic tiles
RAK Bathware Pty Limited	Australia	**100%**	100%	Trading in sanitary ware
Acacia Hotels LLC	UAE	**100%**	100%	Lease of investment property
Electro RAK LLC (refer note 5(a)(iv)	UAE	**51.08%**	51.04%	Mechanical, electrical and plumbing (MEP) contracting
RAK Ceramics Holding LLC	UAE	**100%**	100%	Investment company
Al Jazeerah Utility Services LLC	UAE	**100%**	100%	Provision of utility services
RAK Ceramics (Al Ain) and RAK Ceramics (Abu Dhabi)	UAE	**100%**	100%	Trading in ceramic tiles and sanitary ware
Ceramin FZC LLC	UAE	**100%**	100%	Manufacturing, processing import & export of industrial minerals
Al Hamra Construction Company LLC	UAE	**100%**	100%	Construction company

36 Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	Ownership interest 2015	2014	Principal activities
A	**Subsidiaries of Ras Al Khaimah Ceramics PSC (continued)**				
	RAK Porcelain LLC	UAE	**50%**	50%	Manufacturing of porcelain table
	RAK Ceramics Company LLC (refer note (v) below)	Saudi Arabia	**100%**	-	Trading in ceramic tiles and sanitary ware
B	**Subsidiaries of RAK Ceramics Bangladesh Limited**				
	RAK Power Private Limited (refer note 5(a)(iii))	Bangladesh	**100%**	57%	Power generation for captive consumption
	RAK Pharmaceuticals Private Limited (refer notes 5(b)(iv) and 21)	Bangladesh	**-**	55%	Manufacturing of pharmaceuticals
	RAK Securities and Services Private Limited (refer note 5(a)(iii))	Bangladesh	**100%**	-	Providing security services
C	**Subsidiaries of Electro RAK LLC**				
	Encom Trading LLC (refer note (xii) below)	UAE	**90%**	90%	Trading in electrical goods
	RAK Industries LLC (refer note (i) below)	UAE	**70%**	70%	Manufacturing and trading of switchgears
	Emirates Heavy Engineering LLC (refer note (ii) below)	UAE	**50%**	50%	Heavy industrial engineering and related fabrication works
	Electro RAK (India) Private Limited	India	**51%**	51%	Electrical, plumbing, ducting, air - conditioning works
D	**Subsidiary of Emirates Heavy Engineering LLC**				
	RAK Fabrication LLC (refer note (iii) below)	UAE	**100%**	100%	Fabrication contract works
E	**Subsidiaries of RAK Ceramics Holding LLC**				
	RAK Piling LLC (refer note 5(b)(iv))	UAE	**-**	76%	Piling and foundation works
	RAK Watertech LLC (refer note 5(b)(vi))	UAE	**-**	90%	Waste-water treatment works

36 Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	Ownership interest 2015	2014	Principal activities
E	**Subsidiaries of RAK Ceramics Holding LLC (continued)**				
	Al Hamra Aluminium and Glass Industries LLC (refer note 5(b)(iii))	UAE	**-**	75%	Aluminium and glass works
	RAK Paints LLC	UAE	**100%**	100%	Manufacturers of paints and allied products
	RAK Gypsum and Decorations LLC (refer note 5(b)(iii))	UAE	-	60%	Gypsum works
	AAA Contractors LLC	UAE	**100%**	100%	Construction company
	RAK Universal Plastics Industries LLC (refer note (iv) below)	UAE	**66%**	66%	Manufacturers of pipes
	RAK Logistics LLC (refer note 5(b)(v))	UAE	**-**	99%	Freight forwarding and logistics service
	Al Hamra For Travels	UAE	**100%**	100%	Airline ticket booking agent
	RAK Ceramics Typing Est.	UAE	**100%**	100%	Typing, photocopying and translation services
	RAK Ceramics Regional Sales (Asia Pacific) PTE Limited (refer note (vi) below)	Singapore	**100%**	-	Trading in ceramic tiles and sanitary ware
F	**Subsidiaries of RAK Logistics LLC (refer note 5(b)(v))**				
	RAK Logistics Hong Kong Limited	Hong Kong	**-**	80%	Transport/logistics
	Societe RAK Logistique France Sarl	France	**-**	80%	Transport/logistics
	RAK Logistics UK Limited	UK	**-**	80%	Transport/logistics
	RAK Logistics Europa SociedadLimitada	Spain	**-**	80%	Transport/logistics
	RAK Logistics Guangzhou Limited	China	**-**	80%	Transport/logistics

36 Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	Ownership interest 2015	2014	Principal activities
G	**Subsidiary of RAK Paints LLC**				
	Altek Emirates LLC (refer note (vii) below)	UAE	**99%**	99%	Manufacturers of paints and adhesive products
H	**Subsidiaries of Ceramin FZC LLC**				
	Ceramin LLC (refer note (viii) below)	UAE	**-**	100%	Trading of industrial minerals
	Ceramin India Private Limited	India	**100%**	100%	Extraction, distribution and and export of clay and other minerals
	Ceramin SDN BHD	Malaysia	**100%**	100%	Extraction, distribution and export of clay other minerals
	Feldspar Minerals Co. Limited (refer note (ix) below)	Thailand	**40%**	40%	Extraction, distribution and export of clay and other minerals
I	**Subsidiary of Elegance Ceramics LLC**				
	Venezia Ceramics	UAE	**100%**	100%	General trading
J	**Subsidiary of Ceramin India Private Limited**				
	Shri Shiridi Sai Mines	India	**97%**	97%	Mining activities
K	**Subsidiary of RAK Porcelain LLC**				
	RAK Porcelain Europe SA (refer notes (xi) below and 5(a)(ii))	Luxemburg	**91%**	-	Import and Export of porcelain
L	**Subsidiary of RAK Porcelain Europe S.A.**				
	RAK Porcelain USA Inc.	USA	**91%**	-	Trading of tableware
M	**Jointly controlled entities of Ras Al Khaimah Ceramics PSC**				
	RAK Distribution Europe	Italy	**50%**	50%	Trading in ceramic tiles
	RAK Ceramics UK Limited (refer note 38)	UK	**50%**	50%	Trading in ceramic tiles and sanitary ware items
	RAK Ceramics Deutschland GMBH (refer note 38)	Germany	**50%**	50%	Trading in ceramic tiles and sanitary ware items
	RAK Saudi LLC	Saudi Arabia	**50%**	50%	Trading in ceramic tiles and sanitary ware items

36 Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	Ownership interest 2015	2014	Principal activities
M	**Jointly controlled entities of Ras Al Khaimah Ceramics PSC (continued)**				
	Laticrete RAK LLC (refer note 15(ii))	UAE	**-**	51%	Manufacturer of glue/adhesive for fixing the tiles
	RAK Chimica LLC (refer note (x) below)	UAE	**55.55%**	55.55%	Manufacturing of chemicals used in ceramic industries
	Kludi RAK LLC (refer note (x) below)	UAE	**51%**	51%	Manufacturing of water tap faucets etc.
	RAK Warehouse Leasing LLC	UAE	**50%**	50%	Leasing industrial warehouse spaces
	ARK International Trading Company LLC	Saudi Arabia	**50%**	50%	Trading in ceramics tiles
	RAK Ceramics Holding LLC Georgia (refer note (x) below)	Georgia	**51%**	51%	Trading in ceramic tiles and sanitary ware items
	Agora Commerce and Investments FZ-LLC	Congo	**50%**	50%	Investment company
N	**Associate of RAK Ceramics PSC**				
	Encom Trading LLC (refer note (xii) below)	UAE	**10%**	-	Trading in electrical goods
O	**Associates of RAK Ceramics (Bangladesh) Limited**				
	RAK Securities and Services Private Limited (refer note 5(a)(iii))	Bangladesh	**-**	35%	Providing security services
	RAK Paints Private Limited (refer note 15(ii))	Bangladesh	**-**	47%	Manufacturing paints
	RAK Moshfly (BD) Private Limited (refer note 15(ii))	Bangladesh	**-**	20%	Manufacturing pesticides
P	**Associate of Ceramin FZC LLC**				
	Palang Suriya Company Limited	Thailand	**40%**	40%	Extraction, distribution and export of clay and other minerals

36 Subsidiaries and equity accounted investees (continued)

	Name of the entity	Country of incorporation	Ownership interest 2015	2014	Principal activities
Q	**Jointly controlled entity of Prestige Tiles Pty Limited**				
	Massa Imports Pty Limited	Australia	**50%**	50%	Trading in ceramic tiles
R	**Jointly controlled entity of RAK Ceramics Holding LLC**				
	RAK Watertech LLC (refer notes 5(b)(vi) and 15(i))	UAE	**51%**	-	Waste-water treatment works
	Keraben Gulf LLC (refer note (x) below)	UAE	**51%**	51%	General trading
	Emirates Heavy Engineering LLC (refer note (ii) below)	UAE	**50%**	50%	Heavy industrial engineering and related fabrication works
S	**Jointly controlled entity of RAK Logistics LLC (refer note 5(b)(iv))**				
	RAK Logistics South Africa (Pty) Limited	South Africa	**-**	40%	Transport/logistics
T	**Jointly controlled entities of RAK Porcelain LLC (refer note 15(i))**				
	Restofair RAK LLC (refer note (xi) below)	UAE	**41%**	41%	Contracting of furnishing the public firm
	RAK Porcelain Europe SA (refer notes (xi) below and 5(a)(ii))	Luxemburg	**-**	71%	Import and Export of porcelain tableware
U	**Held for sale**				
	Ceramic Ras Al Khaimah Sudanese Investment Company (refer notes 5(a)(ii) and 21)	Sudan	**-**	100%	Manufacturers of ceramic tiles
	RAK Pharmacueticals Private Limited (refer note 5(b)(iii))	Bangladesh	**-**	55%	Manufacturers of pharmaceuticals
	RAK Global Logistics LLC	UAE	**-**	51%	Logistics
	RAK Composites LLC	UAE	**-**	80%	Boat manufacturing

36 Subsidiaries and equity accounted investees (continued)

(i) The Group holds 70% equity interest in RAK Industries LLC through Electro RAK LLC. In addition to this, Encom Trading LLC in which Electro RAK LLC holds 90% equity interest and the Company holds 10% equity interest, also has 30% equity interest in RAK Industries LLC resulting in a 97% holding by Electro RAK LLC. Accordingly, the Group effectively holds 52.69% equity interest of RAK Industries LLC.

(ii) In addition to the 50% equity interest in Emirates Heavy Engineering LLC held through Electro RAK LLC, the Group also holds the remaining 50% equity interest through RAK Ceramics Holdings LLC, a fully owned subsidiary of the Group. Accordingly, the Group effectively holds 75.54% equity interest in Emirates Heavy Engineering LLC.

(iii) RAK Fabrication LLC is a wholly owned subsidiary of Emirates Heavy Engineering LLC. The Group holds 75.5% effective equity interest in Emirates Heavy Engineering LLC, 50% through RAK Ceramics Holding LLC and 25.54% through Electro RAK LLC.

(iv) The Group holds 66% equity interest in RAK Universal Plastics LLC through RAK Ceramics Holding LLC. In addition to this, RAK Watertech LLC in which RAK Ceramics Holding LLC holds 51% equity interest, also has 24% equity interest in RAK Universal Plastic LLC. Accordingly, the Group effectively holds 78.24% equity interest in RAK Universal Plastics LLC.

(v) During the current year, the Group has incorporated a wholly owned subsidiary in Saudi Arabia to carry out trading business of ceramic tiles and sanitary ware.

(vi) The Group holds 100% equity in RAK Ceramics Regional Sales (Asia Pacific) PTE Limited, a newly established entity through RAK Ceramics Holding LLC.

(vii) In addition to 99% equity interest in Altek Emirates LLC held by RAK Paints LLC, the Group also holds remaining 1% equity interest which is held by RAK Ceramics Holding LLC, a fully owned subsidiary of the Group. Accordingly the entity has been treated as fully owned subsidiary of the Group.

(viii) During the year, the Group merged the operations of Ceramin LLC with its holding company, Ceramin FZC LLC and cancelled the trade license of Ceramin LLC.

(ix) Ceramin FZC holds 40% equity interest in Feldspar Minerals Company Limited. In addition to this, Palang Suriya Company Limited in which Ceramin FZC holds 40% equity interest, also has 60% equity interest in this entity. Accordingly, the Group effectively holds 64% equity interest of Feldspar Minerals Company Limited.

(x) RAK Watertech LLC, RAK Chimica LLC, Kludi RAK LLC, RAK Ceramics Holding LLC Georgia and Keraben Gulf LLC have been considered as Joint Ventures of the Group since the Group exercise only joint control over the financial and operating policies of these entities with other partners.

(xi) During the current year, RAK Porcelain LLC has acquired further 20% shares in RAK Porcelain Europe S.A. as the result the Group’s effective shareholding has increased from 35.5% to 45.5%. The Group also holds 20.5% equity interest of Restofair RAK LLC through RAK Porcelain LLC.

(xii) During the current year, the Group acquired 1,000 shares of Encom Trading LLC. The Group also holds 90% of shareholding in Encom Trading LLC through a subsidiary ElectroRAK LLC. Accordingly, the Group’s effective shareholding in Encom Trading LLC is 55.97%.

37 Significant accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the consolidated financial statements are as follows.

Revenue from construction contracts

Revenue from construction contracts is recognised in profit or loss when the outcome of the contract can be estimated reliably. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from period to period.

Project stage of completion and cost to complete estimates

At each date of the consolidated statement of financial position, the Group is required to estimate stage of completion and costs to complete on fixed price and modified fixed price contracts. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claim by contractors and the costs of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the year in which these estimates are revised.

Estimated useful life and residual value of property, plant and equipment and investment properties

The Group estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and on the historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The Group's management has carried out a review of the residual values and useful lives of property, plant and equipment and investment properties and made certain revisions in current year. Refer note 12.

Fair valuation of investment properties

The Group follows the cost model under IAS 40 whereby investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Fair value of investment properties are disclosed in note 14 of the consolidated financial statements. The fair values for building have been determined taking into consideration the market replacement cost. Fair values for land have been determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties. Should the key assumptions change, the fair value of investment properties may significantly change and result in an impairment of the investment properties.

37 Significant accounting estimates and judgements (continued)

Provision for obsolete inventories and net realisable value write down on inventories

The Group reviews its inventory to assess loss on account of obsolescence and any write down for net realisable value adjustment on a regular basis. In determining whether provision for obsolescence should be recorded in profit and loss, the Group makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Provision for net realisable value write down is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on its ageing and the past trend of consumption.

Impairment of goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses (refer accounting policy on impairment). Testing for impairment requires management to estimate the recoverable amount of the cash generating unit to which the goodwill is allocated.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangibles assets are tested for impairment when there is an indication of impairment. Testing for impairment of these property, plant and equipment and intangible assets requires management to estimate the recoverable amount of the cash generating unit.

Impairment losses on receivables

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivable, due from related parties and other receivables. In determining whether impairment losses should be recognised in profit and loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Identifiable assets and liabilities taken over on acquisition of subsidiaries

The Group separately recognises assets and liabilities on the acquisition of a subsidiary when it is probable that the associated economic benefits will flow to the acquirer or when, in the case of liability, it is probable that an outflow of economic resources will be required to settle the obligation and the fair value of the asset or liability can be measured reliably. Intangible assets and contingent liabilities are separately recognised when they meet the criteria for recognition set out in IFRS 3.

Current and deferred tax

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period in which a determination is made.

37 Significant accounting estimates and judgements (continued)

Consolidation – de facto control

As per new control model of IFRS 10, the Group has assessed for all its investees whether it has power over an investee, exposure or right to variable returns from its involvement with the investee and ability to use its power to affect those returns. In determining control, judgements have been exercised on the relationship of the Group with the investees based on which conclusions have been drawn.

38 Subsequent events

Subsequent to the year end, the Group acquired the remaining 50% stake in its equity accounted investees - RAK Ceramics GMBH, Germany and RAK Ceramics, UK. With this acquisition, RAK Ceramics GMBH and RAK Ceramics UK will become wholly owned subsidiaries of the Group.

39 Comparative figures

Certain comparative figures have been reclassified/regrouped, wherever necessary to conform to the presentation adopted in these consolidated financial statements.