15

Damac Properties Dubai Co. (PSC)
Dubai - United Arab Emirates

Interim condensed consolidated financial information and review report
For the six month period ended
30 June 2014

Damac Properties Dubai Co. (PSC)

Table of contents

	Pages
Directors' report	1
Report on review of interim condensed consolidated financial information	2
Interim consolidated statement of financial position	3
Interim consolidated statement of comprehensive income	4
Interim consolidated statement of changes in shareholders' equity	5
Interim consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial information	7 – 17

DIRECTORS' REPORT

The Directors have the pleasure of submitting their report together with the interim condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six month period ended 30 June 2014. Profit for the period is AED 1,742.9 million (2013: AED 1,203.2 million).

Principal activities

The principal activity of the Company is investment in real estate development companies.

The movement in retained earnings is as follows:

	AED'000	AED'000
Balance at 31 December 2013		98,237
Profit for the period		
Gain realised on recognition of investment in an associate	1,281,963	
Share of profit in an associate	457,992	
Profit for the period from discontinued operations	2,919	
Total		1,742,874
Dividend		(1,841,111)
Acquisition of controlling interest in DRED (note 17)		3,142,020
Balance at 30 June 2014		**3,142,020**

On behalf of the Board of Directors,

DIRECTOR

Deloitte

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Report on Review of Interim Condensed Consolidated Financial Information

The Board of Directors
Damac Properties Dubai Co. (PSC)
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of **Damac Properties Dubai Co. (PSC)** and its subsidiaries (collectively the "Group") as of 30 June 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the period from 1 January 2014 to 30 June 2014, and a summary of significant accounting policies and other explanatory information. The Directors of the Group are responsible for the preparation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not presented fairly, in all material respects in accordance with IAS 34.

Deloitte & Touche (M.E.)

Georges F. Najem
Registration No. 809
Dubai
13 August 2014

Interim consolidated statement of financial position
As at 30 June 2014

	Notes	2014 (Unaudited) AED'000	2013 (Audited) AED'000
ASSETS			
Property and equipment		**55,493**	1,895
Development properties	**3**	**6,928,845**	-
Available-for-sale financial asset	**4**	**-**	4,936,750
Trade and other receivables	**5**	**2,007,653**	899
Other financial assets	**6**	**479,588**	-
Financial investments	**7**	**174,195**	-
Inventories		**-**	1,307
Cash and bank balances	**8**	**6,115,568**	689
Total assets		**15,761,342**	4,941,540
EQUITY AND LIABILITIES			
Equity			
Share capital	**9**	**5,000,000**	3,000,000
Statutory reserve	**10**	**305,326**	305,326
Group restructuring reserve	**11**	**(4,912,810)**	-
Investment revaluation reserve	**7**	**315**	764,400
Retained earnings		**3,142,020**	98,237
Equity attributable to shareholders of the Company		**3,534,851**	4,167,963
Non-controlling interests		**588,867**	-
Total equity		**4,123,718**	4,167,963
Liabilities			
Borrowings	**12**	**30,870**	-
Sukuk certificates	**13**	**2,365,965**	-
Due to related party	**14**	**-**	773,017
Trade and other payables	**15**	**9,217,269**	247
Provision for employees' end-of-service indemnity		**23,520**	313
Total liabilities		**11,637,624**	773,577
Total equity and liabilities		**15,761,342**	4,941,540

DIRECTOR

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim consolidated statement of comprehensive income
For the period ended 30 June 2014

	Notes	3 months ended 30 June 2014 (Unaudited) AED'000	3 months ended 30 June 2013 (Unaudited) AED'000	6 months ended 30 June 2014 (Unaudited) AED'000	6 months ended 30 June 2013 (Unaudited) AED'000
Gain realised on recognition of investment in an associate		-	-	**1,281,963**	-
Share of profit in an associate	**4**	**457,992**	-	**457,992**	-
Profit for the period from discontinued operations	**16**	**3,142**	789,890	**2,919**	1,203,228
Profit for the period		**461,134**	789,890	**1,742,874**	1,203,228
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
- Unrealised gain on fair value of available-for-sale financial asset		-	-	**517,563**	-
- Gain realised on recognition of investment in an associate		-	-	**(1,281,963)**	-
Items that may be reclassified subsequently to profit or loss -		-	-	-	-
Other comprehensive loss for the period		-	-	**(764,400)**	-
Total comprehensive income for the period		**461,134**	789,890	**978,474**	1,203,228

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Damac Properties Dubai Co. (PSC)

Interim consolidated statement of changes in shareholders' equity
For the period ended 30 June 2014

	Share capital (Unaudited) AED'000	Statutory reserve (Unaudited) AED'000	Group restructuring reserve (Unaudited) AED'000	Investment revaluation reserve (Unaudited) AED'000	Retained earnings (Unaudited) AED'000	Attributable to equity holders of the parent (Unaudited) AED'000	Non-controlling interest (Unaudited) AED'000	Total (Unaudited) AED'000
Balance at 1 January 2013	3,000,000	305,326	-	-	98,815	**3,404,141**	64	**3,404,205**
Total comprehensive income for the period	-	-	-	-	1,203,228	**1,203,228**	-	**1,203,228**
Disposal of subsidiaries	-	-	-	-	-	-	(64)	**(64)**
Balance at 30 June 2013	**3,000,000**	**305,326**	**-**	**-**	**1,302,043**	**4,607,369**	**-**	**4,607,369**
Balance at 1 January 2014	3,000,000	305,326	-	764,400	98,237	**4,167,963**	-	**4,167,963**
Issue of new shares (Note 9)	2,000,000	-	-	-	-	**2,000,000**	-	**2,000,000**
Total comprehensive income for the period	-	-	-	(764,400)	1,742,874	**978,474**	-	**978,474**
Dividend	-	-	-	-	(1,841,111)	**(1,841,111)**	-	**(1,841,111)**
Acquisition of controlling interest in DRED (Note 17)	-	-	(4,912,810)	315	3,142,020	**(1,770,475)**	588,867	**(1,181,608)**
Balance at 30 June 2014	**5,000,000**	**305,326**	**(4,912,810)**	**315**	**3,142,020**	**3,534,851**	**588,867**	**4,123,718**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim consolidated statement of cash flows
For the period ended 30 June 2014

	2014 (Unaudited) AED'000	2013 (Unaudited) AED'000
Cash flows from operating activities		
Profit for the period	**1,742,874**	1,203,228
Adjustments for:		
Amortisation of intangible assets	**-**	29,250
Depreciation of property and equipment	**222**	6,091
Provision for employees' end-of-service indemnity	**-**	2,273
Reversal of impairment on development properties (Note 16)	**-**	(99,442)
Gain realised on recognition of investment in an associate	**(1,281,963)**	-
Share of income in an associate (Note 4)	**(457,992)**	-
Profit on disposal of gypsum business (Note 16)	**(3,248)**	-
Operating cash flows before changes in operating assets and liabilities	**(107)**	1,141,400
Increase in other financial assets	**-**	(96,192)
Decrease/(increase) in inventories	**225**	(869)
Decrease/(increase) in trade and other receivables	**30**	(205,710)
Increase in development properties	**-**	(335,012)
Decrease in due to related party balances	**(149)**	(706,590)
Increase/(decrease) in trade and other payables	**126**	(194,746)
Cash generated from operations	**125**	(397,719)
Employees' end of service indemnity paid	**-**	(564)
Net cash generated from/(used in) operating activities	**125**	(398,283)
Cash flows from investing activities		
Purchases of property and equipment	**-**	(4,242)
Net cash outflow on disposal of gypsum operations (Note 16)	**(814)**	-
Net cash inflow on acquisition of subsidiaries (Note 17)	**6,115,568**	-
Increase in term deposits with original maturity greater than three months (Note 8)	**(1,570,327)**	-
Net cash generated from/(used in) investing activities	**4,544,427**	(4,242)
Cash flows from financing activities		
Repayment of bank borrowings	**-**	(24,299)
Net cash used in financing activities	**-**	(24,299)
Net increase/(decrease) in cash and cash equivalents	**4,544,552**	(426,824)
Cash and cash equivalents at the beginning of the period (Note 8)	**689**	427,698
Cash and cash equivalents at the end of the period (Note 8)	**4,545,241**	874

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information For the period ended 30 June 2014

1. General information

Damac Properties Dubai Co. (PSC) (the "Company") was incorporated in Dubai on 8 March 1978 as a Public Stock Company and operates in the United Arab Emirates under a trade license issued in Dubai. The address of the Company's registered office is P.O. Box 12265, Dubai, United Arab Emirates.

The shareholder and ultimate controlling party is Mr. Hussain Sajwani (the "Ultimate Beneficial Owner").

The Parent and its subsidiaries (collectively the ''Group'') are involved in the development of properties in the Middle East.

2. Basis of preparation

Statement of compliance

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34 Interim Financial Reporting.

Functional and reporting currency

The interim condensed consolidated financial information is presented in Arab Emirates Dirhams ("AED") which is the Group's functional and presentation currency. The individual financial information of each Group entity is prepared in local currency, being the currency in the primary economic environment in which these entities operate (the functional currency).

Significant accounting policies

The accounting policies adopted, methods of computation, critical accounting judgments and key sources of estimation uncertainty are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014, which are detailed below. The application of these new standards and interpretations did not have any material impact on the amounts reported for the current and prior periods.

IAS 32	*Amendments to IAS 32 Financial Instruments: Presentation*
IAS 36	*Amendments to IAS 36 Impairment of Assets: Recoverable Amount Disclosures*
IAS 39	*Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting*
IFRS 10, IFRS 12 & IAS 27	*Guidance on Investment Entities*

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

2. Basis of preparation (continued)

Statement of compliance (continued)

Relevant new and revised IFRS in issue but not yet effective

The Company has not applied the following new and revised IFRS, amendments and interpretations that have been issued but not yet effective:

New and revised IFRS	Effective for annual periods beginning on or after
• Amendments to IAS 19 *Employee Benefits*	1 July 2014
• Annual Improvements to IFRS *2010 - 2012 Cycle* ▪ IFRS 2 *Share Based Payments* - definition of 'vesting condition'. ▪ IFRS 3 *Business Combinations* - accounting for contingent consideration. ▪ IFRS 8 *Operating Segments* - aggregation of segments, reconciliation of segment assets. ▪ IAS 16 *Property, Plant, and Equipment* - proportionate restatement of accumulated depreciation on revaluation. ▪ IAS 24 *Related Party Disclosures* - management entities. ▪ IAS 38 *Intangible Assets* - proportionate restatement of accumulated depreciation on revaluation.	1 July 2014
• Annual Improvements to IFRS *2011 - 2013 Cycle* ▪ IFRS 3 *Business Combinations* - scope exception for joint ventures. ▪ IFRS 13 *Fair Value Measurement* - scope of the portfolio exception. ▪ IAS 40 *Investment Property* - interrelationship between IFRS 3 and IAS 40.	1 July 2014
• IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
• IFRS 15 *Revenue from Contracts with Customers*	1 January 2017
• Amendments to IAS 16 *Property, plant and equipment* and IAS 38 *Intangible Assets*	1 January 2016
• IFRS 9 *Financial Instruments*	1 January 2018

The Group anticipates that these new standards will be adopted in the Group's consolidated financial statements in the year of initial application and that the application of such standards may have significant impact on amounts reported in respect of the Group's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The interim condensed consolidated financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2013. In addition, results for the six-month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2013.

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

2. Basis of preparation (continued)

Disposal of gypsum business

On 30 June 2014, the Company entered into a sale and purchase agreement with the Ultimate Beneficial Owner for the sale of its Gypsum business for a consideration of AED 7 million (Note 16). After this disposal, the Company has become a holding company only with no assets or liabilities in its standalone books other than the ownership interest in DAMAC Real Estate Development, DIFC and its subsidiaries ("DRED") as described in the note below.

Investment in associate

On 18 March 2014, the Company acquired a further 46% shares in Imtiaz Holding Limited to bring the ownership of the Company in DRED to 50%. On 24 March 2014, Mr. Nabil Ahmed resigned from the Board of Directors of the Company and was replaced with Mr. Adil Taqi, who is also the Chief Financial Officer of DRED. As a result, the Group determined that it exercised significant influence on DRED from 24 March 2014. The related investment revaluation reserve of AED 1,282 million at 24 March 2014, previously recognised in equity, had been released to profit or loss for the period ended 31 March 2014 as 'Gain realised on recognition of investment in an associate'.

Effective 30 June 2014, the Group sold its direct investment in DRED to the Ultimate Beneficial Owner. After this disposal, the Company became a holding company with no assets or liabilities in its standalone books other than a receivable from the Ultimate Beneficial Owner of AED 5,305.3 million.

Acquisition of controlling stake in DRED

Effective 30 June 2014 (the "Acquisition Date"), the Company was transferred 85.7% of the ownership interest in DRED. The ownership interest was attained by the Ultimate Beneficial Owner transferring his ownership interest of 85.7% in DRED held through the five holding companies (identified below) in lieu for settlement of outstanding balances due from the Ultimate Beneficial Owner to the Company:

Name of the entity	Place of incorporation and operations	Principal activities	Beneficial interest and effective control
Najah Company Limited	British Virgin Islands	Holding Company	100%
Al Khazna Company Limited	British Virgin Islands	Holding Company	100%
Imtiaz Holding Limited	British Virgin Islands	Holding Company	100%
Sahira Company Limited	British Virgin Islands	Holding Company	100%
Al Firdous Holding Limited	British Virgin Islands	Holding Company	100%

The acquisition has resulted in the proportionate transfer of voting rights and power over DRED and the Group is able to exhibit control on DRED from 30 June 2014. From 30 June 2014, the Group consolidated the five holding entities noted above and the 84 entities which together constitute DRED group.

Under the terms of the signed Share Purchase Agreement, executed on 30 June 2014, 100% of the assets, liabilities, investment revaluation reserve and retained earnings of the DRED Group have been transferred to the Company at Net Book Value as disclosed in Note 17.

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

3. Development properties

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Balance at the beginning of the period/year	-	4,594,884
Additions during the period/year	-	1,127,426
Transfer to cost of sales	-	(792,414)
Reversal of impairment	-	99,442
Derecognised on disposal of subsidiaries	-	(5,029,338)
Recognised on acquisition of controlling interest (Note 17)	**6,928,845**	-
Balance at the end of the period/year	**6,928,845**	-

4. Available-for-sale financial asset

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Balance at the beginning of the period	**4,936,750**	-
Transfer of shares in Damac Real Estate Development Limited	**1,341,681**	4,172,350
Unrealised gain due to increase in fair value	**517,563**	764,400
Reclassified as investment in associate	**6,795,994**	-
Share of profit from associate during the period	**457,992**	-
Disposal of investment in associate (Note 2)	**(7,253,986)**	-
Balance at the end of the period/year	-	4,936,750

5. Trade and other receivables

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Trade receivables	**1,547,175**	850
Provision for doubtful debts	**(122,378)**	-
	1,424,797	850
Advances and deposits	**537,653**	49
Other receivables and prepayments	**45,203**	-
	2,007,653	899

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

6. Other financial assets

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Escrow retentions	**448,718**	-
Margin deposits	**28,298**	-
Other deposits	**2,572**	-
	479,588	-

7. Financial investments

Amount of AED 174.2 million represents investments in listed securities by one of the subsidiary entities that were acquired by the Company during the period (Note 17). Unrealised gains of AED 0.3 million on these investments are presented as investment revaluation reserve within equity.

8. Cash and cash equivalents

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Cash on hand	**368**	-
Escrow balances	**4,445,648**	-
Bank balances	**99,225**	689
Fixed deposits	**1,570,327**	-
Cash and bank balances	**6,115,568**	689
Less: Fixed deposits with an original maturity of greater than three months	**(1,570,327)**	-
Cash and cash equivalents	**4,545,241**	689

9. Share capital

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Authorised, issued and fully paid shares of AED 1 each	**5,000,000**	3,000,000

The increase in share capital is due to additional shares issued to the Ultimate Beneficial Owner during the period ended 30 June 2014.

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

10. Statutory reserve

As required by the U.A.E. Company Law and the Company's articles of association, 10% of the profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such transfer when the reserve totals 50% of the paid up share capital. There has been no transfer to statutory reserve during the current period.

11. Group restructuring reserve

The identifiable assets, liabilities, investment revaluation reserve and retained earnings of the DRED Group were acquired at net book value in consideration for the receivable from the Ultimate Beneficial Owner of AED 5,305.3 million. The difference between the net book value and the receivable is classified as Group Restructuring Reserve (note 17).

12. Borrowings

These represent overdraft facilities outstanding in the DRED Group that was acquired by the Company during the period (Note 17).

13. Sukuk certificates

On 9 April 2014, DRED issued US$ 650 million SUKUK TRUST CERTIFICATES (the "Certificates") maturing in 2019. Alpha Star Holding Limited is the Issuer with DRED as Guarantor. The Certificates are listed on the Irish Stock Exchange and NASDAQ Dubai. The Certificates confer on the holders of the Certificates from time to time (the "Certificateholders") the right to receive certain payments arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "Trust") over certain Trust Assets and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

The Certificates carry interest at 4.97% per annum and are secured by assigned trust assets.

	30 June 2014 (Unaudited) AED '000	31 December 2013 (Audited) **AED '000**
Proceeds from the issue of Sukuk Certificates	**2,388,750**	-
Gross issue costs	**(23,153)**	-
Less: Amortised up to period end	**368**	-
Unamortised issue costs	**22,785**	-
Carrying amount	**2,365,965**	-

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

14. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions and services received from/rendered to related parties as well as on other charges.

At the reporting date, balances with the related party were as follows:

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Due to related party		
Due to the Ultimate Beneficial Owner	-	773,017

During the period, all balances due from the Ultimate Beneficial Owner were settled in exchange for the transfer of an ownership interest of 85.7% in DRED (Note 2).

15. Trade and other payables

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Advances from customers	**6,636,683**	6
Accruals	**698,985**	241
Other payables	**864,728**	-
Retentions payable	**413,070**	-
Deferred consideration for land payments	**603,803**	-
	9,217,269	247

16. Discontinued operations

Analysis of profit for the period from discontinued operations

The combined results of the discontinued operations included in the profit for the period are set out below.

Profit for the period from discontinued operations

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Revenue	**1,481**	2,324,025
Cost of sales	**(882)**	(843,324)
Gross profit	**599**	1,480,701
Expenses	**(928)**	(376,915)
Reversal of impairment on development properties	**-**	99,442
Profit on disposal of Gypsum business	**3,248**	-
Profit for the period	**2,919**	1,203,228
Attributable to:		
Shareholders of the Company	**2,919**	1,203,228
Non-controlling interest	**-**	-
	2,919	1,203,228

Assets and liabilities over which control was lost

	2014 (Unaudited) AED'000
Assets	
Property and equipment	1,673
Trade and other receivables	869
Inventories	1,082
Cash and bank balances	814
Liabilities	
Trade and other payables	(373)
Provision for employees' end-of-service indemnity	(313)
Net assets	**3,752**
Consideration recorded as due from a related party	(7,000)
Profit on disposal recognised in profit or loss for the period	**3,248**

17. Acquisition of controlling interest

The transfer of the ownership interest to the Group in DRED has been treated as a common control transaction in these consolidated financial statements. The assets, liabilities, investment revaluation reserve and retained earnings of DRED have been transferred to the Company at Net Book Value (Note 2) as the ultimate ownership in DRED remained identical prior to and subsequent to the transfer of the DRED equity to the Company.

Assets acquired and liabilities recognised

	2014 (Unaudited) AED'000
Assets	
Cash and bank balances	6,115,568
Other financial assets	479,588
Financial investments	174,195
Trade and other receivables	2,007,653
Development properties	6,928,845
Property and equipment	55,493
Total assets	**15,761,342**
Liabilities	
Borrowings	30,870
Sukuk certificates	2,365,965
Trade and other payables	9,217,269
Provision for employees' end-of-service indemnity	23,520
Total liabilities	**11,637,624**
Net assets	**4,123,718**

Consideration transferred and Group Restructuring Reserve

	2014 (Unaudited) AED'000
Consideration Transferred	**5,305,326**
Net Asset Value Transferred – At Book Value	
Assets	13,510,622
Liabilities	(9,975,771)
Investment revaluation reserve	(315)
Retained earnings	(3,142,020)
Total	**392,516**
Group Restructuring Reserve (note 17)	**4,912,810**

18. Contingent liabilities

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Bank guarantees	**746,719**	293,265

The Group has contingent liabilities in respect of bank guarantees issued in the normal course of business from which it is anticipated that no material liabilities will arise as at the above dates.

19. Commitments

Commitments for the acquisition of services for the development and construction of assets classified under developments in progress:

	2014 (Unaudited) AED'000	2013 (Audited) AED'000
Contracted for	**4,559,635**	3,110,900
Committed but not contracted for	**8,616,236**	10,026,088
	13,175,871	13,136,988

Future instalments receivable from customers under contracts for sale of properties directly related to the Group's commitments for the development and construction of assets related to these future receivables amounted to AED 11.2 billion as of 30 June 2014 (31 December 2013: AED 9.3 billion).

20. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

(a) Fair value of financial instruments measured at amortised cost

The management considers that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the interim condensed consolidated financial statements approximate to their fair values.

(b) Valuation techniques and assumptions applied for the purposes of measuring fair value

Valuation of financial instruments recorded at fair value is based on quoted market prices and other valuation techniques.

Notes to the interim condensed consolidated financial information
For the period ended 30 June 2014 (continued)

20. Fair value of financial instruments (continued)

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the period end date, the carrying value of the financial assets and financial liabilities is approximate to their fair value. The entire portfolio of financial investments is classified as Level 1.

21. Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information for the period ended 30 June 2014 was approved by the Board and authorised for issue on 13 August 2014.