

Makkah & Madinah
Holdings Limited and its subsidiaries

Condensed consolidated interim
financial information
for the six month period ended 30 June 2014

Makkah & Madinah Holdings Limited and its subsidiaries

Condensed consolidated interim financial information for the six month period ended 30 June 2014

<i>Contents</i>	<i>Page</i>
Chairmans' interim statement	1 - 2
Independent auditors' report on review of condensed consolidated interim financial information	3
Condensed consolidated statement of profit or loss and other comprehensive income	4
Condensed consolidated statement of financial position	5
Condensed consolidated statement of changes in equity	6
Condensed consolidated statement of cash flows	7
Notes to the condensed consolidated interim financial information	8 - 11

CHAIRMANS' INTERIM STATEMENT
MAKKAH & MADINAH HOLDINGS LIMITED
("MMH" or the "Company")
Interim Results for the Half-Year Ended 30 June 2014

I am pleased to present MMH's financial results for the first half of 2014. The condensed consolidated interim financial information which follow is unaudited but the accounts from which it is derived have been reviewed by the Group's auditor.

Financial Results

The underlying results continue the positive trend witnessed in the same period of last year. Comprehensive income for the six month period ended 30 June 2014 was USD 12.76 million (H1, 2013: USD 19.00 million) and the net profit was USD 9.34 million (H1, 2013: USD 16.45 million), giving rise to diluted earnings per share of 0.7 US cents (H1, 2013: 1.3 US cents). This profit derived mainly from the USD 9.18 million contribution attributable to its associate, Makkah & Madinah Commercial Investment Company JSC ("MMCI"), of which MMH currently owns 34.12%. The decrease of USD 7.11 million in the profit during the first half of the current year vs. the same period of last year are attributable to the non-recurrence of a USD 7.07 million one-off credit in the first half of 2013, which arose from negative goodwill on MMCI's acquisition of a further 50% interest in the Jebal Al Noor development in Makkah. Other comprehensive income consists of USD 3.43 million, which represents the Company's share of fair value change in MMCI's available for sale investment.

An increase in the value of MMH's investment in MMCI by 5.6 percent to USD 485.39 million (H1, 2013: USD 459.25 million) resulted in net assets standing at the end of the period at USD 485.12 million (H1, 2013: USD 458.72 million); or US cents 38 per share (H1, 2013: US cents 36 per share).

Business Environment and Outlook

The positive economic factors outlined in the outgoing Chairman's, Dr. Noor Atatreh's, Annual Statement in respect of the year to 31 December 2013 appear intact. The International Monetary Fund during the period under review upwardly revised its forecast for growth in 2014 in the Kingdom of Saudi Arabia (KSA) to over 4 percent. Much commercial activity in KSA centres on the principal port city of Jeddah, where the majority of MMCI's property portfolio is. Demand for well-located development land for commercial and residential use is expected to increase.

Land values in the Holy city of Makkah remain buoyant. Any limitation this year in the number of foreign tourist visas to visit the Holy cities of Makkah and Al-Madinah during the Hajj pilgrimage (occurring in October 2014) is temporary and is attributable to public safety considerations pending completion of the major expansion works designed to increase visitor capacity at the Masjid Al-Haram (Grand Mosque) in Makkah; and, to a minor extent, to restrictions on travel to KSA from parts of West Africa owing to the Ebola epidemic there. The long-term trend in religious tourism to KSA is rising strongly, which is expected, in turn, to underpin property values.

CHAIRMANS' INTERIM STATEMENT (CONTINUED)

Elsewhere in the Gulf Peninsula, there are property markets which are presently benefitting from economic growth rates above the global average; and from rising populations. My predecessor mentioned in his review of financial 2013 that the Company was evaluating other investment opportunities within the region; this continues to be the case and I look forward in due course to reporting to shareholders any initiatives, which arise from the Directors' evaluation of such opportunities.

Board Changes

On 23 June 2014 immediately after the Company's AGM, I became a Director and Chairman of MMH; at the same time, Mr. Khaled (Nicholas) Majdalani was appointed to the Board and serves as an independent, non-executive Director. I would like to convey my gratitude to the previous Chairman, Dr. Noor Atatreh, and to Mr. Abdullah Al Hamiri, who each retired as Directors at the AGM, for their valuable guidance and insights over past years.

Following the end of the period under review, it was announced that Dr. Abdulaziz Alongary, a non-executive Director, had left the Board. I wish likewise to thank Dr. Abdulaziz for his contribution to the Company since 2011.

Conclusion

The Directors remain committed to their vision of MMH as a property investment and development company providing shareholders with solid, Shari'ah compliant, long-term returns. I wish to thank the management and staff of MMH for their continued efforts during the period under review; and the shareholders for their support.



Khaled Al-Husseini,
Chairman,
Dubai, 24 September 2014



KPMG Lower Gulf Limited
P.O.Box 341145
Level 12, IT Plaza Tower
Dubai Silicon Oasis
Dubai
United Arab Emirates

Telephone +971 (4) 356 9500
Main Fax +971 (4) 326 3788
Audit Fax +971 (4) 326 3773
Website: www.ae-kpmg.com

Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders
Makkah & Madinah Holdings Limited

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Makkah & Madinah Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2014, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim 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 condensed consolidated interim financial information as at 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matters

The condensed consolidated interim financial information for the six month period ended 30 June 2013 and the consolidated financial statements for the year ended 31 December 2013 were reviewed and audited respectively by another auditor who expressed an unmodified review conclusion on the condensed consolidated interim financial information for the six month period ended 30 June 2013 on 25 September 2013 and an unmodified audit opinion on the consolidated financial statements for the year ended 31 December 2013 on 27 May 2014.

KPMG Lower Gulf Limited
Date: 24 SEP 2014

Makkah & Madinah Holdings Limited and its subsidiaries

Condensed consolidated statement of profit or loss and other comprehensive income for the six month period ended 30 June 2014

	Note	Six month period ended 30 June 2014 (unaudited) USD	Six month period ended 30 June 2013 (unaudited) USD	Year ended 31 December 2013 (audited) USD
Revenue	8	<u>1,000,000</u>	<u>1,089,918</u>	<u>2,289,918</u>
Employee costs		(534,441)	(467,510)	(322,858)
Share based payment expense		-	683,675	-
Other operating expenses		(247,327)	(295,596)	(578,910)
Legal and professional fees		(42,367)	(898,681)	(1,276,785)
Depreciation		<u>(3,882)</u>	<u>(3,754)</u>	<u>(7,646)</u>
Operating profit		171,983	108,052	103,719
Share of profit from associate	6	<u>9,178,194</u>	<u>16,342,917</u>	<u>25,353,976</u>
Finance expense		<u>(13,895)</u>	<u>-</u>	<u>(47,140)</u>
Profit for the period		<u>9,336,282</u>	<u>16,450,969</u>	<u>25,410,555</u>
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to the profit or loss</i>				
Share of fair value change in available for sale investment held by an associate		<u>3,427,524</u>	<u>2,552,131</u>	<u>7,078,900</u>
Total comprehensive income for the period		<u>12,763,806</u>	<u>19,003,100</u>	<u>32,489,455</u>
Earnings per share attributable to the equity holders of the parent during the period				
Basic earnings per share for the period	5	<u>0.007</u>	<u>0.013</u>	<u>0.0200</u>
Diluted earnings per share for the period	5	<u>0.007</u>	<u>0.013</u>	<u>0.0200</u>

The notes on pages 8 to 11 are an integral part of the condensed consolidated interim financial information.

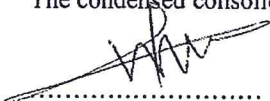
The independent auditors' report on review of condensed consolidated interim financial information is set out on page 3.

Makkah & Madinah Holdings Limited and its subsidiaries

Condensed consolidated statement of financial position as at 30 June 2014

	Note	30 June 2014 (unaudited) USD	30 June 2013 (unaudited) USD	31 December 2013 (audited) USD
ASSETS				
Non-current assets				
Investment in an associate	6	485,394,063	459,250,517	472,788,345
Property, plant and equipment		<u>20,759</u>	<u>27,853</u>	<u>24,641</u>
		<u>485,414,822</u>	<u>459,278,370</u>	<u>472,812,986</u>
Current assets				
Trade receivables	8	428,100	261,053	224,523
Prepayments, advances and other receivables		798,558	771,080	770,574
Cash and cash equivalents		<u>62,631</u>	<u>339,310</u>	<u>340,134</u>
		<u>1,289,289</u>	<u>1,371,443</u>	<u>1,335,231</u>
Total assets		<u>486,704,111</u>	<u>460,649,813</u>	<u>474,148,217</u>
EQUITY				
Share capital	7	10,226,655	10,220,614	10,226,655
Share premium	7	395,146,685	395,001,706	395,146,685
Reverse acquisition reserve		-	1,636,894	1,636,894
Available for sale fair valuation reserve		20,994,264	13,039,971	17,566,740
Retained earnings		<u>58,758,002</u>	<u>38,825,240</u>	<u>47,784,826</u>
		<u>485,125,606</u>	<u>458,724,425</u>	<u>472,361,800</u>
LIABILITIES				
Non-current liabilities				
Provision for employees' end of service benefits		<u>128,208</u>	<u>73,513</u>	<u>100,448</u>
		<u>128,208</u>	<u>73,513</u>	<u>100,448</u>
Current liabilities				
Trade and other payables	8	<u>1,450,297</u>	<u>1,851,875</u>	<u>1,685,969</u>
		<u>1,450,297</u>	<u>1,851,875</u>	<u>1,685,969</u>
Total liabilities		<u>1,578,505</u>	<u>1,925,388</u>	<u>1,786,417</u>
Total equity and liabilities		<u>486,704,111</u>	<u>460,649,813</u>	<u>474,148,217</u>

The condensed consolidated interim financial information was authorised for issue on 24 September 2014.


Mr. Muin El Saleh
Director

The notes on pages 8 to 11 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 3.

Makkah & Madinah Holdings Limited and its subsidiaries

Condensed consolidated statement of changes in equity for the six month period ended 30 June 2014

	<u>Share capital</u> USD	<u>Share premium</u> USD	<u>Reverse acquisition reserve</u> USD	<u>Available for sale fair valuation reserve</u> USD	<u>Retained earnings</u> USD	<u>Total</u> USD
At 1 January 2013 (audited)	10,220,614	395,001,706	1,636,894	10,487,840	23,057,946	440,405,000
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	-	-	16,450,969	16,450,969
Other comprehensive income for the period	-	-	-	2,552,131	-	2,552,131
<i>Other movement</i>						
Share based payment	-	-	-	-	(683,675)	(683,675)
Balance at 30 June 2013 (unaudited)	<u>10,220,614</u>	<u>395,001,706</u>	<u>1,636,894</u>	<u>13,039,971</u>	<u>38,825,240</u>	<u>458,724,425</u>
At 1 January 2014 (audited)	10,226,655	395,146,685	1,636,894	17,566,740	47,784,826	472,361,800
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	-	-	9,336,282	9,336,282
Other comprehensive income for the period	-	-	-	3,427,524	-	3,427,524
<i>Other movement</i>						
Transferred to retained earnings	-	-	(1,636,894)	-	1,636,894	-
Balance at 30 June 2014 (unaudited)	<u>10,226,655</u>	<u>395,146,685</u>	<u>-</u>	<u>20,994,264</u>	<u>58,758,002</u>	<u>485,125,606</u>

The notes on pages 8 to 11 are an integral part of the condensed consolidated interim financial information.

Makkah & Madinah Holdings Limited and its subsidiaries

Condensed consolidated statement of cash flows for the six month period ended 30 June 2014

	Six month period ended 30 June 2014 (unaudited) USD	Six month period ended 30 June 2013 (unaudited) USD	Year ended 31 December 2013 (audited) USD
Profit for the period	9,336,282	16,450,969	25,410,555
Adjustments for non-cash items:			
Share of profit from associate	(9,178,194)	(16,342,917)	(25,353,976)
Depreciation	3,882	3,754	7,646
Professional fees settled by issues of ordinary shares	-	-	151,020
Share based payment expense	-	(683,675)	(683,675)
Working capital changes:			
Trade and other receivables	(231,561)	396,673	433,710
Trade and other payables	(207,912)	54,581	(84,390)
Cash used in operations	(277,503)	(120,615)	(119,110)
Cash flows from investing activity			
Purchase of property, plant and equipment	-	(1,009)	(1,690)
Net cash used in investing activity	-	(1,009)	(1,690)
Net decrease in cash and cash equivalents	(277,503)	(121,624)	(120,800)
Cash and cash equivalents at beginning of the period	<u>340,134</u>	<u>460,934</u>	<u>460,934</u>
Cash and cash equivalents at end of the period	<u>62,631</u>	<u>339,310</u>	<u>340,134</u>

The notes on pages 8 to 11 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 3.

Makkah & Madinah Holdings Limited and its subsidiaries

Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2014

1. Legal status and activity

Makkah & Madinah Holdings Limited ("the Company") was incorporated on 29 May 2007 under the International Business Companies Act, 2000, in the Commonwealth of the Bahamas under registration number 148728 (B) on 29 May 2007.

The registered office address of the Company is Ocean Centre, East Bay Street, P.O. Box SS19084, Nassau, Bahamas.

The condensed consolidated interim financial information of the Company for the period ended 30 June 2014 comprise the Company and its subsidiaries (collectively referred to as the "the Group"). There has been no change in the Group structure since the date of most recent annual consolidated financial statements for the year ended 31 December 2013.

The principal activities of the Group are property and real estate investments, development and advisory services for projects related to the real estate and infrastructure sectors.

2. Basis of preparation

The condensed consolidated interim financial information for the six month ended 30 June 2014 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards.

3. Estimates and assumptions

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2013.

4. Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

Makkah & Madinah Holdings Limited and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2014

5. Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	30 June 2014 (unaudited)	30 June 2013 (unaudited)	31 December 2013 (audited)
Profit attributable to equity holders of the parent (USD)	<u>9,336,282</u>	<u>16,450,969</u>	<u>25,410,555</u>
Weighted average number of ordinary shares in issue	<u>1,268,049,125</u>	<u>1,267,249,125</u>	<u>1,267,623,920</u>

b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares. The Company has two categories of dilutive potential ordinary shares: share warrants and share options. For the share warrants and share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share warrants and share options. The number of shares calculated is compared with the number of share that would have been issued assuming the exercise of the share warrants and share options.

	30 June 2014 (unaudited)	30 June 2013 (unaudited)	31 December 2013 (audited)
Profit attributable to equity holders of the parent (USD)	<u>9,336,282</u>	<u>16,450,969</u>	<u>25,410,555</u>
Weighted average number of ordinary shares in issue	<u>1,268,049,125</u>	<u>1,267,249,125</u>	<u>1,267,623,920</u>
Adjustments for:			
Assumed conversion of share warrants	-	12,853,983	-
Assumed conversion of share options	-	1,335,435	-
Weighted average number of ordinary shares for diluted earnings per share	<u>1,268,049,125</u>	<u>1,281,438,543</u>	<u>1,267,623,920</u>

6. Investment in an associate

Name	Country of incorporation	Proportion of voting rights held at	
		30 June 2014	31 December 2013
Makkah & Madinah Commercial Investment Company (MMCI)	Saudi Arabia	34.121 %	34.121 %

Makkah & Madinah Holdings Limited and its subsidiaries

Notes to the condensed consolidated interim financial information (*continued*)
for the six month period ended 30 June 2014

6. Investment in associate (continued)

The Group's investment in associate accounted for on the equity basis is summarised as follows:

	30 June 2014 USD (unaudited)	31 December 2013 USD (audited)
Opening balance	472,788,345	440,355,469
Share of profit from associate	9,178,194	25,353,976
Share of fair value change of associate's available for sale investment (refer note (i) below)	<u>3,427,524</u>	<u>7,078,900</u>
Closing balance	<u>485,394,063</u>	<u>472,788,345</u>

- (i) The Company's associate has invested in the equity of an entity, which has been classified as available for sale. Share of fair value change of associate's available for sale investment represents change in fair value of this investment as at 30 June 2014.

7. Share capital and share premium

Movement in share capital during the year:

The share capital of the Company has been allotted and issued of the following classes of shares:

	Number of Shares	Ordinary shares USD	Share premium USD	Total USD
At 1 January 2013 (audited)	1,267,249,125	10,220,614	395,001,706	405,222,320
Additional capital issued	<u>800,000</u>	<u>6,041</u>	<u>144,979</u>	<u>151,020</u>
At 31 December 2013 (audited)	<u>1,268,049,125</u>	<u>10,226,655</u>	<u>395,146,685</u>	<u>405,373,340</u>
At 30 June 2014 (unaudited)	<u>1,268,049,125</u>	<u>10,226,655</u>	<u>395,146,685</u>	<u>405,373,340</u>

The nominal value per share is GBP 0.005.

Share warrants

No share warrants were exercised by the share warrant holders and no new share warrants were issued by the Group during the period ended 30 June 2014.

Makkah & Madinah Holdings Limited and Its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six months period ended 30 June 2014

8. Related party transactions and balance

The Group enters into transactions in the normal course of business with related parties at market rates and terms agreed between the parties.

During the period, the Group entered into the following transactions with related parties:

	30 June 2014 (unaudited) USD	30 June 2013 (unaudited) USD
Real estate advisory and consultancy fee	1,000,000	1,089,918

Key management compensation

	30 June 2014 (unaudited) USD	30 June 2013 (unaudited) USD
Salaries and other short term benefits	352,500	281,250
Consultancy services	<u>-</u>	<u>68,748</u>

Included in the statement of financial position are the following balances with related parties:

	30 June 2014 (unaudited) USD	31 December 2013 (audited) USD
Prepayments, advances and other receivables	717,751	698,452
Trade receivables	428,100	224,523
Trade and other payables	<u>272,480</u>	<u>272,480</u>