MAKKAH & MADINAH HOLDINGS LIMITED

ANNUAL REPORT
2012

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Highlights for 2012

- Eye of Ajman land plots disposed for $400m in May 2012
- Eye of Ajman land plots disposal swapped for a 34.12% stake in a Saudi real estate company Makkah and Madinah Commercial Investment Company JSC ("MMCI") in May 2012
- Carrying value of MMH's investment in MMCI at 31 December 2012 was $440.36 million; an increase of $40.36 million (10%) since acquisition in May 2012
- MMH's comprehensive income for 2012 was $39.96 million compared to a loss of $6.1m in the previous period of 16 months.
- MMCI's net asset value on 31 December 2012 was $1.293 billion compared to $1.174 billion on the date of MMH's acquisition of the 34.12% stake
- MMCI's real estate is predominantly in the western region of KSA – Makkah, Madinah and Jeddah.
- MMH is considering the appointment of additional non-executive directors

CHAIRMAN'S STATEMENT

I am very pleased to be presenting our Annual Report for 2012 and I would like to take this opportunity to highlight a number of important items that are covered in more detail elsewhere in this document. Overall, I am pleased to report a marked improvement in the business performance of Makkah & Madinah Holdings Limited (the "Company" or "Group" or "MMH") during the financial year ended 31 December 2012.

The year 2012 marked a significant change for the Company. Important steps were taken to refocus the Company's investment strategy away from the non income producing Eye of Ajman land plots in Ajman, to a significant minority investment in Makkah Madinah Commercial Investment Company JSC ("MMCI"). MMCI operates in the Kingdom of Saudi Arabia (KSA) with investments in the higher growth KSA real estate market, particularly Makkah and Madinah. The investment has been undertaken with the aim of creating a more robust future for the Company.

MMCI is a Shari'ah compliant company with a profitable trading history. MMCI and its subsidiaries have investments in real estate property assets in the provinces of Makkah, Madinah, Al Ahsa and Jeddah in the KSA. The holy city of Makkah, where MMCI owns investments, is the location of some of the highest, current property prices in the world. MMCI and the Company have been working together since 2011 to evaluate, and develop plans for, a number of projects within KSA.

Aside from the above, the Company continued to develop its profitable income stream through its advisory and consultancy services to MMCI. Al Salam Commercial Investments Limited has taken on all payment obligations on behalf of MMCI.

Change of name

In the general meeting of shareholders held on 8 May 2012, the shareholders resolved and approved the change of the name of the Company from Prime Investments International Group Limited to Makkah & Madinah Holdings Limited.

Appointment of Mr Ahmed Iqbal Bangee as Executive Director and Chief Financial Officer

I am pleased to report that on 2 April 2013 Ahmed Iqbal Bangee was formally appointed as Executive Director and Chief Financial Officer.

Financial results

The Group has posted net profits of $39.96 million for the first time since the commencement of the Company's operations, mainly derived from the share of profit from MMCI. In addition, the Company derived revenues of $1.95 million from its advisory and consultancy services.

The significant positive result in the Statement of Comprehensive Income has resulted in an increase in earnings per share to $0.031 (31 December 2011: Loss per share $0.004) per share.

At 31 December 2012, net assets were $440.41 million (31 December 2011: $397.89 million) or $0.35 (31 December 2011: $0.31) per share.

Business overview

A number of potential investment opportunities were identified throughout 2012, primarily in the region of KSA. The favourable macro-economic conditions and expected growth trends for the KSA real estate market, supported the Company's strategy to develop a diverse portfolio of assets that has the potential to deliver value to the Company and its shareholders. These factors resulted in a decision by the Board of Directors to enter this robust real estate market through an investment in MMCI.

CHAIRMAN'S STATEMENT (CONTINUED)

MMH's experience and expertise complements MMCI's business activities and on this basis in May 2012 the Company acquired an indirect equity interest of 34.12% in MMCI. Representatives from MMH's Board of Directors were then invited onto the Board of MMCI. This acquisition enabled the Company to dispose of its non-income generating asset in return for an indirect interest in MMCI, a company whose historical financial performance has shown profits year on year.

The acquisition and our new relations with MMCI gives the Company exposure to development opportunities on projects located in one of the world's most exciting real estate markets.

The Company continues to explore further acquisition opportunities in Saudi Arabia to further expand our portfolio and diversify our investments across the real estate sector. Our Board of Directors will communicate details to the Company's shareholders in due course on all acquisitions, disposals and development opportunities in line with regulatory disclosure obligations.

The Company's equity stake in MMCI will enable us to integrate project development services to MMCI's existing core business activities allowing MMCI and the Company to exploit the growing demand in the KSA real estate market.

In addition to the acquisition and disposal of assets in May 2012, the Company also announced that it has been evaluating options for raising the profile of the Company and improving liquidity in the shares, including seeking admission of the shares to trading on another stock exchange in addition to, or other than, PLUS. I can confirm that whilst this remains an ongoing challenge, this is being monitored closely and work continues to be undertaken.

ISDX market

PLUS Stock Exchange was acquired by ICAP Securities & Derivatives Exchange Limited in June 2012. The ISDX is a Recognised Investment Exchange under the Financial Services and Markets Act 2000 and a member of the ICAP plc group. The Company is currently listed on the ISDX Growth Market.

Recommendation

The Directors of the Company consider that all the proposals to be considered at the AGM are in the best interests of the Company. The future areas of focus for the Company are to address any significant risk factors that affect the Company's performance and future operations, maintain strong corporate governance and transparency across the board and create improved liquidity in the Company's shares.

Outlook

During the year since the Group's acquisition of a 34.12% indirect interest in MMCI in May 2012, the Company's management has been working extensively with MMCI. We continue to advise them with the evaluation of certain projects in the city of Makkah and elsewhere within KSA.

The financial year 2012 was challenging. However the exceptional commitment of the Executive directors and their team to deliver positive results whilst restructuring our asset portfolio, has allowed the Company to reposition its investment into a robust market which is forecasted to maintain a positive growth trend in the short to medium term.

I am very confident about the Group's future prospects. The Company's management continues to implement the Group's new strategy and work with MMCI to take advantage of opportunities and invest where there is growth and future potential. I feel the Group is now well positioned to take advantage of opportunities as they arise following the investment in MMCI.

MAKKAH & MADINAH HOLDINGS LIMITED

CHAIRMAN'S STATEMENT (CONTINUED)

I would like to sincerely convey my gratitude to all our shareholders for their continued support and to our management and the Board, as we look towards a future that holds much promise and potential.

Chairman
Dr. Noor Aldeen S. A. Atatreh
28 May 2013

DIRECTORS' REPORT

The Corporate governance policies that the Company has adopted, aims to ensure that the Directors and the Executive Management team (currently comprising the CEO and CFO) run the business in an honest, transparent and ethical manner in line with the regulatory requirements.

The composition of the Board comprising Executive and Non-Executive Directors works effectively in promoting long term shareholder value. The relationship between the Board and Executive management team is important to the Group's long term success. Day to day management of the Group's affairs and the implementation of a corporate strategy and adherence to approved policies are formally delegated to the Management Team.

Our approach to corporate governance is covered in the following pages, however myself and the rest of the Board members intend to further develop this framework throughout 2013 and regularly assess its effectiveness.

As a company listed on the ISDX, Makkah & Madinah Holdings Limited is not required to comply with all aspects of the UK Corporate Governance Code, however the Board is committed to maintaining the highest standards within the Company.

The Directors present their Report together with the Consolidated Financial Statements of the Group, being the Company and its subsidiaries ('MMH') for the financial period ended 31 December 2012 and the Audit Report thereon.

The Board

The Board during the year comprised of three Executive Directors and two Non-Executive Directors. The names, qualifications, experience and responsibilities of each person holding the position of Director of the Company at the date of this Report can be found below.

The independence of the Non-Executive Directors is considered at least annually and is based on criteria suggested in the UK Corporate Governance Code.

The Board holds the responsibility for the Group's strategic and financial policies and has a formal schedule of matters to report including approving the Company's strategy, major investments, annual budget, capital expenditure and monitoring the performance of the business. The board and its relevant committees are supplied with regular and timely information concerning the activities of the Group in order to enable it to exercise its responsibilities and control functions in a proper and effective manner.

Dr. Noor Aldeen Subhi Ahmed Atatreh, Executive Director and Chairman

Dr. Noor Aldeen Subhi Ahmed Atatreh was appointed to the Board as an Executive director on 8 July 2011. Dr. Noor Atatreh, is also a board member Bonyan International Investment Group (Holding) and University of Jazeera LLC, also holds the position of Vice President of Bonyan International Holding LLC.

Despite holding a Doctorate in the field of Pharmacy, he has acquired considerable experience outside of the medical services sector whilst participating in the management of Prime International Investments Group Limited, Fliteport FZCO within the aviation field and the University of Jazeera in the education sector.

In his position as Executive Director of Makkah & Madinah Holdings Limited, he played a pivotal role in the founding of the company and its business strategy whilst overseeing the Private Placement and acquisition of the Eye of Ajman Plots. Dr. Noor was the driving force behind the management team to create a transparent company with strong corporate governance policies in preparation for a public listing on PLUS. Dr. Noor has continued to play an important role in chairing the Board and dealing with shareholders.

DIRECTORS' REPORT (CONTINUED)

Abdulla Saeed Abdulla Mohamed Brook Al Hamiri, Executive Director

Abdulla Saeed Abdulla Mohamed Brook Al Hamiri was appointed to the Board as an Executive director on 8 July 2011. As the Chief Executive Officer and board member of ABBCo Facilities Management Services LLC since 2002 and Chairman of Bonyan International Investments Group (Holding) LLC since 2003, Mr Al Hamiri has played a key role in developing the corporate strategy and reviewing the core business processes to ensure effective execution of the business plans.

Through his collaboration with key partners and commercial networks, Mr Al Hamiri has successfully identified, developed and acquired multiple assets whilst ensuring adequate funding for the diversification of its asset portfolio and sufficient working capital to manage the company's finances through a period of rapid growth.

Dr Abdulaziz Fahad Alongary, Non-Executive Director

Dr Abdulaziz Fahad Alongary was appointed to the Board as a Non-Executive director on 8 July 2011. Dr Alongary began his career with the Saudi Arabian Monetary Agency providing technical and analytical support between 1991 and 1998. In 1998, Dr Alongary took on the role of Chief Executive Officer for Roaj Marketing & Training Company in the KSA, which specialised in providing customised marketing and training courses for leading financial and investment institutions. During this time, Dr Alongary provided consultancy services to UK Land & Investment Company, BNP Paribas Bank Geneva, Century 21 Company, Al Salam and Rotana Group.

In 2000, he entered the real estate and development sector. As Chief Executive Officer of Aqar Holding, a company with a startup capital of SAR1 billion, Dr Alongary developed and managed the overall business strategy, undertaking an active management role over the company's ongoing projects. Dr Alongary has been a board member of a number of investment companies dedicated to the real estate and development sector, including Bonyan International Holding KSA, Aqar Holdings KSA and ENMA Development Company in the KSA.

In 2007, Dr Alongary assumed the role of Managing Director of Bonyan International Holding KSA. In 2009, Dr Alongary founded Exsaab Investment Holding Co and Exsaab Communication Company in the KSA, focusing on recycling and communication infrastructure. Dr Alongary is based in KSA and played a key role in the negotiation of the MMH investment in MMCI. His public relations in KSA and UAE assisted in completion of the investment in KSA.

Mr Muin El Saleh, Executive Director and Chief Executive Officer

Mr Muin El Saleh was appointed as Chief Executive Officer of the Company on 8 July 2011 and was appointed to the Board at the same time. In his most recent role before joining the Company, Mr El Saleh worked as the general manager for a major real estate and development company based in Jeddah, KSA, responsible for various hotel developments in Makkah, in close proximity to the Masjid Al Haram.

In addition to his experience in the KSA and the wider GCC region Mr El Saleh has gained considerable international exposure through his previous employments with Tang Sun Lee in Brunei and with Birse Construction and Balfour Beatty in the United Kingdom. This helped him develop and manage corporate relations with major international consultants and clients.

Mr El Saleh completed his higher education studies in the United Kingdom. He holds a Bachelor Degree in Civil Engineering from Liverpool University and a Masters in Business Administration. During 2011, Muin El Saleh successfully obtained the PLUS listing for the Company. In Q3 of 2011 on behalf of the Company he signed a consulting service contract with MMCI to provide real estate and advisory services. This has been very successful and the contract was extended to March 2013. Muin's extensive experience in Makkah real estate development has enabled him to identify and successfully acquire new opportunities for the Company. Muin has been closely working with the management of MMCI on planning developments on a number of their projects located in the Holy cities of Makkah and Madinah.

DIRECTORS' REPORT (CONTINUED)

Mr Ahmed Iqbal Bangee, Executive Director and Chief Finance Officer (CFO)

Mr Ahmed Iqbal Bangee was appointed to the Board as a Non-Executive director on 28 September 2011. Mr Bangee has extensive experience in business development and has experience as a financial officer in a number of real estate and commercial groups across the Middle East and in the UK. His previous executive roles include many years in a senior finance position with a major group in the KSA and, more recently, as a director with international companies in the UAE and the UK. Mr Bangee has a BSc degree and a postgraduate diploma from the Universities of Leeds and Strathclyde (respectively) in the UK. He qualified as a Chartered Accountant in 1978 from the Institute of Chartered Accountants of Scotland and practised as an auditor with Deloitte & Touche for five years.

He was appointed as a consultant to the Group in June 2012 to closely work with the CEO and the Board on identifying options for a stock exchange for the listing of MMH shares in addition to, or other than ISDX. He has been closely working with the CEO on the acquisition of the 34.12% stake in MMCI. He has also worked to improve the financial reporting and IT support. Until June 2012, he was a member of Audit Committee. He was appointed as a CFO of the Company in April 2013.

Edwin Sebastian Lee, Non-Executive Director

Edwin Sebastian Lee resigned from the Board on 5 March 2012.

Committees of the Board

During the financial period ended 31 December 2012, 13 Board meetings were held. The Board recognises the essential role of the committees in guiding the Company on specific issues. The Committees address important corporate issues, calling on Executive management team and external advisers prior to making a final decision or making a recommendation to the Board of Directors.

The Company has established the following committees to provide recommendations and necessary assistance to the Board of Directors:

Audit Committee

The audit committee comprises Dr Noor Aldeen Subhi Ahmed Atatreh and Dr Abdulaziz Fahad H. Alongary. Mr Ahmed Iqbal Bangee was a member of audit committee until June 2012.

The Audit committee has responsibility for ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the published financial statements represent a true and fair reflection of this position. It also assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. It is responsible for review of financial performance and financial position of the Group and liaises with external auditors to discuss matters related to financial audit of the Group.

Remuneration Committee

The remuneration committee comprises Dr Noor Aldeen Subhi Ahmed Atatreh and Dr Abdulaziz Fahad H. Alongary.

The remuneration committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual directors. This includes agreeing with the Board the framework for remuneration of the Chief Executive, all other executive directors, the Chairman, the Company Secretary and such other members of the Executive management team of the Company as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options.

DIRECTORS' REPORT (CONTINUED)

In December 2012, the remuneration committee met and recommended the remuneration of Mr Ahmed Iqbal Bangee upon his appointment as the Executive director and CFO of the Company with effect from April 2013 and also recommended the bonus shares to be issued to Mr Ahmed Iqbal Bangee upon successful admission of the company to a market platform in addition to, or other than ISDX.

Internal Controls

The Board has overall responsibility for the Group's system of internal controls and procedures and for reviewing its adequacy and effectiveness. The responsibility for the implementation of day to day operation of the systems of internal controls is delegated to the Chief Executive Officer and his management team. Whilst the Company does not have an internal audit function, it maintains a regular dialogue with its external auditors.

Investor Relations

The Board believes in maintaining an open dialogue with its shareholders and providing up to date information about the Company and the market in which it operates, subject to regulatory disclosure protocols, through its interim and annual financial statements and press releases which are simultaneously posted on the Company's website.

The Company has taken measures to update its website (www.mm-holdings.com) to give shareholders a single point of reference for all relevant corporate news, through its 'Investor Relations' segment. Whilst access to the available information through the Company's website is currently limited, the Company shall be looking to address this with its shareholders to encourage and promote greater use of its online facilities.

The Board places great emphasis on ensuring its shareholders and stakeholders are aware of the Company's ongoing business activities and performance, and are developing a structured plan to include additional activities to increase the Company's exposure.

All Directors are available to answer questions both formally at the Annual General Meeting and other Meetings held throughout the year and informally after the meetings.

The 2013 AGM this year will be held in Dubai and the date and venue of the meeting will be notified to the shareholders in due course.

The formal notice of the AGM will be issued to Shareholders in line with the Articles of the Company.

Activities and review of Business

The principal activities of the Company are investing and developing real estate and providing advisory services to MMCI. The focus since the acquisition of 34.12% shares of MMCI has been on Makkah and Madinah and other cities in the KSA.

Makkah & Madinah Holding's primary objective is to invest in a balanced blend of immediate cash generating assets and capital appreciating assets which both comply with Shari'ah Law.

In the general meeting of shareholders held on 8 May 2012, the shareholders and the board of the Company resolved and approved the Company's sale of its 67 land plots in the mixed-use development known as the Eye of Ajman for $400 million and at the same time, it agreed to acquire from the purchasers of the Eye of Ajman land plots, for like consideration 100% of the issued share capital of Makkah & Madinah International Limited, an investment holding company in the Free Trade Zone of Ras al Khaimah, thereby indirectly becoming the owner of a 34.12% stake in MMCI.

During the same meeting the shareholders resolved and approved the change of the name of the Company from Prime Investments International Group Limited to Makkah & Madinah Holdings Limited and the legal formalities with the change of name completed on 29 June 2012.

DIRECTORS' REPORT (CONTINUED)

Risks and Uncertainties

The Company's ability to manage existing risks, identify potential future risks and to mitigate their effects on business, shall form a key aspect of the Company's strategy to safeguard their investments and eliminate limiting factors that may affect performance.

A review of the Company's business activities, performance, asset portfolio, strategy and geographic focus led the Board to a decision to diversify their revenue streams and enhance their investment footprint in the emerging markets. In view of the uncertainty of the UAE real estate market and volatility of many neighbouring Arab states, improving corporate governance, sharpening its strategic perspective and the Company's ability to assess and manage risk, were key to building a stronger foundation for the future of the Company.

MMH's income has been from providing consulting services to MMCI. This has been enhanced with its investment in MMCI. MMCI's income is currently dependent on a long term lease agreement in the retail market, however with its significant real estate portfolio suitable for development, in due course its income stream is expected to diversify to potentially include income from hotels, and sale of land after building of infrastructure.

The asset portfolio of MMCI has one income generating asset at present but is largely made up of undeveloped land assets. Whilst construction has not begun on these land assets at present, a construction permit has been obtained for one planned development and initial design work and approvals have been obtained for a number of other proposed developments. With the assets at an early stage of the development process, MMH's return on investment in MMCI is likely to be realised in the mid to long term.

At present, financing for only one of the planned developments of MMCI has been structured. MMCI's strategy contemplates significant capital expenditure for the development of its properties and reliance on further capital to fund these developments.

MMCI may be subject to unforeseen increases in operating costs based on the sites selected for development. Increased demand and rising costs of equipment, materials and labour could impact on the MMCI financing requirements and its return on investment.

Corporate information

Makkah & Madinah Holdings Limited (formerly Prime Investments International Group Limited) [Reg No. 148728(B)] was incorporated in the Commonwealth of the Bahamas as an International Business Company on 29 May 2007. Pursuant to the general meeting of shareholders held on 8 May 2012, the shareholders and the board of the Company resolved and approved the change of the name of the Company from Prime Investments International Group Limited to Makkah & Madinah Holdings Limited and to effect the change, the Company has revised the Certificate of Incorporation on 29 June 2012.

The registered office of MMH is located at Ocean Centre, East Bay Street, P. O. Box SS 19084, Nassau Bahamas.

Company Registrar

Computershare Investor Services (Channel Islands) Limited was appointed as Company registrar to maintain the Company's register of members. Computershare is a pioneer in integrated investor services and technology.

External Auditor

BDO LLP was appointed as auditor to the Company with effect from the financial period ended 31 December 2011.

DIRECTORS' REPORT (CONTINUED)

Shari'ah advisor

MMH has appointed Crowe Horwarth to advise the company on Shari'ah compliance for both MMH and MMCI. Crowe Horwarth has expertise in this area and has an Islamic Shari'ah scholar undertaking this review.

Share Capital

The issued share capital of the Company comprises 1,267,249,125 ordinary shares as at 31 December 2012. Each share carries the right to one vote per share on a poll. All issued shares of the Company are fully paid.

Interest in Capital

Shareholders' Interests

As at 31 December 2012 and 24 May 2013, the Company was aware of the following interests of 3% or more in the ordinary share capital of the Company:

	Number of shares	Percentage Interest
Makkah Madinah Investment Co Limited	628,625,000	49.61%
Abdulla Saeed Abdulla Mohamed Brook Al Hamiri	178,885,217	14.12%
Noor Aldeen S. A. Atatreh	178,885,217	14.12%
Bonyan International Investment Group Holding L.L.C.	46,718,750	3.69%

Directors' interests

The Directors of the Group during the period and their interest in the share capital of the Group, including shares over which shares warrants have been granted, under the Assignment and Settlement agreement by way of a resolution of the Board of Directors of Prime Investments Group Limited ('Prime Cayman') dated 13 June 2011 are shown below.

Director	Ordinary shares 2012	Share warrants 2012
Abdulla Saeed Abdulla Mohamed Brook Al Hamiri	178,885,217	112,223,761
Noor Aldeen S. A. Atatreh	178,885,217	112,223,761
Abdulaziz Fahad Alongary	920,362	-
Muin El Saleh	500,000	-

There have been no changes in any of the Directors' interests between the period end and the date of this report.

The Company has put in place a bonus share arrangement whereby 3,950,000 shares will be issued to the following directors as part of their remuneration for the services rendered by them in connection with the admission of the Company to an alternate market. The share issue is conditional on the successful admission to an alternate market. For further detail, see Note 19.

Director	Shares to be granted
Muin El Saleh	3,150,000
Ahmed Iqbal Bangee	800,000
	3,950,000

The above share warrants held by directors at the period end were issued as part of the reverse acquisition in the 2011 reporting period. Further details are given in Note 19 of the financial statements.

The Directors did not exercise any options or warrants during the period.

DIRECTORS' REPORT (CONTINUED)

Financial overview

We entered the year with three clear financial objectives. The first of this was to build recurring income and manage costs in order to produce positive cash flows. The second was to seek appropriate avenues for commercial exploitation of MENA (Middle East and North Africa) real estate businesses and the third objective was evaluating options for raising the profile of the Company and improving liquidity in the shares, including seeking admission of the shares to trading on another stock exchange in addition to, or other than, ISDX. We have made good progress on all of these three fronts during the year. In our efforts to achieve the financial objectives, the Company has for the first time since its incorporation posted the net profit of $39.95 million.

Following the re-admission to the ISDX (formerly PLUS stock exchange) the Directors and Management have been directing their efforts to establish a solid foundation for the future growth of the Company and are identifying new commercial directions. After assessment of the enterprise value of MMCI by an independent valuer and negotiations, the Company successfully completed a significant transaction to sell the assets in Ajman and to acquire a 34.12% interest in a company in KSA, MMCI. This transaction has positively affected the net operating results of the Company and the Company recorded a share of profit from its investment in MMCI of $40.36 million.

Continued progress has been made within the property investment management business and income of $1.95 million has been generated by continuing real estate advisory and consultancy services to MMCI in KSA. The consultancy services have also contributed positively to the net results of the year.

As mentioned earlier the Company is evaluating options for raising the Company's profile and improving liquidity of shares including seeking admission of the shares to trading on another stock exchange in addition to, or other than, ISDX. In this respect the Company is seeking professional advice from relevant advisors. The cost of professional and legal fees of $2.1 million on preliminary work towards this consultancy is separately disclosed in the statement of comprehensive income.

In 2012, the Company has moved from a loss to a profit and reported net income of $39.95 million (2011: Loss $6.1 million) mainly derived from the consultancy fee $1.95 million (2011: $1.59 million), net gain on disposal of the Eye of Ajman land plots $1.99 million (2011: $Nil) and share of profit from associate $40.36 million (2011: $Nil).

The employee costs have increased by seven times from the prior period due to an increase in the number of employees from 2 to 6 and share based payment charge of $684K in respect of the bonus share arrangement as detailed in Note 19. The other operating expenses increased by 49% mainly due to rental and other office cost of new office $49K (2011: $28K), business development and travelling expenses $158K (2011: $163K) and corporate professional fees $583K (2011:$313K) on the asset exchange transaction and other matters.

<u>Earnings per share</u>

	31 December 2012	31 December 2011
	USD	USD
Basic Earnings per share	0.0315	(0.0043)
Diluted Earnings per share	0.0312	(0.0043)

DIRECTORS' REPORT (CONTINUED)

Revenue

Revenue was mainly derived from real estate advisory and consultancy services to MMCI. Revenue for the year increased by 22% as compared to prior period.

	31 December 2012	31 December 2011
	USD	USD
Real estate advisory and consultancy services	1,948,229	1,594,005

Profit on disposal of investment property

The exchange transaction of the Eye of Ajman land plots for a 34.12% equity interest in MMCI has resulted in a net gain on exchange of assets of USD 1,994,942 for the Group.

Share of profit from associates

This represents the post-acquisition share of profit from associate (MMCI) for the period of 7 months and is comprised of the following sources:

	2012 USD in million
- Lease rental income	2.58
- Profit on disposal of investments and properties	3.57
- Surplus on revaluation of investments and real estate properties	31.78
- Share of profit from associates	2.24
- Other operating income/expense	0.19
	40.36

Investments

Following the exchange transaction of the Eye of Ajman land plots for a 34.12% equity interest in MMCI, the investment in MMCI is the only investment of the Company at 31 December 2012. MMCI is a company with subsidiaries owning land plots and income generating development in the provinces of Makkah and Madinah and elsewhere in the Kingdom of Saudi Arabia (KSA). The Directors therefore believe that this acquisition, in the context of the strong demand for real estate developments in the regions of Makkah and Madinah, which is fuelled by the population growth and increasing number of visitors to the region associated with the Islamic tourism sector, provides a more attractive investment opportunity prospective arena for the Company to focus its commercial activities.

The fair value of the 34.12% interest in MMCI in May 2012 was $400 million. At 31 December 2012, the carrying value of the investment was $440.36 million. This is an increase of $40.36 million (10%) in 7 months. This is indicative of the sound investment by MMH in the KSA real estate market.

The Company does not have any borrowings at the reporting date.

DIRECTORS' REPORT (CONTINUED)

Cashflows

	Year ended 31 December 2012	16 months ended 31 December 2011
	USD	USD
Net cashflow from operations	(1,627,282)	409,435
Net cashflow from investing	(32,548)	-
Net cashflow from financing	1,702,981	-
Net increase in cash	43,151	409,435
Cash and cash equivalents at start of year/period	417,783	8,348
Cash and cash equivalents at the end of the year/period	460,934	417,783

Operating cash flows
The net cash outflow from operating activities during the year was $1.627 million, with working capital mainly used in relation to fees payable for evaluating options for raising the profile of the Company and improving liquidity in the shares, including seeking admission of the shares to trading on another stock exchange in addition to, or other than, ISDX.

Investing cash flows
The net cash outflow from investing activities during the year was $32k from the purchase of fixed assets for the new office.

Financing cash flows
The net cash inflow from financing activities during the year was $1.702 million, which represents the financial contribution from a related party in support of expenses incurred in connection with the work undertaken on the MMCI acquisition and for evaluating options for raising the profile of the Company, including seeking admission of the shares to trading on another stock exchange in addition to, or other than, ISDX.

Brief overview of MMCI (associate)

MMCI has a profitable, historic trading record, and is structured to operate in a Shari'ah-compliant manner. MMCI and its subsidiary undertakings and associates have investments in real property assets in the provinces of Makkah, Madinah, Al-Ahsa and Jeddah in the KSA, an income-generating asset in Makkah and minority interests in two manufacturing businesses in Egypt.

MMCI has assembled and invested in a diverse portfolio of real property assets, that MMCI believes are suitable for development or trading. MMCI has to date been largely focused on the acquisition and disposal of real estate investments. MMCI and MMH are together reviewing the investment opportunities available to MMCI and have taken the decision to increase the focus of MMCI on development opportunities, in order to increase the potential to generate greater profits from each real estate investment.

DIRECTORS' REPORT (CONTINUED)

Summary of MMCI real estate portfolio at 31 December 2012 is as follows:

Name of property	Location	Freehold/Leasehold	* Gross market value ($ in millions)	MMCI effective holding
Advanced Projects				
Rae Zakher	Makkah	Freehold	555.69	50.0
Al Resala	Madinah	Leasehold	86.48	99.0
Jebal Al-Noor	Makkah	Freehold	117.82	49.5
Al Emtiyaz	Al Ahsa	Leasehold	10.01	45.0
Other Projects				
Sama Madinat Makkah	Makkah	Development agreement	26.64	99.0
Al Barak 1	Makkah	Freehold	20.76	99.0
Al Barak 2	Makkah	Freehold	22.25	99.0
Rabwat Al Hijaz	Jeddah	Freehold	438.30	42.5
Mulak—North	Jeddah	Freehold	287.80	25.0
Mulak—South	Jeddah	Freehold	745.23	25.0
MM Power	Jeddah	Freehold	4.55	50.0
Laith 1	Makkah	Freehold	595.14	40.0
Laith 2	Makkah	Freehold	106.43	40.0

* The property portfolio has been re-valued by an independent valuer at 31 December 2012.

MMCI has a strong track record of sourcing and identifying suitable investment opportunities. This experience enables the Group to pursue transactions involving mixed use developments.

The Board of MMH believes that the Company is well positioned with MMCI's property portfolio and in particular its investments in the holy cities of Makkah and Madinah, to take advantage of the current favourable economic conditions, that not only support but are driving the real estate markets in the KSA. MMH's Executive management team possesses extensive knowledge of the real estate industry and real estate investment and development in the KSA, which it believes will assist in its future operation in evaluating and securing opportunities in KSA's real estate market.

The development plans anticipated for the assets Jebal Al Noor, Al Resala and Rae Zakher are as follows:

Jebal Al Noor
There are plans to develop the land plot into a tourism project which will include:

- 4 star hotel
- Leisure and entertainment area including a cable car service to the Ghar Hera mountain
- Retail Mall
- Serviced land plots

The main purpose of this project is to attract more tourists to the Ghar Hera mountain area and to facilitate their visit to the mountain. The Ghar Hera mountain is religiously significant to Muslims as it is in this place that the Holy Quran was revealed to Prophet Mohammed.

A cable car company of international repute has been appointed as a consultant in connection with the development of the cable car project and the design for the cable car system. This is in the process of being finalised. Initial approval has been obtained from Amanah, the local municipal authorities responsible for developments, public works and other matters and given the religious significance of the area, the approval of the Shari'ah committee has to be obtained which is now under process.

DIRECTORS' REPORT (CONTINUED)

MMCI are responsible for overall project management. The project is currently in the planning stage. Given the recent announcements regarding the expansion of the Grand Mosque, MMCI and the Executive Directors are reviewing the project to consider alternative development options in order to maximise the potential of this project. In addition, the Executive Directors are considering phasing this project, which could initially involve only the development of the cable car and related infrastructure in the first phase. The amounts spent to date on the Jebal Al Noor project by MMCI (other the cost of acquisition of the property) are USD 510,000, which has largely been in relation to design work on the initial plans for the project and the cable car design. MMCI does not have any contractual obligations to the Jebal Al Noor project. Until the review of alternative development options has completed, the total potential development cost is not able to be determined, and in addition any development plans would require approval from the relevant authorities.

MMCI preliminary estimates are that the total construction costs for the Jebal Al Noor cable car project only could total SAR 100 million (USD 37.5 million), for construction of a hotel SAR 367.5 million (USD 98 million) and a retail mall construction of SAR 90 million (USD 24 million).

Al Resala

The Al Resala project is currently in the planning stage, and an initial concept design for the project has been finalised and is expected to be submitted to the authorities in due course. The preliminary plans involve developing the land plot into a mixed use facility including a 5-star hotel and retail mall.

Based on the preliminary plans, which have not yet been submitted to the authorities, the total estimated cost of construction is approximately SAR 645 million (USD 172 million) which comprise SAR 385 million (USD 102.7 million) in related to construction of a 5 star hotel and SAR 260 million (USD 69.3 million) in relation to a mall construction.

Rae Zakher

MMCI's joint venture partner Sama Al Bait has obtained a licence to develop infrastructure in order to sell the project as serviced residential and commercial plots. A master plan has been approved by the authorities and approvals for project preparation and mobilisation have been submitted which are under process.

However, given the recent announcements regarding the expansion of the Grand Mosque, MMCI and the Executive Directors are reviewing the project and conducting highest and best use studies to consider alternative development options in order to maximise the potential of this project, which could include a mixed use development incorporating hotel, leisure and residential facilities.

Until the review of alternative development options has completed, the total potential development cost is not able to be determined, and in addition any development plans would require approval from the relevant authorities. If the Rae Zakher project was developed based on the existing secured permits, the Company estimates that the cost of development would be approximately USD 20 million.

DIRECTORS' REPORT (CONTINUED)

Statement of Directors' Responsibility in respect of the Financial Statements

The Directors are required by the ISDX regulations to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results of the Group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is appropriate to presume that the Group will not continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) and the historical cost convention as modified by the revaluation of investments. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud, errors and non-compliance with the law or regulations.

So far as the directors are aware, there is no relevant audit information and which the Company's auditor are unaware, and each director has taken all the steps that he or she ought to have taken as a director, in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

The Directors' confirm that they have complied with all of the above requirements in preparing the financial statements.

The financial statements are published on the Group's website. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the on going integrity of the financial statements contained therein.

This Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Director

Name: Mr. Muin El Saleh

Date: 28 May 2013

TO THE DIRECTORS OF MAKKAH & MADINAH HOLDINGS LIMITED

We have audited the financial statements of Makkah & Madinah Holdings Limited for the year ended 31 December 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our report has been prepared pursuant to our engagement letter dated 18 April 2013 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the engagement letter or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/audit scopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of the group's profit for the year ended 31 December 2012; and
- have been properly prepared in accordance with IFRS as adopted by the European Union.

Opinion on other matters

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of whether proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us.

BDO LLP

BDO LLP
Chartered Accountants
London
United Kingdom

Date 28 May 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

MAKKAH & MADINAH HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended 31 December 2012 USD	For the period of 16 months from 1 September 2010 to 31 December 2011 USD
Revenue	6	1,948,229	1,594,005
Employee costs	7	(1,365,812)	(156,824)
Other operating expenses	8	(853,868)	(572,467)
PLUS Listing expenses		-	(6,850,843)
Legal and professional fees	9	(2,102,388)	-
Change in fair value of investment property	14	1,994,942	-
Impairment of available-for-sale financial assets	16	(123,257)	-
Depreciation	12	(1,951)	-
Operating loss		**(504,105)**	**(5,986,129)**
Share of profit from associate		40,355,469	-
Finance income	10	-	9,126
Finance expense	10	(18,044)	-
Profit / (Loss) for the year		**39,833,320**	**(5,977,003)**
Other Comprehensive income			
Change in fair value of available-for-sale financial assets		-	(123,257)
Recycle of prior period available-for-sale financial assets losses	16	123,257	-
Total comprehensive income for the year		**39,956,577**	**(6,100,260)**

Earnings/(loss) per share attributable to the equity holders of the parent during the year

Basic earnings/(loss) per share for the year	11	**0.0315**	**(0.004)**
Diluted earnings/(loss) per share for the year	11	**0.0312**	**(0.004)**

The notes on pages 24 to 42 form an integral part of these financial statements.

MAKKAH & MADINAH HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 USD	2011 (Restated) USD
ASSETS			
Non-current assets			
Property, plant and equipment	12	30,597	-
Investment in associates	13	440,355,469	-
Investment property	14	-	398,005,058
		440,386,066	398,005,058
Current assets			
Trade receivables	15	631,471	990
Prepayments, advances and other receivables	17	797,336	127,454
Cash and cash equivalents	18	460,934	417,783
		1,889,741	546,227
Total assets		442,275,807	398,551,285
EQUITY			
Capital and reserves attributable to the equity holders of the company			
Ordinary shares	19	10,220,614	10,210,843
Share premium	19	395,001,706	394,835,588
Available-for-sale financial assets reserve	16	-	(123,257)
Reverse acquisition reserve	20	1,636,894	2,591,217
Retained earnings/(losses)		33,545,786	(9,628,513)
		440,405,000	397,885,878
LIABILITIES			
Current liabilities			
Trade and other payables	21	1,870,807	665,407
Total liabilities		1,870,807	665,407
Total equity and liabilities		442,275,807	398,551,285

The financial statements were approved by the Directors on 28 May 2013 and were signed on their behalf by:

Mr. Muin El Saleh
DIRECTOR

The notes on pages 24 to 42 form an integral part of these financial statements.

MAKKAH & MADINAH HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Attributable to equity holders of the parent						
		Share capital	Share Premium	Reverse acquisition reserve	Shares to be issued	Available for sale financial assets reserve	Retained losses	Total
		USD	USD	USD	USD	USD	USD	USD
At 1 September 2010		32,262	-	-	503,900,076	-	(2,697,187)	501,235,151
Transaction with owners								
Prime Cayman								
Ordinary shares issued for investment property - land		398,005,058	-	-	(398,005,058)	-	-	-
Ordinary shares issued for investment property - tower		105,895,018	-	-	(105,895,018)	-	-	-
Ordinary shares issued related to investment property		581,468	-	-	-	-	-	581,468
Ordinary shares issued for loan repayment		1,177,548	-	-	-	-	-	1,177,548
Ordinary shares cancelled against investment property		(105,895,018)	-	-	-	-	-	(105,895,018)
Elimination of existing shares		(399,796,336)	-	-	-	-	-	(399,796,336)
MMH								
Existing ordinary shares before reverse acquisition		108,325	837,409	-	-	-	-	945,734
Ordinary shares issued on reverse acquisition to owners		9,994,909	389,801,427	-	-	-		399,796,336
Reverse acquisition reserve		-	-	2,591,217	-	-	-	2,591,217
Ordinary shares issued to professional advisors		107,609	4,196,752	-	-	-	-	4,304,361
Opening retained losses		-	-	-	-	-	(954,323)	(954,323)
		10,178,581	394,835,588	2,591,217	(503,900,076)	-	(954,323)	(97,249,013)
Comprehensive income for the period		-	-	-	-	(123,257)	(5,977,003)	(6,100,260)
At 31 December 2011		10,210,843	394,835,588	2,591,217	-	(123,257)	(9,628,513)	397,885,878
As at 1 January 2012		10,210,843	394,835,588	2,591,217	-	(123,257)	(9,628,513)	397,885,878
Exercise of warrants		9,771	166,118	-	-	-	-	175,889
Capital contribution		-	-	-	-	-	1,702,981	1,702,981
Transfer of reserves		-	-	(954,323)	-	-	954,323	-
Share based payment		-	-	-	-	-	683,675	683,675
Profit for the year		-	-	-	-	-	39,833,320	39,833,320
Other comprehensive income – recycle of available-for-sale financial assets losses		-	-	-	-	123,257	-	123,257
At 31 December 2012		10,220,614	395,001,706	1,636,894	-	-	33,545,786	440,405,000

The notes on pages 24 to 42 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Year ended 31 December 2012 USD	For the period of 16 months from 1 September 2010 to 31 December 2011 (Restated) USD
Profit / (Loss) for the year		39,833,320	(5,977,003)
Adjustments for non-cash items:			
Settlement of loan and other liabilities by issue of ordinary shares		-	1,759,016
Reverse acquisition IFRS 2 charge		-	2,459,371
Professional fees settled by issue of ordinary shares by MMH		175,889	4,304,361
Share based payment expense		683,675	-
Share of profit from associate		(40,355,469)	-
Change in fair value of investment property		(1,994,942)	-
Impairment of available-for-sale financial assets		123,257	-
Depreciation		1,951	-
Working capital changes:			
Trade and other receivables		(1,300,363)	(128,444)
Trade and other payables		1,205,400	(2,007,866)
Cash (used in) / generated from operations		(1,627,282)	409,435
Cash flows from Investing activities			
Purchase of property, plant and equipment		(32,548)	-
Net cash used in investing activities		(32,548)	-
Cash flows from Financing activities			
Capital contribution		1,702,981	-
Net cash generated from financing activities		1,702,981	-
Net increase in cash and cash equivalents		43,151	409,435
Cash and cash equivalents at beginning of the year		417,783	8,348
Cash and cash equivalents at end of the year	18	460,934	417,783

The notes on pages 24 to 42 form an integral part of these financial statements.

MAKKAH & MADINAH HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Establishment and operations

Makkah & Madinah Holdings Limited (MMH) - Formerly Prime Investments International Group Limited ("the Company") comprises Makkah & Madinah Holdings Limited and its subsidiaries ("the Group"). The Company was incorporated as an International Business Company under the International Business Companies Act, 2000, in the Commonwealth of the Bahamas under registration number 148728 (B) on 29 May 2007.

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

These Group consolidated financial statements were authorised for issue by the Board of Directors on 28 May 2013.

The Company has investments in the following entities under its control described as subsidiaries at the reporting date which have been consolidated in these financial statements:

Name	Country of incorporation	Holding (%) 2012	2011
Prime Investments Group Limited	Cayman Islands	100.00	100.00
Makkah and Madinah International Limited	United Arab Emirates	100.00	-
Prime Investments International Limited LLC	United Arab Emirates	49.00	49.00
Prime Asia Limited*	United Kingdom	100.00	-
Prime Africa Limited*	United Kingdom	100.00	-
Prime Americas Limited*	United Kingdom	100.00	-
Prime Europe Investments Limited*	United Kingdom	100.00	-
Prime Middle East Limited*	United Kingdom	100.00	-
Makkah Bank Limited*	Ghana	100.00	-
PRIDE*	Ghana	100.00	-

*currently dormant

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Going concern

In considering the Company's ability to continue in operation for the foreseeable future, the Directors have considered the Group's forecast operating cash flows for the period of twelve months from the date of this Report. Based on the forecasted cash flows particularly cash inflows expected to be derived from a loan provided from Makkah & Madinah Commercial Investment Co. (associate) for working capital requirements of the Company. The Directors are confident that the Group shall have adequate resources to continue its' operations for the foreseeable future and therefore, continues to adopt the going concern basis in preparing its consolidated financial statements.

2.2 Basis of preparation

The consolidated financial statements of the Company for the year ended 31 December 2012 comprise the financial statements of the Company and its subsidiaries (together, the "Group") and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, except for those financial assets and financial liabilities (including derivative instruments) and investment properties that are measured at fair value as stated in the accounting policies below.

2.2 Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

2.3 Changes in accounting policy and disclosures

(a) There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

(b) New standards, amendments and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether there are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 from the effective date when it is EU endorsed.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 from the effective date when it is EU endorsed.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 from the effective date when it is EU endorsed.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 from the effective date when it is EU endorsed.

There are no other IFRSs or IFRIC interpretations that are not yet effective that potentially would be expected to have a material impact on the Group.

2.4 Consolidation

(a) Subsidiaries

Subsidiaries are companies controlled by Makkah & Madinah Holdings Limited (the Parent). Control is deemed to exist when the Parent has control over the financial operating and strategic decisions of the subsidiary. The consolidated financial statements incorporate the financial statements of the Company and subsidiaries. All intergroup transactions, balances, revenue and expenses are eliminated on consolidation. Non-controlling interests in the profit or loss and net assets of subsidiaries are presented separately and consist of the amount of the controlling interest at the date of the original combination together with the non-controlling interests' share of changes in equity since the date of combination.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board including the Chief Executive Officer.

2.6 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The parent company's functional currency is US Dollars. The consolidated financial statements are presented in US Dollars (USD), which is the Group's presentation currency adopted as the majority of the Group's transactions are denominated in this currency or currency pegged to US Dollars.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit or loss within 'other (losses)/gains – net'.

2.6 Foreign currency translation (continued)

(c) Group Companies
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each reporting date presented are translated at the closing rate at the reporting date;
(ii) income and expenses for each reporting period are translated at average exchange rates as this approximates to the actual rate of transactions in the period; and
(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

2.7 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following rates are used for the depreciation of furniture and equipment.

Furniture and fixtures	20%
Software	25%
Office equipment	25%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of assets, the depreciation of those assets is revised prospectively to reflect the new expectations.

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in profit or loss.

The asset estimated lives and residual values are reviewed at each reporting period.

2.8 Investment property

The Group has changed the accounting policy in respect to investment properties from the cost model to fair value model. The change in accounting policy is applied retrospectively. The carrying value of the investment properties in the comparatives has not changed as in the opinion of the Directors, the fair value of the investment properties at the comparative period end approximates to cost as evident from the disposal value of the investment property, see note 14.

The Group's investment properties are revalued annually to open market value, with changes in the carrying value recognised in the consolidated statement of comprehensive income. On acquisition of companies owning investment properties, or acquisition of investment property assets, such investment properties are revalued and the gain on disposal of related investment properties adjusted accordingly.

Land is not depreciated. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the profit or loss.

2.9 Available-for-sale financial assets

Investments are initially recognised at fair value plus transaction costs and subsequently reported at their fair value at each reporting date.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit or loss as 'gains and losses from investment securities'.

2.10 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Current and deferred income tax

There is currently no income, estate, corporation, capital gains or other taxes payable as a result of the respective operations of the Group.

2.15 Employee benefits

A provision is made for the estimated liability for employees' entitlement to gratuity and annual leave as a result of services rendered by the employees up to the reporting date and is classified and included in accrued and other expenses as a current liability.

2.16 Settlement of liabilities through issue of shares and warrants

In accordance with IFRIC19, where agreement is reached with third parties to settle amounts owed to them through the issue of shares, an item income or expense (as appropriate) is recognised equal to the difference between the fair value of shares issued and the carrying value of the liability so settled.

2.17 Share based payments

Where shares are issued in return for services an expense is measured equal to the fair value of the services received. If the fair value of services received cannot be measured reliably (which is typically the case for the employees and those providing similar services) the expense is measured by reference to the fair value of the equity instruments granted.

2.18 Revenue

Revenue comprises the fair value of the consideration received or receivable for the rendering of Real Estate Advisory and Consultancy services.

Each contract comprises a number of stages of activity, and fee revenues are structured accordingly into staged installments or percentage components representing the different phases of the contract work activity. The amount of revenue recognised calculated on the basis of the stage of completion of the project by reference to milestones delivered. This is determined by measuring the costs incurred to date on different milestone of the contract.

2.19 Intangible assets

Computer software
Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the market risk due to the effects of changes in foreign currency exchange rates; credit risk; liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the management under policies approved by the directors.

(a) Market risk

Foreign exchange risk
Foreign exchange risk is the risk arising from future commercial transactions and recognised financial assets or liabilities of the Group being denominated in a currency that is not the Group's presentation currency. The Group operates internationally, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK Pound Sterling. The management regularly monitors the Group's exposure to foreign exchange risk, ensuring assets/income and liabilities/expenses are matched in certain currencies.

A significant proportion of the Group's assets, liabilities and revenue are denominated in UAE Dirhams which is pegged with US Dollars and therefore, the Group's assets and liabilities are not significantly exposed to foreign exchange risk in regard to this currency.

Interest rate risk
The Group has no significant interest bearing liabilities and therefore, the management considers that the exposure to interest rate risk is immaterial.

3. Financial risk management (continued)

(b) Credit risk

The Group has no significant concentration of credit risk. Credit risk on debtors is mitigated, as management regularly review these balances to assess their recoverability and provisions for balances are made where their recoverability is in doubt.

(c) Liquidity risk

Cash flow forecasts are performed for each of the operating entities of the Group and are aggregated by Group finance in order to determine the overall cash position of the Group. Group finance also monitors rolling forecasts of the Group's liquidity requirements, to ensure the Group and its entities have sufficient cash to meet its' operational needs. Such forecasting takes into consideration the Group's expected cash inflows from secured projects and cash outflows from operational activities, which mainly includes staff costs, office rentals and other office administrative costs.

Any surplus cash held by the operating entities over and above their forecasted balance requirements for working capital purposes, are transferred to the Group treasury. Any surplus cash when available would be invested in Islamic Shari'ah complaint bank deposits, choosing instruments based on their appropriate maturities whilst retaining sufficient liquidity to provide sufficient head-room for the Group as determined by the above-mentioned cash flow forecasts.

In accordance with prudent liquidity risk management, the directors aim to maintain sufficient cash and an adequate amount of committed credit facilities. Additional funding may also be arranged through float of new ordinary shares in the PLUS market as and when required.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

All amount in USD

At 31 December 2012	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1,870,807	1,870,807	-	-	-
	1,870,807	1,870,807	-	-	-

At 31 December 2011	Total	Less than 1 year (Restated)	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	665,407	665,407	-	-	-
	665,407	665,407	-	-	-

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at 31 December 2012 and 31 December 2011, the Group is un-geared as it has no short term or long term debt.

4. Fair value estimation

The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, are assumed to approximate their fair values.

5. Critical accounting estimates and judgements

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

Valuation of investment properties

The Group obtains valuations performed by external valuers in order to determine the fair value of its investment properties. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and an appropriate discount rate. The valuers also make reference to the market evidence of transaction prices for similar properties.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, share options) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The Group has used Black-Scholes valuation model for valuation of share options granted. For further details, see note 19.

Fair value of available-for-sale financial investments and assets

The fair value of available-for-sale financial investments and assets that are not traded in an active market (for example, investment in unlisted securities) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The Group has used has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets. For further details, see note 16.

6. Revenue

During the financial year ended 31 December 2012, the Group has provided Real Estate Advisory and Consultancy Services to MMCI. The areas of operation are principally property advisory and related consultancy services.

6. Revenue (continued)

The Group's revenue during the year was derived in KSA.

	2012 USD	2011 USD
Revenue – geographical segment		
KSA	1,948,229	1,594,005
	1,948,229	1,594,005

7. Employee costs

	2012 USD	2011 USD
Executive director salary	361,744	122,616
Employee salaries	191,091	16,437
Share based payment expense	683,675	-
Medical and welfare	26,086	6,362
Annual leave salary	34,535	11,409
Recruitment expenses	15,326	-
End of Service Benefit	49,003	-
Others	4,352	-
	1,365,812	156,824

8. Other operating expenses

	2012 USD	2011 USD
Non-executive directors' remuneration	15,732	42,986
Legal and professional expenses	583,514	313,523
Office rent and other costs	48,882	28,388
Telephone, fax and courier charges	17,613	2,711
Travelling expenses	90,852	140,715
Business development expenses	67,642	22,003
Insurance	14,622	-
Bank charges	4,783	22,141
Others	10,228	-
	853,868	572,467

9. Legal and professional fees

	2012 USD	2011 USD
Legal and professional fees	2,102,388	-
	2,102,388	-

Legal and professional fees are costs incurred in relation to the proposed listing of the Company on an alternate market platform.

10. Finance income

	2012 USD	2011 USD
Finance income	-	983
Foreign exchange (loss) / gain	(18,044)	8,143
Finance income – Net	(18,044)	9,126

Foreign exchange translation gain/(loss) mainly arose from an exchange rate difference between the time of the initial recognition of trade receivables and the actual receipt from foreign customers and from the revaluation of foreign currency balances at the reporting date.

11. Earnings per share

(a) *Basic*

Basic earnings per share are 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.

	2012	2011
Profit/(loss) attributable to equity holders of the parent (USD)	**39,956,577**	**(6,100,260)**
Weighted average number of ordinary shares in issue	**1,266,541,010**	**1,393,646,757**

(b) Diluted

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 as above is compared with the number of share that would have been issued assuming the exercise of the share warrants and share options.

	2012	2011
Profit/(loss) attributable to equity holders of the parent (USD)	**39,956,577**	**(6,100,260)**
Weighted average number of ordinary shares in issue	**1,266,541,010**	**1,393,646,757**
Adjustments for:		
Assumed conversion of share warrants	**1,390,618**	-
Assumed conversion of share options	**14,022,527**	-
Weighted average number of ordinary shares for diluted earnings per share	**1,281,954,155**	-

As a result of the loss incurred in the prior period, there is no dilution arising from the share options and warrants in issue.

12. Property, plant and equipment

	Office Equipment USD	Furniture & Fixtures USD	Total USD
At 1 January 2012			
Opening net book amount	-	-	-
Additions	17,942	14,606	**32,548**
Depreciation charge	(1,134)	(817)	**(1,951)**
Closing net book value	**16,808**	**13,789**	**30,597**
At 31 December 2012			
Cost	17,942	14,606	**32,548**
Accumulated depreciation	(1,134)	(817)	**(1,951)**
Net book amount	**16,808**	**13,789**	**30,597**

13. Investment in associates

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

	2012 USD	2011 USD
Balance at 1 January	-	-
Additions	400,000,000	-
Share of profit	40,355,469	-
	440,355,469	-

Name	Country of incorporation	Proportion of voting rights held at 31 December 2012	2011
Makkah Madinah Commercial Investment Company (MMCI)	Saudi Arabia	34.121%	-

On 2 May 2012, the Group entered into a contract to dispose of the investment property "Eye of Ajman" land bank to Redman and Danat in exchange for the entire shareholding in MM RAK which holds 34.12% of the ordinary shares in MM KSA, valued at $400 million on the transaction date. This transaction resulted in an equity investment in an associate.

Aggregated amounts relating to associates as at its reporting date of 31 December are as follows:

	2012 USD
Total assets	1,999,193,595
Total liabilities	2,981,007
Revenues	33,780,037
Profit for the year	232,893,555

MMCI's assets are mainly real estate located in the KSA.

Revenue - MMCI
Revenue comprise of lease rental income from the lease of the building at Laith 1 located in the city of Makkah, KSA. As agreed with the lessee, effective from 2012 the annual rent is fixed at SAR 125,000,000 (USD 33,333,333) with a 5% increase every year thereafter. It was also agreed that the rent will be re-evaluated after each five year period taking into consideration the property and rental values.

Profit for the year - MMCI
MMCI's profit for the year comprise of the following:

	2012 USD '000
Revenue	33,780
Share of profit/(loss) from associates	48,988
Profit on disposal of investments and properties	10,464
Surplus on revaluation of investments and properties	143,877
Operating expenses	(2,010)
Zakat	(2,205)
Profit for the year	**232,894**

14. Investment property

(a) Land

Investment property comprises freehold land.

The freehold land was owned by the MMH Group and consisted of a land bank of 67 plots with a gross floor area of 21,905,000 square feet in a project known as the Eye of Ajman Plots in the Emirate of Ajman, United Arab Emirates. The Eye of Ajman Plots is an unencumbered, debt-free, land bank. The cost of the asset as at 31 December 2011 was USD 398,005,058.

On 2 May 2012, the Group entered into a contract to dispose of the investment property "Eye of Ajman Plots" which had a carrying value of USD 398,005,058 at the transaction date, to Redman and Danat in exchange for a 34.12% interest in MMCI valued at USD 400,000,000 on the transaction date. A change in fair value of the investment property of USD 1,994,942 was made up to the disposal date.

(b) Operating lease

	USD
Balance at 01 September 2010	**105,895,018**
Disposal of investment property	**(105,895,018)**
Balance at 31 December 2011	**-**

In pursuant to assignment agreement dated 2 February 2010 between related party ABBCo and the Company (common directors), ABBCo assigned the Company a lease of the Rose Rayhaan Rotana Tower commencing retrospectively from 1 January 2010. The lease has a useful economic life of 6 years and 1 month (the "Assignment Term"). The assignment cost of AED 385,483,625 (£66,418,034) was settled through the issue of Ordinary Shares of the same value. The investment property is held under an operating lease, on which no further rentals are payable.

ABBCo derives its title through the Head Lease Agreement which was granted in 2003 until December 2018 at an annual rent of AED 4,000,000. ABBCo are committed to paying this annual rental throughout the Assignment Term. All risks and liabilities in relation to the premises under the terms of the Head Lease remain with ABBCo throughout the Assignment Term.

In the event that the Head Lease was terminated, ABBCo would be obliged to terminate the Assignment Agreement, and the Company would be obliged, in turn, to terminate the Capital Lease Agreement. If this were to happen, the Company would no longer be entitled to receive the capital lease payments from Bonyan of the AED 110,000,000 per annum.

The lease assignment allowed the Company to enter into the Capital Lease Agreement with Bonyan International Investment Group (Holding) LLC ("Bonyan"). The investment property was leased by the Company to Bonyan, the significant terms were as follows:

- The lease term was from 1 January 2010 to 31 December 2015;
- The Lessee was required to pay an annual rent of AED 110,000,000 for the first five annual terms of the lease and for the sixth year the annual rent was AED 65,000,000; and
- The annual rent shall become payable on the 25th day of December of each annual term

The investment property has been valued in June 2011 at approximately $105,895,018 by an independent valuer, Ernst and Young – Middle East.

Since the acquisition, the investment property did not perform as well as had been expected and following events that occurred during the prior period, this resulted in the investment property being disposed of for a nominal fee on 13 June 2011. Please refer to Note 19.

15. Trade receivables

	2012 USD	2011 USD
Past due but not impaired	631,471	990
Gross	631,471	990
Less: allowance for impairment	-	-
Net	631,471	990

At 31 December 2012, the trade receivable balance is receivable from 1 customer (2011: 1 customer) based in the Middle East.

The ageing analysis of these trade receivables is as follows:

	2012 USD	2011 USD
Up to 6 months	631,471	990
	631,471	990

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

Currency	2012 USD	2011 USD
UAE Dirham	631,471	990
	631,471	990

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. In the opinion of the Directors, fair value approximates to carrying value due to the short term nature of the receivables. The Group does not hold any collateral as security.

16. Available-for-sale financial assets

Available-for-sale financial assets include the following:

	2012 USD	2011 USD
Listed securities		
Equity securities – Canada	-	-
Unlisted securities		
Amara Holdings Inc – value at reverse acquisition date	-	123,257
Change in fair value	-	(123,257)
Balance carried forward	-	-

All securities are classified as available-for-sale. The securities are presented as investments at fair value, which is taken to be their market value as at the 31 December 2012. The Group owns shares in:

- PharmEng Technology Inc, a company listed on the NEX Canadian stock exchange. The value of these assets has been fully impaired by the filing of PharmEng Technology Inc, for financial restructuring and bankruptcy. A fair market value adjustment was made in 2009 to account for the full impairment of the recorded value.
- The Phoenician Corporation I Limited, is a company listed on the NEX Canadian stock exchange. The value of these assets has been full impaired by the failure and suspension of trade on the PLUS-quoted Markets exchange.
- Amara Holdings Inc, a company incorporated in the British Virgin Islands. A fair value adjustment of $123,257 has been made in the prior period to impair the value of the assets in accordance with IAS 39.

A sensitivity analysis is not required as all the assets held in marketable securities are fully impaired.

17. Prepayments, advances and other receivables

	2012	2011 (Restated)
	USD	USD
Receivable from related party	729,827	127,454
Prepayments and other receivables	67,509	-
	797,336	127,454

Related party balances in the 2011 reporting period were disclosed as a net balance from 2 different related parties incorrectly hence the comparatives have been amended to reflect the correct position as confirmed to management in 2012. For further details, please see Note 22 (b) and (c).

18. Cash and cash equivalents

	2012	2011
	USD	USD
Cash at bank and on hand	460,934	417,783
	460,934	417,783

19. Share capital and premium

The authorised share capital of the parent comprises of:

	No of shares	2012 GBP	2012 USD
Class A Shares of £0.005 each	1,700,000,000	8,500,000	13,711,172
Class B Shares of £0.005 each	300,000,000	1,500,000	2,419,618
At the end of the year	2,000,000,000	10,000,000	16,130,790

	No of shares	2011 GBP	2011 USD
Class A Shares of £0.005 each	1,700,000,000	8,500,000	13,711,172
Class B Shares of £0.005 each	300,000,000	1,500,000	2,419,618
At the end of the year	2,000,000,000	10,000,000	16,130,790

The authorised share capital of the Company is as specified in the Memorandum and Articles of Association of the Company and the shares of the Company are issued either as A Shares or B Shares and have the rights and privileges and are subject to the conditions contained in the Memorandum and Articles of Association.

In particular, the A Shares and B Shares constitute different classes of shares and carry separate voting rights and rights to appoint and remove directors as provided below but, except as provided, confer upon the holders the same rights and rank pari passu in all other respects.

As regards voting, each A Shareholder shall have, by virtue of their holding of A Shares, the right to receive notice of, and to attend and speak (either in person, or by attorney or proxy or, in the case of a corporation by representative) at all general meetings of the Company and shall have, upon a show of hands one vote and, upon a poll one vote for every A Share held by it. The quorum required of meetings of the Board of Directors of the Company, shall be all of the A Directors only, and any resolution of the Company, with the exception of those resolutions deemed to be Reserved Matters shall be passed by a show of hands by all of the A Directors of the Company.

The B Shares have not been alloted as of the reporting date. No voting rights attach to the B Shares, such that the A Class Shareholder voting rights, powers, management and control of the Company are not be diluted. The holders of B Shares are not entitled to designate or appoint Directors, receive notice, agendas or minutes of any Board Meeting of the Directors, nor attend nor vote at any such meeting.

19. Share capital and premium (continued)

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 share	Ordinary shares USD	Share premium USD	Total USD
At 1 September 2010		100,000	32,262	-	32,262
Transactions with Prime Cayman					
Ordinary shares issued for land investment property	(i)	1,233,681,218	398,005,058	-	398,005,058
Ordinary shares issued for tower investment property	(ii)	328,238,782	105,895,018	-	105,895,018
Ordinary shares issued related to investment property	(iii)	1,802,354	581,468	-	581,468
Ordinary shares issued for loan repayment	(iv)	3,650,000	1,177,548	-	1,177,548
Ordinary shares cancelled on disposal of tower investment property	(ii)	(328,238,782)	(105,895,018)	-	(105,895,018)
Elimination of ordinary shares on reverse acquisition		(1,239,233,572)	(399,796,336)	-	(399,796,336)
Transactions with MMH					
Existing ordinary shares of before reverse acquisition		13,430,882	108,325	837,409	945,734
Ordinary shares issued on reverse acquisition to owners	(v)	1,239,233,572	9,994,909	389,801,427	399,796,336
Ordinary shares issued to professional advisors	(vi)	13,342,065	107,609	4,196,752	4,304,361
At 31 December 2011		**1,266,006,519**	**10,210,843**	**394,835,588**	**405,046,431**
At 1 January 2012		**1,266,006,519**	**10,210,843**	**394,835,588**	**405,046,431**
Share issued in lieu of professional fees	(vii)	1,242,606	9,771	166,118	175,889
At 31 December 2012		**1,267,249,125**	**10,220,614**	**395,001,706**	**405,222,320**

(i) In pursuant to the Plot Sale & Purchase Agreement between Bonyan International Investment Group LLC and Prime Cayman, the Eye of Ajman Plots land bank comprised of 67 individual plots in the Eye of Ajman was purchased at a cost of AED 1,453,578,150 (approximately $398,005,058).

(ii) In pursuant to the Assignment and Settlement Agreement entered into on 2 February 2010 between ABBCo (a company related by common control) and Prime Cayman, ABBCo assigned all of its rights, benefits, interests, privileges, entitlements and obligations in the Tower to Prime Cayman at a total cost of AED 385,483,625 (approximately $105,895,018) which were settled through the issue of Class A ordinary shares of the same value. During the period, Prime Cayman re-assign all of its rights back to ABBCo on similar terms and the shares issued under the Assignment and Settlement agreement were re-purchased and cancelled by Prime Cayman.

In pursuant to the Supplemental to Assignment and Settlement Agreement, Prime Cayman agreed to repay $600,000 received in respect of the first payment under the Capital Lease Agreement by issue of 1,802,354 Class A ordinary shares of the same value.

(iii) Prime Cayman received an aggregate sum of AED 4,400,000 (approximately $1,177,548) for working capital purposes from Mr. Anas Atatreh (one of the Warrant Shareholders) in pursuant to the Loan Agreements. The loan has been repaid by the issue of 3,650,000 Class A ordinary shares of the same value.

(iv) In Pursuant to the terms of the Revised Share Purchase Agreement executed on 28 June 2011, the parent company acquired the entire issued share capital of Prime Cayman for an aggregate price of $399,796,336 representing a price per Prime Investments Share of £0.20 (approximately $0.32 per share). The consideration was satisfied by the issue of 1,239,233,572 Class A ordinary shares to the holders of all Prime Cayman Shares.

(v) At the time of re-admission to PLUS, the Company issued 13,342,065 Class A ordinary shares to the following corporate advisors in lieu of their professional services rendered in connection with the reverse takeover transaction and re-admission to PLUS.

19. Share capital and premium (continued)

Name of Advisor	Number of Class A ordinary shares issue(	Class A ordinary shares USD	Share premium USD	Total USD
Newhaven Investments House Limited	9,205,405	74,245	2,895,564	2,969,809
Edwin S. Lee	3,806,502	30,700	1,197,337	1,228,037
City & Westminster Corporate Finance LLP	232,781	1,877	73,222	75,099
McClure Naismith LLP	97,377	787	30,629	31,416
	13,342,065	**107,609**	**4,196,752**	**4,304,361**

(vi) In 2012, the Company issued 1,242,606 shares to McClure Naismith LLP following the exercise of their warrants. The exercise price proceeds due for obtaining the 1,242,606 Class A ordinary shares at £0.09 per warrant were offset against the unpaid fee of £111,834.56 (approx $175,889) and is recorded in other operating expenses in relation to professional fees due for the re-admission of the Company to PLUS.

Share options

The parent company has granted share options to the following:

	2012 Weighted average exercise price	2012 Number	2011 Weighted average exercise price	2011 Number
Outstanding at the beginning of the period	£0.060	2,549,467	£0.060	2,549,467
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	**£0.060**	**2,549,467**	**£0.060**	**2,549,467**

On 22 September 2008, the Directors were each granted 32,577 options to purchase Class A Ordinary shares over five years with an exercise price of £0.06 per share. None of the options granted have been exercised at the reporting date.

The Company granted 2,419,159 options to Newhaven Holdings International by way of an agreement dated 22 September 2008 to purchase Class A ordinary shares over five years with an exercise price of £0.06 per share.

Bonus share arrangement

The Company has put in place a bonus share arrangement whereby 3,950,000 shares will be issued to the following directors as part of their remuneration for the services rendered by them in connection with the admission of the Company to an alternate market. The share issue is conditional on the successful admission to an alternate market.

Director	Shares to be granted
Muin El Saleh	3,150,000
Ahmed Iqbal Bangee	800,000
	3,950,000

19. Share capital and premium (continued)

The weighted average fair value of the shares as at 31 December 2012 to be granted to the directors has been determined using the Black-Scholes valuation model as follows:

	Muin El Saleh	Ahmed Iqbal Bangee
Weighted average fair value of options – USD	0.28	0.17
Significant inputs into the model		
Weighted average share price at the period end – USD	0.19	0.19
Exercise price – USD	-	-
Volatility	35%	35%
Expected option life (in years)	1.98	0.55
Annual risk-free interest rate	0.53%	0.31%

The volatility, measured at the standard deviation of expected share price returns, is based on statistical analysis of daily share prices over the last 2 years. See note 7 for the total expense recognised in the profit or loss for share bonus arrangements granted.

Share warrants

The parent company has issued Warrant Instruments to the following:

	2012	2011	Exercise price
	Number of share warrants		GBP
McClure Naismith LLP	21,445,990	22,688,596	Not less than £0.090
City & Westminster Corporate Finance LLP	17,115,960	17,115,960	Not less than £0.090
Abdulla Saeed Abdulla Mohamed Brook Al Hamiri	112,223,761	112,223,761	£0.200
Noor Aldeen S. A Atatreh	112,223,761	112,223,761	£0.200
Anas S. A Atatreh	49,169,453	49,169,453	£0.200
Mohammed S. A Atatreh	49,169,453	49,169,453	£0.200
	361,348,378	**362,590,984**	

	2012 Weighted average exercise price	2012 Number	2011 Weighted average exercise price	2011 Number
Outstanding at the beginning of the period	£0.188	362,590,984	£0.090	39,804,556
Granted during the period	-	-	£0.200	322,786,428
Forfeited during the period	-	-	-	-
Exercised during the period	£0.090	(1,242,606)	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	**£0.189**	**361,348,378**	**£0.188**	**362,590,984**

In 2012, McClure Naismith LLP has exercised 1,242,606 share warrants of GBP 111,834.56 (USD 175,889) in settlement of professional fees provided to the Company in relation to readmission to ISDX.

None of the warrants granted have been exercised at 31 December 2012, except for McClure Naismith LLP as stated above.

The share based payment cost in respect of options granted, when calculated in accordance with the requirements of IFRS 2 'Share based payment', is immaterial and has therefore not been recognised in the Financial Statements.

20. Reverse acquisition reserve

This represents the consideration in the reverse acquisition deemed to have been incurred by the legal subsidiary (Prime Cayman) in the form of equity instruments issued to the shareholders of the legal parent entity (MMH). The acquisition date fair value of the consideration transferred has been determined by reference to the fair value of the issued shares of MMH immediately prior to the business combination.

21. Trade and other payables

	2012	2011 (Restated)
	USD	USD
Due to related parties	272,480	272,480
Accrued expenses and other payables	1,598,327	392,927
	1,870,807	665,407

22. Related parties

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 entities in which certain Directors have a significant influence.

Management services

Prime Cayman entered into a management service agreement with Bonyan International Investment Group LLC on 15 October 2009 where Bonyan would provide administrative and other support services to Prime Cayman against the consideration of AED 1.250 million (approximately $0.340 million) payable annually. On completion of the first anniversary of the management service agreement, Bonyan agreed to waive the management fees for the 3 year period to 14 October 2012. Further to this the agreement was terminated on 7th October 2012.

The balances at 31 December 2012 and transactions with other related party during the period were as follows:

(a) Key management compensation

	2012	2011
Nature of transaction	USD	USD
Salaries and other short term benefits	377,476	165,602
Consultancy services	170,599	-
Share based payment (see note 19)	683,675	-

(b) Included in the statement of financial position are the following amounts arising from other related party transactions:

	2012	2011 (Restated)
	USD	USD
Prepayments, advances and other receivables		
Bonyan Int'l Investment Group (Holding) LLC (common shareholders of MMH)	729,827	127,454
Trade and other payables		
Tabarak Commercial Investment LLC (common shareholders of MMH)	272,480	272,480

22. Related parties (continued)

(c) Transaction with MMCI (associate) and settled by Al Salam Commercial Investments Limited (related party with common shareholders of MMCI)

	2012 USD	2011 USD
Revenue		
Real estate advisory and consultancy fee	**1,948,229**	**1,594,005**

(d) Transaction with Makkah and Madinah Hotels (related party with common shareholders of MMCI)

	2012 USD	2011 USD
Shareholders' equity		
Capital Contribution	**1,702,981**	-

Pursuant to loan assignment agreement between MMH, Makkah and Madinah Hotels ('MM Hotel') and Al Salam Commercial Investments Limited, MMH has received the sum of USD 1,702,981 from Al Salam Commercial Investments Limited in order to support MMH's expenses incurred in connection with work undertaken for the acquisition of 34.12% of the share capital of MMCI and in evaluation of alternate stockmarket platforms to ICAP Securities and Derivatives Exchange. Pursuant to a loan assignment agreement, MMH assigned the repayment of funds received from Al Salam Commercial Investments Limited to MM Hotels and MM Hotels waived and discharged MMH from the repayment of these funds.

23. Comparatives

Certain 2011 financial statement line items have been reclassified to conform to the current year's presentation.

MAKKAH & MADINAH HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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