



**ANNUAL REPORT
2013**

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Highlights for 2013

- Carrying value of MMH's investment in MMCI at 31 December 2013 was \$472.79 million; an increase over the year of \$32.43 million (7.4 per cent) and since acquisition in May 2012, of \$72.79 million (18.2 per cent)
- MMH's net profit for 2013 was \$25.41 million; basic and fully-diluted earnings per share were ¢2.00
- MMCI's net asset value on 31 December 2013 was \$1.388 billion compared with \$1.174 billion on the date of MMH's acquisition of its 34.12 per cent interest in MMCI
- MMCI's real estate assets are focused on the Western region of KSA – Jeddah and Makkah.

Chairman's Statement

As Chairman of Makkah & Madinah Holdings Limited (the “Company” or “Group” or “MMH”), I would like to present the Company’s Annual Report for 2013. I am pleased to record that the Company has maintained a profitable performance for the second consecutive year, generating a comprehensive income of \$32.49 million for the financial year ended 31 December 2013 (2012: \$39.96 million).

During the financial year ended 31 December 2013, the Company has focused on two main priorities: providing consultancy services to finance its operating expenses and identifying new business investment opportunities to build shareholder value through capital appreciation and/or additional revenue streams.

Shareholders will know from previous announcements that, in 2012, the Company acquired a 34.12 per cent interest in Makkah & Madinah Commercial Investment Company JSC (“MMCI”). MMCI operates in the Kingdom of Saudi Arabia (“KSA”) with investments in the fast-expanding KSA real estate market. Since acquisition, the value of this investment in MMCI has grown by 18 per cent from \$400 million to \$472.79 million.

The Company’s interest in MMCI continues to produce positive results as the KSA real estate sector shows continued growth against a backdrop of strong macroeconomic fundamentals. MMCI’s portfolio has seen a generalised appreciation in land values, confirmed by the latest independent valuation as at 31 December 2013. MMCI executed a number of acquisition and disposal transactions which are discussed in the Directors’ Report which follows my Statement.

The Company continued to develop its advisory and consultancy services. During the year under review, the Company entered into a consultancy agreement with a third party. MMH’s consultancy business is discussed in greater detail in the Directors’ Report.

Financial results

The Group has posted net profits of \$25.41 million (2012: \$29.35 million), mainly derived from the share of profits from MMCI. In addition, the Company derived revenues of \$2.29 million (2012: \$1.95 million) from its advisory and consultancy services described above.

The positive result in the Statement of Comprehensive Income has resulted in basic earnings per share (“EPS”) of \$0.020 (2012: \$0.023).

At 31 December 2013, net assets of the Company were \$472.36 million (2012: \$440.41 million) or \$0.37 per share (2012: \$0.35).

Business overview

As reported in my interim statement for the period ended 30 June 2013, when the Company evaluated certain regional markets to focus its investment strategy, the KSA market appeared to have strong fundamentals, with a fast-growing population and increased demand for housing, a strong upward trend in tourism and significant backing from the government of KSA to develop its infrastructure and services.

To evaluate the development opportunities associated with MMCI’s land bank, the Company commissioned an independent, internationally-known real estate consultancy firm to conduct a study on the real estate markets of Makkah and Madinah and an analysis of investment strategy regarding vacant development lands in Makkah and Madinah, in order to assess the existing development opportunities within MMCI’s land portfolio. The study supports that the investment in Makkah and Madinah is a safe investment for investors who would like to protect their capital investment especially with the uncertainty of international markets.

Chairman's Statement (continued)

Following the further analysis of an investment strategy regarding vacant development lands in Makkah and Madinah, the consultants evaluated various investment options including the disposal / development of the land bank currently in MMCI's assets portfolio. Further details of the study are covered in the Directors' Report.

In the Company's view, the MMCI business model of the sale and purchase of lands can be further strengthened by the development of land to improve returns. The study will form a basis for the development strategy going forward. The Board and management remain positive and are committed to exploring all prospective avenues available to succeed in generating strong returns for shareholders.

Current Trading and Outlook

Trading since the end of 2013 has been in line with the Directors' expectations. In addition to working closely with our associate company, MMCI, to ensure the furtherance of its property investments in KSA, the Board has also been considering other investment opportunities outside KSA but within the Gulf Cooperation Council ("GCC") countries. When negotiations on any major project in another GCC country are satisfactorily concluded, the Company will inform the market as appropriate. Moving forward, we shall continue to rely on our own actions to generate incremental shareholder value.

The Directors continue to actively evaluate and implement measures to increase the Company's profile in ways which they believe will benefit shareholders. These are discussed in the Directors' Report immediately following my Statement, under the sub-heading "Corporate goals".

Board Appointment

Most members of the Board of Directors have been in office since the Company's readmission in 2011 to ICAP Securities and Derivatives Exchange ("ISDX") (formerly PLUS Markets). During 2013, the Board appointed Mr. Ahmed Iqbal Bangee (previously non-executive) as an executive Director and as Chief Financial Officer.

Impending, Post- Balance Sheet Changes

Mr. Abdulla Saeed Abdulla Mohamed Brook Al Hamiri and I shall be stepping down from the Board of MMH, Prime Investments Group Limited and MMCI at the forthcoming Annual General Meeting of shareholders, convened for the purpose of approving these report and accounts. It is proposed that Mr. Khaled Alhusseini and Mr Khaled Majdalani (who have signified their willingness to serve as Directors of the Company) shall be joining the Board of MMH and that their appointments and elections shall coincide with Mr. Al Hamiri's and my own retirements from the Board.

I believe that the incoming Directors are admirably qualified to guide the Company forward in relation to its investment in KSA, to its broader, regional strategy and, in the case of Mr. Majdalani to ensuring along with Dr. Abdulaziz Alongary that due weight is given to the interests of minority shareholders.

It is intended that Mr. Khaled Alhusseini shall succeed me as non-executive Chairman of the Board.

Key information on the Proposed Directors

Mr. Khaled Alhusseini is a Saudi national and a marketing and management executive with combined experience of twenty-one years in the real estate and petrochemical industries. He has extensive knowledge of real estate development and market research activities. Mr. Alhusseini holds a B. Sc. in statistics from King Saud University.



Chairman's Statement (continued)

Since 2010, Mr Alhusseini has been the Chief Executive Officer of MMCI. He also sits on the boards of MMCI's subsidiary companies. In this capacity, he has overseen over the past four years all MMCI's real estate transactions and he has played a pivotal role in making MMCI one of the larger real estate companies in Makkah and Madinah.

Mr. Khaled Majdalani is a British citizen, a civil engineer by profession and is currently the Middle East Regional Director of Campbell Reith Hill International ("CRH"). Mr Majdalani was educated in the United Kingdom and the USA, earning his degree in Civil Engineering from Syracuse University in New York State. In his current position, Mr. Majdalani has worked on many development and infrastructure projects in the Levant, the Gulf region including the UAE and in Central Asia.

Other Appointments

The Company appointed Keith Bayley Rogers & Co Limited ("KBR") as the Corporate Adviser and stockbroker effective from 1st March 2014. KBR is a member of the London Stock Exchange and of ISDX.

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 and recommend shareholders to vote in favour of them as they intend, where relevant, to do in respect of their own shareholdings.

Conclusion

The future focus for the Company will be to manage any significant risk factors that might affect the Company's performance and future operations, to maintain strong corporate governance and transparency and to create the environment for improved liquidity in the Company's shares. The business is progressing in a positive manner and we are in a position to take advantage of opportunities over the coming year. The management of the Company will work actively to secure MMH's continued, positive business performance. Finally, I wish to thank all our shareholders and the management team for their support during the past year.

Chairman
Dr. Noor Aldeen S. A. Atatreh
27 May 2014

Directors' Report

The Corporate governance policies that the Company has adopted, aims to ensure that the Directors and the Executive Management team achieve an effective balance between driving the business forward and adequately controlling risks. The Executive Management team consists of the two individual members of the Board (currently comprising of CEO and CFO) and has a responsibility and authority for the general day-to-day operations and management of the Company, executes agreements and contracts on behalf of the Company and ensures there is an appropriate mix of expertise, skills and experience to fulfil the business of the Company.

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, the implementation of corporate strategy and adherence to approved policies are formally delegated to the Executive Management Team.

Our approach to corporate governance is covered in the following pages. I and the rest of the Board members have developed and adopted the internal control framework in 2013 which is applicable to all Group companies. The Board regularly assesses the effectiveness of this framework. 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 Group'), for the financial year ended 31 December 2013 and the Audit Report thereon.

The Board

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

During the year the Company appointed Mr. Ahmed Iqbal Bangee as Executive Director and Chief Financial Officer. Mr. Bangee had previously been a Non-Executive Board member, holding that position since September 2011.

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 and its finances in order to enable them to exercise their responsibilities and control functions in a proper and effective manner.

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

Dr. Noor Atatreh was appointed to the Board on 8 July 2011. Dr. Noor will be retiring from the Board immediately following the next Annual General Meeting in order to concentrate on his other commitments, including his role as the Chancellor of Al Ain University of Science and Technology in the UAE. On behalf of the whole Board, I would like to thank Dr. Noor for his valuable assistance and advice during his tenure and wish him the best for all his future endeavours.

Following Dr. Noor's retirement, the position of Chairman will be assumed by Mr. Khaled Alhusseini.

Directors' Report (continued)

Abdulla Saeed Abdulla Mohamed Brook Al Hamiri, Non-Executive Director

Mr Abdulla Brook Al Hamiri was appointed to the Board on 8 July 2011. Together with Dr. Noor Atatreh, Mr. Al Hamiri will be retiring from the Board at the forthcoming Annual General Meeting. Mr. Al Hamiri's contribution to the Company during his period of office is greatly appreciated and he leaves with the Directors' good wishes for the future.

Dr Abdulaziz Fahad H. Alongary, Non-Executive Director

Dr Abdulaziz 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 MMH's investment in MMCI. His relationships with official entities in KSA and UAE assisted in completion of the investments 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. His extensive experience in Makkah real estate development has enabled him to identify and successfully acquire new opportunities for the Company. Mr. El Saleh has been closely working with the management of MMCI on planning developments on a number of its 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 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 KSA and, more recently, as a director of international companies in the UAE and the UK. Mr Bangee has a B. Sc. degree and a postgraduate diploma, from the Universities of Leeds and Strathclyde respectively. In 1978, he qualified as a Chartered Accountant with the Institute of Chartered Accountants of Scotland and practised as an auditor with Deloitte & Touche for five years.

Mr Bangee was appointed to the Board as a non-executive director on 28 September 2011 serving on the Audit committee until March 2013. On 2 April 2013, Mr Bangee was appointed as the CFO and Executive Director of the Company. He has played a key role alongside the CEO on matters concerned with corporate development, including successfully completing the acquisition of the 34.12 per cent stake in MMCI and identifying options for an alternate exchange for the listing of MMH shares. He has also been the motivating force behind implementing an improved financial reporting and IT support system at MMH.

Mr Khaled Alhusseini, Non-Executive Director- and Chairman-Designate

Mr. Alhusseini's appointment will become effective immediately following the Annual General Meeting.

Mr Khaled Majdalani, Non-Executive Director-Designate

Mr. Majdalani's appointment will become effective immediately following the Annual General Meeting.

Committees of the Board

During the financial year ended 31 December 2013, eight 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 the executive management team and external advisers prior to making recommendations 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 comprised Dr Noor Atatreh and Dr Abdulaziz Alongary. It is intended that Mr Khaled Alhusseini shall replace Dr Noor Atatreh on the Audit Committee.

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 the review of the financial performance and the financial position of the Group and liaises with external auditors to discuss matters related to the financial audit of the Group.

During the year 2013 one Audit Committee meeting was held to discuss and review the financial statements of MMH for the year ended 31 December 2013. The members also discussed the matters related to the financial audit of the group with the external auditors.

Directors' Report (continued)

Remuneration Committee

The Remuneration Committee comprised Dr Noor Atatreh, and Dr Abdulaziz Alongary. It is intended that Mr. Khaled Majdalani shall replace Dr Noor Atatreh on the Remuneration Committee and that Mr. Alhusseini shall also be appointed to it. 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 Chairman, the Chief Executive, the other executive Directors 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.

Owing to the absence of any proposed changes to the Directors' remuneration, no meetings of the Remuneration Committee were held during 2013.

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.

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 and through the company's profile on www.isdx.com

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 the 'Investor Relations' pages of the website. The Directors believe that the Company's website complies with the revised ISDX Rules for Issuers, which came into effect during the course of year under review. The Company continues to encourage and promote greater use by shareholders of its online facilities.

All Directors are available to answer questions both formally at the Annual General Meeting and any other General Meetings; and informally after the official business of any shareholders' meeting has been concluded.

The 2014 AGM this year will be held in Dubai and the date and venue of the meeting will shortly be notified to the shareholders by means of formal AGM notice, to be issued in accordance with the Articles of Association of the Company.

Activities and review of Business

The principal activities of the Company are investing and developing real estate and providing advisory services. Management's focus since the acquisition of the 34.12 per cent interest in MMCI has been and remains the KSA real estate market, particularly in Jeddah, Makkah and Madinah in the KSA.

MMH is closely working with the management of MMCI in identifying the potential real estate development opportunities in KSA in a balanced blend of capital appreciating assets and providing potential for development in a Shari'ah compliant manner.

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 avoid factors that may adversely 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 revenue streams and enhance the investment footprint in the emerging markets. The KSA and the United Arab Emirates are perceived to be secure and stable compared with other countries in the region.

MMH's income has been from providing consulting services to MMCI and Al Salam during the course of the year. 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. It has, however a significant real estate portfolio suitable for development and its income stream is expected to include income from sale/lease of other property assets in its portfolio.

The asset portfolio of MMCI has one income generating asset at present but is largely made up of undeveloped land assets. An internationally-known real estate consultancy firm conducted an analysis of investment strategy on some of MMCI's lands and suggested various development options, see details in financial overview section of the Directors' report. With the assets at this stage, MMH's return on investment in MMCI is likely to be fully realised in the mid- to long- term.

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 on the sites selected for development. Increased demand for, and rising costs of equipment, materials or labour could impact MMCI's financing requirements and the return on its investments.

Corporate Information

Makkah & Madinah Holdings Limited was incorporated on 29 May 2007 in the Commonwealth of the Bahamas with the Registered No. 148728(B) as an International Business Company. 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 is 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 is appointed as auditor to the Company.

ISDX Corporate Adviser and Stockbroker

The Company appointed Keith Bayley Rogers & Co Limited ("KBR") after the end of the financial year under review as its Corporate Adviser and stockbroker to MMH. KBR is a member of the London Stock Exchange, ISDX and GXG Markets; it offers bespoke services for companies, including Corporate Advisory, Corporate Broking, Capital Raising and Research.

Directors' Report (continued)

Share Capital

The issued share capital of the Company comprised 1,268,049,125 class A voting shares ("Ordinary Shares") of £0.005 each as at 31 December 2013. 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 2013 and 25 May 2014, the Company was aware of the following interests of 3 per cent or more in the Ordinary Share capital of the Company:

| | Number of shares | Percentage Interest |
|---|------------------|---------------------|
| Makkah and Madinah Investment Co Limited | 628,625,000 | 49.57 % |
| Abdulla Saeed Abdulla Mohamed Brook Al Hamiri | 178,885,217 | 14.11 % |
| Noor Aldeen S. A. Atatreh | 178,885,217 | 14.11 % |
| Bonyan International Investment Group (Holding) L.L.C | 46,963,115 | 3.70 % |

Directors' interests

The interests of the Directors during the period in the Ordinary Share capital and also their share warrant holdings, are shown below.

| Director | Ordinary shares | Share warrants |
|---|-----------------|----------------|
| | 2013 | 2013 |
| 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 year-end and the date of this report.

The above share warrants held by Directors at the year-end were issued in the 2011 reporting period as part of the reverse acquisition. Further details are given in Note 16 of the financial statements.

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

Financial overview

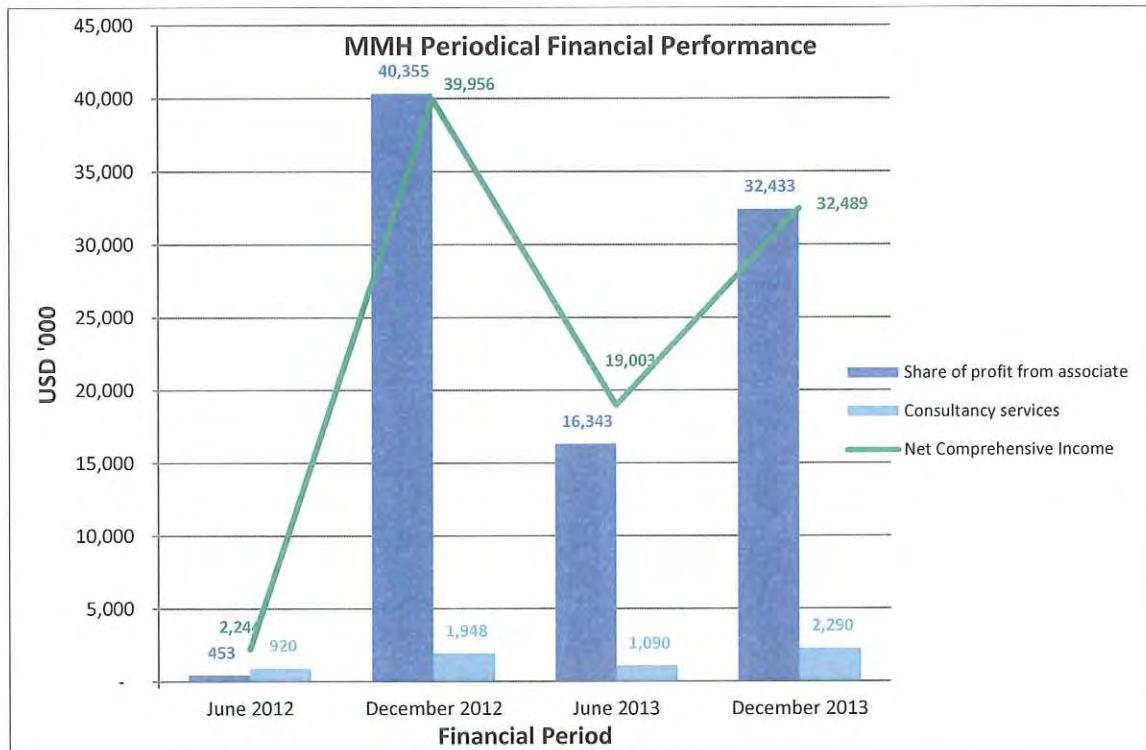
The financial year 2013 further solidifies the Company's strategic investment in MMCI as evident from the increase in the value of MMH's investment in an associate by \$32.43 million in 12 months period ended 31 December 2013. The increase is derived from the share of profit which includes surplus on revaluation of land interests of MMCI.

Following the completion of an advisory contract in Q1 2013, MMH entered into a service agreement with Al Salam which resulted in revenue from this source of \$1.2 million in second half of 2013.

In 2013, the Company has reported a comprehensive income of \$32.49 million (2012: \$39.96 million) derived from the consultancy fees of \$2.29 million (2012: \$1.95 million) and share of profit from associate \$32.43 million - being profit share of \$25.35 million plus share of associate fair value change of available for sale investment of \$7.08 million (2012: \$40.36 million - being profit share of \$29.87 million plus share of associate fair value change of available for sale investment of \$10.49 million).

Directors' Report (continued)

The historical financial performance of MMH during the financial year 2012 and 2013 is represented in the graph below.



Earnings per share

Earnings per share are as follows:

| | 31 December 2013 USD | 31 December 2012 USD |
|-----------------------------------|----------------------------|----------------------------|
| Basic Earnings per share | 0.0200 | 0.0232 |
| Diluted Earnings per share | 0.0200 | 0.0229 |

Revenue

During 2013, the Company delivered real estate and business advisory services to MMCI & Al Salam and generated the revenue of over \$2 million.

During the financial year 2013, MMH entered into a service agreement with a related party, Al Salam, whereby MMH would assist Al Salam in exploring and developing new business opportunities in different regions of the world in return for consultancy fees of \$1.2 million. This has resulted in increase in revenue of \$342,000 in 2013 as compared with 2012.

Directors' Report (continued)

| | 31 December 2013 | 31 December 2012 |
|--|------------------|------------------|
| | USD | USD |
| Business and consultancy services | 2,289,918 | 1,948,229 |
| | 2,289,918 | 1,948,229 |

Share of profit from associates

Share of profit from associate is comprised from the following sources.

| | 2013 USD in million | *2012 USD in million |
|--|---------------------------|----------------------------|
| Share of profit from associate | | |
| - Lease rental income | 6.30 | 2.58 |
| - Negative goodwill arising on Jebal Al Noor acquisition in the period | 7.07 | - |
| - (Loss)/Profit on disposal of investments and properties | (0.04) | 3.57 |
| - Fair value change investment and real estate properties | 14.15 | 21.29 |
| - Share of profit from associates | 0.15 | 2.24 |
| - Other operating income/expense | (0.45) | 0.19 |
| - Zakat (tax) | (1.83) | - |
| | <u>25.35</u> | <u>29.87</u> |
| Share of other comprehensive income from associate | | |
| - Fair value change available for sales investment | 7.08 | 10.49 |
| | <u>32.43</u> | <u>40.36</u> |

* In 2012 the share of profit from associate represents post-acquisition profits for 7 months

MMH operational costs

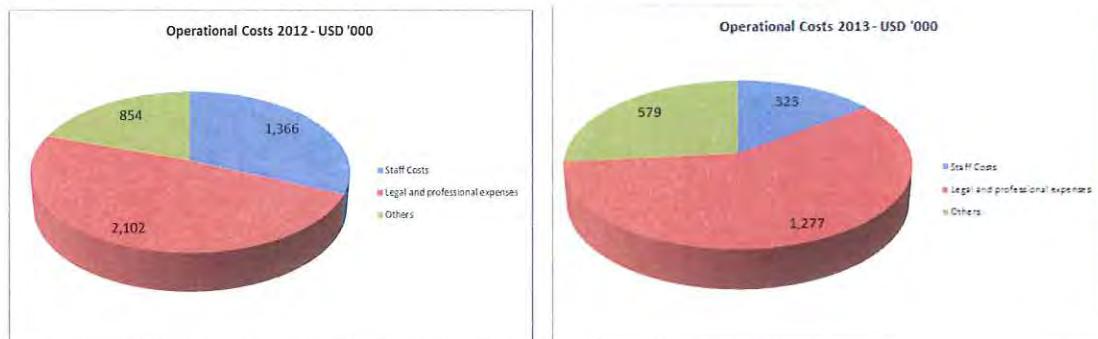
Operational costs of MMH mainly comprised of employee costs, professional fees related to raising the Company profile and other operating expenses such as rental, professional fees etc.

Employee costs - the employee costs have decreased compared to the prior period due to the reversal of \$684,000 in respect of the bonus share arrangement. See note 16 for further details.

Legal and professional fees – legal and professional fees include costs incurred in relation to the feasibility of a proposed listing of the Company's shares on another platform. In 2013, the Company incurred \$1.27 million (2012: \$2.10 million) of legal and professional fees. Legal and professional fees decreased by \$0.83 million during 2013 as considerable amount of the work by advisers had been accounted for in 2012.

Other operating expenses – other operating expenses incurred during 2013 were \$578,000 (2012: \$854,000), a decrease of \$276,000. The decrease was mainly attributable to reduced ongoing professional costs (distinct from the professional costs discussed immediately above).

Directors' Report (continued)



STRATEGIC INVESTMENT IN MMCI ALLOWS MMH'S MANAGEMENT TO EXPLORE BUSINESS OPPORTUNITIES IN KSA

The Company holds 34.12 per cent equity interest in MMCI, which was the sole investment of the Company at 31 December 2013. The fair value of the 34.12 per cent interest in MMCI increased by \$32.43 million during the financial year ended 31 December 2013, derived from share of profits from MMCI.

During the financial year 2013, it was notable that the Saudi Arabian economy was buoyant and the residential & commercial property market grew strongly.

MMCI's net assets at 31 December 2013 were \$1.388 billion (2012: \$1.293 billion). The net assets of MMCI increased by \$95 million which is mainly derived from the rise in value of its property interests.

MMCI's investment portfolio consists principally of undeveloped lands. For any real estate company a valuable land bank is crucial. MMCI and MMH management work closely with each other to identify the business development options, including real estate development of portfolio assets for hotel/mall, residential usage or leasing serviced land which will bring timely returns to both MMCI and MMH shareholders.

To evaluate further the development opportunities associated with MMCI's land bank, the Company commissioned a real estate consultancy company to conduct a study on the real estate markets of Makkah and Madinah and an analysis of an investment strategy regarding vacant development lands in Makkah and Madinah.

The findings of the consultancy were generally positive about the KSA real estate market, with favourable sentiment expressed for the property sectors of Makkah & Madinah. This positive outlook appears well founded when analysis is made of the economic & demographic fundamentals of KSA.

On balance, the findings in this report support that the investment in Makkah and Madinah is a safe investment for protection of capital. KSA appears to have a burgeoning property market with growing investment opportunities.

In respect of the analysis of an investment strategy regarding vacant development lands in Makkah and Madinah, the real estate consultancy considered the following development options for some of MMCI's land portfolio.

Directors' Report (continued)

For leasehold properties

1. Dispose of the property in its present configuration
2. Dispose of lesser term Ground Lease Agreement on the whole property i.e. less than 25 years, without services installed
3. Dispose of a lesser term Ground Lease Agreements of parts of the property i.e. less than 25 years, without services installed
4. Dispose of a lesser term Ground Lease Agreement(s) on the whole/parts of the property i.e. less than 25 years, with services installed
5. Construct properties and enjoy rental return until expiry of the Ground Lease (requiring significant capital investment by the way of construction costs)

For freehold properties

1. Hold the undeveloped sites in anticipation of future capital appreciation – plots to be disposed of and/or developed at a later date
2. Develop the sites with property in accordance with permitting obtained, and enjoy returns by way of rental income from occupational leases during a defined lease period – with capital recovery upon future disposal of the asset (requiring significant capital investment by way of construction costs)
3. Dispose of the freehold interest in the whole/part of the property with/without services installed
4. Dispose of the Ground Lease Agreements in the whole/part of the property with/without services installed – such a strategy to provide the freeholder/lessor with returns by way of ground rent income and possible future capital appreciation upon later disposal of the freehold interest (with freehold possibly enhanced by lessee-built properties)

The management of the Company and MMCI is considering the above options for the development of various land assets in MMCI's portfolio.

General findings of the consultants' report regarding the KSA economy and real estate sector:

The economy in KSA remains buoyant and continues to present a positive economic outlook as a result of substantial oil revenues and the continued growth and development of the non-oil sector.

KSA's population has been growing steadily over the past few years, especially with the inflow of expatriate workers rising every year. KSA's population stood at 29.2 million at the end of 2012 and is expected to rise up to 32.7 million by 2018. The majority of the current population resides in the regions of Makkah (26 per cent) and Riyadh (25 per cent), followed by the Eastern Province (15 per cent).

Rental rates and sales prices continue to rise across the KSA market while occupancy rates have moved up simultaneously. The residential market continues to drive the real estate sector as a result of a supply shortage.

The Saudi government remains focused on reviving the sector with more favourable policies and boosting lending activity in KSA with the introduction of the mortgage law and "additional loan programme". Going forward, with the expected rise in KSA's domestic and expatriate population, the demand for residential properties is estimated to increase further.

KSA announced in 2013 that it planned to reduce the number of domestic and foreign pilgrims by 50 per cent and 20 per cent respectively, in order to undertake expansion of the Masjid Al Haram (Holy Mosque) in Makkah. This reduction is temporary; the improvements to infrastructure and facilities in Makkah and its environs are expected to result in a significant increase in the capacity for religious tourists and lead to resumption of the long-term, upward trend in religious tourism as the current expansion will add almost 400,000 m² to the Masjid Al Haram, accommodating an additional 2.2 million worshippers.

Directors' Report (continued)

With further support from the Saudi government in the form of a more favourable regulatory framework which is expected to improve market sentiment, we are optimistic of the prospects for the real estate sector in KSA going forward.

The management of MMH is confident that the strong corporate and management relationship with MMCI will create means for MMH to explore other business opportunities in KSA in partnership with MMCI.

Corporate goals

To the Board's knowledge, MMH offers unique public equity exposure to one of the world's fastest-growing property markets. In the view of MMH's management, the solid and sound relations with MMCI should facilitate achievement of the following objectives:

- i. to enhance MMH's share value by exploring new business ventures in KSA in partnership with MMCI, including real estate development and partnering with overseas investors seeking business access to the KSA market. The management believes that this should contribute to the continuing growth of the Company;
- ii. to examine the economic and other benefits of diversifying MMH's investment portfolio within the Arabian Gulf region beyond KSA;
- iii. to raise the corporate profile of MMH among the capital and financial markets operating in the different regions of the world, including Europe, Asia and the Middle East, and introduce new investors to MMH, which should assist liquidity in MMH's shares;
- iv. to continue to evaluate the options and risks/benefits to shareholders of moving MMH's exchange of quotation to a more highly-regulated, international forum.

MMCI asset portfolio analysis

MMCI's assets mainly comprise of investments in land assets portfolio. MMCI's net income for the financial years ended 31 December 2012 and 2013 includes the fair value change of investment and real estate properties resulting from the independent valuation of the land asset portfolio on a bi-annual basis, i.e. at 30 June and 31 December every year. The periodical movement in the value of the asset portfolio in which MMCI has interests is summarised below.

| Land | MMCI Interest | Market value | | Half yearly increment | Market value December 2013 | Annual increment December 2013 |
|----------------------|------------------|------------------|-------------------------------------|-----------------------------|-------------------------------------|---|
| | | December 2013 | Market value December 2012 | | | |
| | | % | USD in million | | | |
| *Rae Zakhir | - | 555.69 | 564.05 | 8.36 | -- | -- |
| **Khaleej Salman | 99.00 | -- | -- | -- | 310.99 | -- |
| Al Resala | 99.00 | 86.48 | 86.77 | 0.29 | 90.22 | 3.74 |
| Jebal Al Noor | 99.50 | 117.82 | 121.35 | 3.53 | 128.63 | 10.81 |
| Al Emtiyaz | 45.00 | 10.01 | 10.61 | 0.60 | 10.95 | 0.94 |
| Al Barak 1 | 99.00 | 20.76 | 21.61 | 0.85 | 22.90 | 2.14 |
| Al Barak 2 | 99.00 | 22.25 | 23.19 | 0.94 | 24.57 | 2.32 |
| Rabwat Al Hijaz | 42.50 | 438.30 | 451.01 | 12.71 | 468.61 | 30.31 |
| Mulak – Obhur | 25.00 | 287.80 | 295.02 | 7.22 | 309.74 | 21.94 |
| Mulak – South Jeddah | 25.00 | 745.23 | 767.92 | 22.69 | 806.27 | 61.04 |
| MM Power | 50.00 | 4.55 | 4.72 | 0.17 | 4.99 | 0.44 |
| Laith 1 | 40.00 | 595.14 | 606.82 | 11.68 | 631.14 | 36.00 |
| Laith 2 | 40.00 | 106.42 | 108.46 | 2.04 | 112.57 | 6.15 |

* In 2013, MMCI sold its 50 per cent interest in Rae Zakhir, see details below.

** In 2013, MMCI purchased land in Jeddah (Khaleej Salman), see details below.

Directors' Report (continued)

Jebal Al Noor

In the light of the proposed development plans for the land of 128,391.70 m² at Jebal Al Noor owned by Jebal Al Noor Company, MMCI took a commercial decision during 2013 to increase its stake from 49.5 per cent to 99.50 per cent in the Jebal Al Noor Company, allowing MMCI to gain control over this iconic development, which is at the foot of the Ghar Hera mountain near Makkah. MMCI acquired the 50 per cent additional interest in Jebal Al Noor from Al Salam for \$38.7 million.

Exchange of interest in Rae Zakher for ownership of Khaleej Salman land

MMCI acquired an effective interest of 99 per cent in the Khaleej Salman property, whereby MMCI exchanged its jointly-controlled 50 per cent interest in Rae Zakher project for the interest in the Khaleej Salman land. Pursuant to the exchange agreement, MMCI acquired the interest in Khaleej Salman land for \$313.87 million (SAR 1,177 million). The purchase was settled by way of the sale of MMCI's 50 per cent interest in Rae Zakher for \$278.2 million (SAR 1,043 million) and the balance was settled by the payment of \$35.7 million (SAR 133.6 million).

Sama Madinat Makkah development contract

Sama Madinat Makkah Company (a subsidiary of MMCI) was appointed by the High Commission for Makkah Development to develop the infrastructure on a 10,000,000 m² land plot situated north of the Al Shamiyah area of Makkah. The infrastructure development was required to be completed over a 25-year period. MMCI felt that this was a complicated and excessively long-term development and decided to sell its rights in this development. In 2013, MMCI therefore disposed of its 100 per cent interest in Sama Madinat Makkah Company to third party for SAR 93.5 million (\$24.93 million).

Cash flows

In 2013, the Company efficiently managed its cash flows and generated sufficient cash to meet its operational requirements. The management of MMH is looking for business opportunities which should further increase liquidity and the cash flow of the Company.

| | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|-----------------------------------|-----------------------------------|
| | USD | USD |
| Net cashflow from operations | (119,110) | (1,627,282) |
| Net cashflow from investing | (1,690) | (32,548) |
| Net cashflow from financing | - | 1,702,981 |
| Net (decrease)/increase in cash | (120,800) | 43,151 |
| Cash and cash equivalents at start of the year | 460,934 | 417,783 |
| Cash and cash equivalents at the end of the year | 340,134 | 460,934 |

Cash flows

The net cash outflow during the year was \$121,000, with working capital used for operational expenses of the Company and also utilised on advice related to a potential listing of the Company's shares.

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.

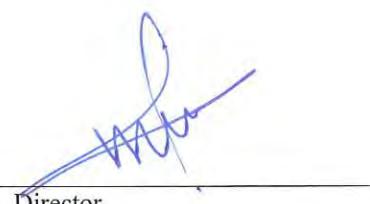
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements have been properly prepared in accordance with International Financial Reporting 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 of 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 Company's website. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing 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: 27 May 2014

INDEPENDENT AUDITOR'S REPORT 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 2013 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 (IFRSs) as adopted by the European Union.

This report is made solely to the Company's directors, as a body in accordance with our engagement letter dated 17 March 2014. Our audit work has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

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 which 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2013 and of its profit for the year ended 31 December 2013; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Opinion on other matters

In our opinion the information given in the directors' report for the financial year 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 by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us.

BDO

BDO LLP
Chartered Accountants
London
United Kingdom

Date 27 May 2014

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | | Year ended 31 December 2013 | Year ended 31 December 2012 (Restated) |
|--|------|-----------------------------------|---|
| | Note | USD | USD |
| Revenue | 5 | <u>2,289,918</u> | <u>1,948,229</u> |
| Employee costs | 6 | (322,858) | (1,365,812) |
| Other operating expenses | 7 | (578,910) | (853,868) |
| Legal and professional fees | 8 | (1,276,785) | (2,102,388) |
| Change in fair value of investment property | | - | 1,994,942 |
| Impairment of available-for-sale financial assets | | - | (123,257) |
| Depreciation | 11 | <u>(7,646)</u> | <u>(1,951)</u> |
| Operating profit/(loss) | | 103,719 | (504,105) |
| Share of profit from associate | 12 | 25,353,976 | 29,867,629 |
| Finance expense | 9 | <u>(47,140)</u> | <u>(18,044)</u> |
| Profit for the year | | 25,410,555 | 29,345,480 |
| Other Comprehensive income | | | |
| Recycle of prior period available-for-sale financial assets losses | | - | 123,257 |
| Share of fair value change of associate's available for sale investment | | 7,078,900 | 10,487,840 |
| Total comprehensive income for the year | | <u>32,489,455</u> | <u>39,956,577</u> |
| Earnings per share attributable to the equity holders of the parent during the year | | | |
| Basic earnings per share for the year | 10 | 0.0200 | 0.0232 |
| Diluted earnings per share for the year | 10 | 0.0200 | 0.0229 |

The notes on pages 25 to 41 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

| | | 2013 | 2012 |
|---|------|--------------------|--------------------|
| | Note | USD | USD |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 24,641 | 30,597 |
| Investment in associates | 12 | <u>472,788,345</u> | <u>440,355,469</u> |
| | | <u>472,812,986</u> | <u>440,386,066</u> |
| Current assets | | | |
| Trade receivables | 13 | 224,523 | 631,471 |
| Prepayments, advances and other receivables | 14 | 770,574 | 797,336 |
| Cash and cash equivalents | 15 | <u>340,134</u> | <u>460,934</u> |
| | | <u>1,335,231</u> | <u>1,889,741</u> |
| Total assets | | <u>474,148,217</u> | <u>442,275,807</u> |
| EQUITY | | | |
| Capital and reserves attributable to the equity holders of the company | | | |
| Ordinary shares | 16 | 10,226,655 | 10,220,614 |
| Share premium | 16 | 395,146,685 | 395,001,706 |
| Reverse acquisition reserve | 17 | 1,636,894 | 1,636,894 |
| Available for sale financial asset reserve | | 17,566,740 | 10,487,840 |
| Retained earnings | | <u>47,784,826</u> | <u>23,057,946</u> |
| | | <u>472,361,800</u> | <u>440,405,000</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | <u>1,786,417</u> | <u>1,870,807</u> |
| Total liabilities | | <u>1,786,417</u> | <u>1,870,807</u> |
| Total equity and liabilities | | <u>474,148,217</u> | <u>442,275,807</u> |

The financial statements were approved by the Directors on 27 May 2014 and were signed on their behalf by:



Mr. Muin El Saleh
DIRECTOR

The notes on pages 25 to 41 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | <u>Share capital</u> USD | <u>Share Premium</u> USD | <u>Reverse acquisition reserve</u> USD | <u>Available for sale financial assets reserve</u> (Restated) USD | <u>Retained losses</u> (Restated) USD | <u>Total</u> USD |
|--|---------------------------------|---------------------------------|---|---|---|---------------------------|
| As at 1 January 2012 | 10,210,843 | 394,835,588 | 2,591,217 | (123,257) | (9,628,513) | 397,885,878 |
| Transactions with owners | | | | | | |
| Exercise of warrants | 9,771 | 166,118 | - | - | - | 175,889 |
| Capital contribution | - | - | - | - | 1,702,981 | 1,702,981 |
| Transfer of reserves | - | - | (954,323) | - | 954,323 | - |
| | 10,220,614 | 395,001,706 | 1,636,894 | (123,257) | (6,971,209) | 399,764,748 |
| Profit for the year | - | - | - | - | 29,345,480 | 29,345,480 |
| Share based payment | - | - | - | - | 683,675 | 683,675 |
| Share of fair value change of associate's available for sale investment | - | - | - | 10,487,840 | - | 10,487,840 |
| Other comprehensive income – recycle of available-for-sale financial assets losses | - | - | - | 123,257 | - | 123,257 |
| At 31 December 2012 | <u>10,220,614</u> | <u>395,001,706</u> | <u>1,636,894</u> | <u>10,487,840</u> | <u>23,057,946</u> | <u>440,405,000</u> |
| At 1 January 2013 | 10,220,614 | 395,001,706 | 1,636,894 | 10,487,840 | 23,057,946 | 440,405,000 |
| Transactions with owners | | | | | | |
| Shares issued | 6,041 | 144,979 | - | - | - | 151,020 |
| | 10,226,655 | 395,146,685 | 1,636,894 | 10,487,840 | 23,057,946 | 440,556,020 |
| Profit for the year | - | - | - | - | 25,410,555 | 25,410,555 |
| Share based payment | - | - | - | - | (683,675) | (683,675) |
| Share of fair value change of associate's available for sale investment | - | - | - | 7,078,900 | - | 7,078,900 |
| At 31 December 2013 | <u>10,226,655</u> | <u>395,146,685</u> | <u>1,636,894</u> | <u>17,566,740</u> | <u>47,784,826</u> | <u>472,361,800</u> |

The notes on pages 25 to 41 form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Year ended 31 December 2013 | Year ended 31 December 2012 (Restated) |
|---|-----------------------------------|---|
| | Note | USD |
| Profit for the year | 25,410,555 | 29,345,480 |
| Adjustments for non-cash items: | | |
| Professional fees settled by issue of ordinary shares | 151,020 | 175,889 |
| Share based payment expense | (683,675) | 683,675 |
| Share of profit from associate | (25,353,976) | (29,867,629) |
| Change in fair value of investment property | - | (1,994,942) |
| Impairment of available-for-sale financial assets | - | 123,257 |
| Depreciation | 7,646 | 1,951 |
| Working capital changes: | | |
| Trade and other receivables | 433,710 | (1,300,363) |
| Trade and other payables | <u>(84,390)</u> | <u>1,205,400</u> |
| Cash used in operations | <u>(119,110)</u> | <u>(1,627,282)</u> |
| Cash flows from Investing activities | | |
| Purchase of property, plant and equipment | (1,690) | (32,548) |
| Net cash used in investing activities | <u>(1,690)</u> | <u>(32,548)</u> |
| Cash flows from Financing activities | | |
| Capital contribution | - | 1,702,981 |
| Net cash generated from financing activities | <u>-</u> | <u>1,702,981</u> |
| Net (decrease)/increase in cash and cash equivalents | (120,800) | 43,151 |
| Cash and cash equivalents at beginning of the year | 460,934 | 417,783 |
| Cash and cash equivalents at end of the year | 15 | 340,134 |

The notes on pages 25 to 41 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Establishment and operations

Makkah & Madinah Holdings Limited (“MMH”, “the Company”) is the holding company of the Group comprising itself and its subsidiaries (“the Group”). The Company is an International Business Company incorporated 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.

The Group consolidated financial statements were authorised for issue by the Board of Directors on 27 May 2014.

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 (%) | |
|--|--------------------------|-------------|--------|
| | | 2013 | 2012 |
| Prime Investments Group Limited | Cayman Islands | 100.00 | 100.00 |
| Makkah and Madinah International Limited | United Arab Emirates | 100.00 | 100.00 |
| Prime Investments International Group Limited LLC*** | United Arab Emirates | 49.00 | 49.00 |
| Prime Asia Limited* | United Kingdom | 100.00 | 100.00 |
| Prime Africa Limited** | United Kingdom | - | 100.00 |
| Prime Americas Limited* | United Kingdom | 100.00 | 100.00 |
| Prime Europe Investments Limited* | United Kingdom | 100.00 | 100.00 |
| Prime Middle East Limited* | United Kingdom | 100.00 | 100.00 |
| Makkah Bank Limited** | Ghana | - | 100.00 |
| PRIDE** | Ghana | - | 100.00 |

*currently dormant

** Company's subsidiary holds 1 share in Prime Africa Limited (see note below for further details)

*** under liquidation (and has never traded)

During the period MMH's subsidiary Prime Investments Group Limited (“Prime Cayman”) equity interest in Prime Africa Limited (“Prime Africa”) was significantly diluted. Prime Africa was initially incorporated in 2012 with only 1 share of GBP 1.00 held by Prime Cayman. Subsequent to June 2013, Prime Africa issued additional 37,499,999 shares subscribed and paid by Al Salam Development Company and 99 shares to Supreme Global Investments Corporation (related parties- Common Directors of subsidiary company) which has resulted in significant reduction of Prime Cayman's shareholding in Prime Africa. Prime Cayman's equity interest in Makkah Bank Limited and PRIDE were also diluted as these companies are subsidiaries of Prime Africa Limited.

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 Services agreement with Al Salam Investment Company (related party) extended for one year up to 31 December 2014 and financial support 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 Basis of preparation

The consolidated financial statements of the Company for the year ended 31 December 2013 comprise the financial statements of 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 investment properties and available for sale investment held in the associate that are measured at fair value as stated in the accounting policies below.

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 4.

2.3 Changes in accounting policy and disclosures

The following standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are also effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position for the current reporting period:

- IAS 19 'Employee Benefits'.
- Amendment to IAS1 'Presentation of Items of Other Comprehensive Income'.
- Amendment to IAS12 'Deferred Tax: Recovery of Underlying Assets'.
- Amendment to IFRS 7 'Disclosures - Offsetting Financial Assets and Financial Liabilities'.
- Amendment to IFRS 1 'Government Loans'.
- Annual Improvements to IFRSs (2009-2011 Cycle) - Minor amendments to various accounting standards, effective for periods beginning on or after 1 January 2013 onwards.
- IFRS 13 'Fair Value Measurement'.

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Group as these are not effective for the current year. The Group is currently assessing the impact these standards and interpretations will have on the presentation of its consolidated results in future periods:

- IFRS 10 'Consolidated Financial Statements'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- IFRS 11 'Joint Arrangements'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- IFRS 12 'Disclosure of Interests in Other Entities'. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3 Changes in accounting policy and disclosures (continued)

Amendments to IFRS 10, IFRS 11 and IFRS 12 ‘Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance’. This amendment has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).

- IAS 27 ‘Separate Financial Statements’. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- IAS 28 ‘Investments in Associates and Joint Ventures’. This interpretation has been endorsed for use in the EU (the mandatory effective date for the EU-endorsed version is 1 January 2014).
- Amendment to IAS 32 ‘Offsetting Financial Assets and Financial Liabilities’ (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.
- Amendments to IFRS 10, IFRS 12 and IAS 27 ‘Investment Entities’ (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.
- IFRS 9 ‘Financial Instruments’ (effective date for accounting periods is to be confirmed). This amendment has not yet been endorsed for use in the EU.
- Amendment to IAS 36 ‘Recoverable amounts disclosures for non-financial assets’ (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.
- Amendment to IAS 39 ‘Novation of Derivatives and Continuation of Hedge Accounting’ (effective for accounting periods beginning on or after 1 January 2014). This amendment has been endorsed for use in the EU.
- IFRIC 21 ‘Levies’ (effective for accounting periods beginning on or after 1 January 2014). This amendment has not yet been endorsed for use in the EU.
- Amendment to IAS 19 ‘Defined Benefit Plans: Employee Contributions’ (effective for accounting periods beginning on or after 1 July 2014). This amendment has not yet been endorsed for use in the EU.
- Annual Improvements to IFRSs (2010-2012 Cycle) Minor amendments to various accounting standards, effective for periods beginning on or after 1 July 2014 onwards. These amendments have not yet been endorsed for use in the EU
- Annual Improvements to IFRSs (2011-2013 Cycle) Minor amendments to various accounting standards, effective for periods beginning on or after 1 July 2014 onwards. These amendments have not yet been endorsed for use in the EU

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 Consolidation (continued)

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 per cent and 50 per cent 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 currencies 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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 held in associate

The investment properties are revalued annually to open market value, with changes in the carrying value recognised in the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 'impairment from available for sale investment'.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Business Consultancy services.

Each contract comprises a number of stages of activity, and fee revenues are structured accordingly into staged instalments or percentage components representing the different phases of the contract work activity. The amount of revenue recognised is 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 milestones of the contract.

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 USD Dollars, Saudi Riyals and UAE Dirhams. UAE Dirham and Saudi Riyal are 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 interest bearing liabilities and therefore, the management considers that the exposure to interest rate risk is immaterial.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

(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 compliant 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 non-interest bearing credit facilities. Additional funding may also be arranged through float of new ordinary shares in the ISDX Growth 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.

| At 31 December 2013 | Total | All amount in USD | | | |
|--------------------------|------------------|--------------------------------|-----------------------|-----------------------|--------------|
| | | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Trade and other payables | 1,786,417 | 1,786,417 | - | - | - |
| | 1,786,417 | 1,786,417 | - | - | - |
| At 31 December 2012 | Total | All amount in USD | | | |
| | | Less than 1 year (Restated) | 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 | - | - | - |

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 non-interest bearing debt.

As at 31 December 2013 and 31 December 2012, the Group is un-geared as it has no short term or long term non-interest bearing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. 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 held in associate

The associate 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.

5. Revenue

During the financial year ended 31 December 2013, the Group has provided Real Estate Advisory and Consultancy Services to MMCI (associate) and Al Salam Investment Company (related party). The areas of operation are principally property and business advisory and related consultancy services.

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

| | 2013 USD | 2012 USD |
|---------------------------------------|------------------|------------------|
| Revenue – geographical segment | | |
| KSA | <u>2,289,918</u> | <u>1,948,229</u> |
| | <u>2,289,918</u> | <u>1,948,229</u> |

6. Employee costs

| | 2013 USD | 2012 USD |
|---|----------------|------------------|
| Executive director salary | 633,750 | 361,744 |
| Employee salaries | 263,501 | 191,091 |
| Share based payment expense (see note 16) | (683,675) | 683,675 |
| Medical and welfare | 3,275 | 26,086 |
| Annual leave salary | 32,129 | 34,535 |
| Recruitment expenses | 8,848 | 15,326 |
| End of Service Benefit | 53,145 | 49,003 |
| Others | <u>11,885</u> | <u>4,352</u> |
| | <u>322,858</u> | <u>1,365,812</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Other operating expenses

| | 2013 USD | 2012 USD |
|---------------------------------------|----------------|----------------|
| Non-executive directors' remuneration | - | 15,732 |
| Legal and professional expenses | 289,026 | 583,514 |
| Office rent and other costs | 85,075 | 48,882 |
| Telephone, fax and courier charges | 20,161 | 17,613 |
| Travelling expenses | 77,717 | 90,852 |
| Business development expenses | 78,067 | 67,642 |
| Insurance | 15,604 | 14,622 |
| Bank charges | 5,638 | 4,783 |
| Others | <u>7,622</u> | <u>10,228</u> |
| | <u>578,910</u> | <u>853,386</u> |

The legal and professional expenses include fees payable to the auditor of \$64,000 (2012: \$96,000) in regard to the audit and \$32,000 (2012: \$32,000) in regard to other assurance services.

8. Legal and professional fees

| | 2013 USD | 2012 USD |
|-----------------------------|------------------|------------------|
| Legal and professional fees | <u>1,276,785</u> | <u>2,102,388</u> |
| | <u>1,276,785</u> | <u>2,102,388</u> |

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

9. Finance expense

| | 2013 USD | 2012 USD |
|--------------------------------|-----------------|-----------------|
| Foreign exchange (loss) / gain | <u>(47,140)</u> | <u>(18,044)</u> |
| | <u>(47,140)</u> | <u>(18,044)</u> |

Foreign exchange translation gain/(loss) mainly arose from an exchange rate difference between the time of the initial recognition of trade payables and the actual payment to foreign suppliers/advisors and from the revaluation of foreign currency balances at the reporting date.

10. 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.

| | 2013 | 2012 |
|---|---------------|---------------|
| Profit attributable to equity holders of the parent (USD) | 25,410,555 | 29,345,480 |
| Weighted average number of ordinary shares in issue | 1,267,623,920 | 1,266,541,010 |

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Earnings per share (continued)

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.

| | 2013 | 2012 |
|---|---------------|---------------|
| Profit attributable to equity holders of the parent (USD) | 25,410,555 | 29,345,480 |
| Weighted average number of ordinary shares in issue | 1,267,623,920 | 1,266,541,010 |
| 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 | 1,267,623,920 | 1,281,954,155 |

11. 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 | <u>(1,134)</u> | <u>(817)</u> | <u>(1,951)</u> |
| Closing net book value | <u>16,808</u> | <u>13,789</u> | <u>30,597</u> |
| At 31 December 2012 | | | |
| Cost | 17,942 | 14,606 | 32,548 |
| Accumulated depreciation | <u>(1,134)</u> | <u>(817)</u> | <u>(1,951)</u> |
| Net book amount | <u>16,808</u> | <u>13,789</u> | <u>30,597</u> |
| At 1 January 2013 | | | |
| Opening net book amount | 16,808 | 13,789 | 30,597 |
| Additions | 1,690 | - | 1,690 |
| Depreciation charge | <u>(4,725)</u> | <u>(2,921)</u> | <u>(7,646)</u> |
| Closing net book value | <u>13,773</u> | <u>10,868</u> | <u>24,641</u> |
| At 31 December 2013 | | | |
| Cost | 19,632 | 14,606 | 34,238 |
| Accumulated depreciation | <u>(5,859)</u> | <u>(3,738)</u> | <u>(9,597)</u> |
| Net book amount | <u>13,773</u> | <u>10,868</u> | <u>24,641</u> |

12. Investment in associates

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

| | 2013 USD | 2012 USD |
|---|---------------------------|---------------------------|
| Balance at 1 January | 440,355,469 | - |
| Additions | - | 400,000,000 |
| Share of profit from associate | 25,353,976 | 29,867,629 |
| Share of fair value change of associate's available for sale investment | <u>7,078,900</u> | <u>10,487,840</u> |
| Balance at 31 December | <u>472,788,345</u> | <u>440,355,469</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investment in associates (continued)

| Name | Country of incorporation | Proportion of voting rights held at 31 December 2013 | 2012 |
|---|--------------------------|--|----------|
| Makkah & Madinah Commercial Investment Company (MMCI) | Saudi Arabia | 34.121 % | 34.121 % |

On 2 May 2012, MMH 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 per cent 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:

| | 2013 | 2012 |
|---------------------|---------------|---------------|
| | USD | USD |
| Total assets | 2,157,652,324 | 1,999,193,595 |
| Total liabilities | 19,678,471 | 2,981,007 |
| Minority interest | 750,302,650 | 703,593,914 |
| Revenues | 46,661,935 | 46,652,044 |
| Profit for the year | 158,370,113 | 232,893,555 |

MMCI's assets comprise of real estate asset portfolio in 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 (\$33,333,333) with a 5 per cent 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:

| | 2013 | 2012 |
|--|----------------|------------------------|
| | USD '000 | (Restated) USD '000 |
| Revenue | 46,662 | 46,652 |
| Share of profit/(loss) from associates | 474 | 48,988 |
| Loss on disposal of investments and properties | (129) | 10,464 |
| Surplus on revaluation of investments and properties | 77,799 | 100,268 |
| Negative goodwill on acquisition of subsidiary | 20,799 | - |
| Operating expenses | (1,956) | (2,010) |
| Zakat (tax) | (6,025) | (2,205) |
| Profit for the year | 137,624 | 202,157 |
| Share of other comprehensive income from associate | 20,746 | 30,737 |
| Comprehensive income for the year | 158,370 | 232,894 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Trade receivables

| | 2013 | 2012 |
|--------------------------------|----------------|----------------|
| | USD | USD |
| Past due but not impaired | <u>224,523</u> | <u>631,471</u> |
| Gross | <u>224,523</u> | <u>631,471</u> |
| Less: allowance for impairment | - | - |
| Net | <u>224,523</u> | <u>631,471</u> |

At 31 December 2013, the trade receivable balance is receivable from 1 customer (2012: 1 customer) based in the Middle East.

The ageing analysis of these trade receivables is as follows:

| | 2013 | 2012 |
|----------------|----------------|----------------|
| | USD | USD |
| Up to 6 months | <u>224,523</u> | <u>631,471</u> |
| | <u>224,523</u> | <u>631,471</u> |

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

| Currency | 2013 | 2012 |
|------------|----------------|----------------|
| | USD | USD |
| UAE Dirham | <u>224,523</u> | <u>631,471</u> |
| | <u>224,523</u> | <u>631,471</u> |

The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above plus the related party receivable (note 14) and cash and cash equivalents (note 15). 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.

14. Prepayments, advances and other receivables

| | 2013 | 2012 |
|-----------------------------------|----------------|----------------|
| | USD | USD |
| Receivable from related party | <u>698,452</u> | <u>729,827</u> |
| Prepayments and other receivables | <u>72,122</u> | <u>67,509</u> |
| | <u>770,574</u> | <u>797,336</u> |

15. Cash and cash equivalents

| | 2013 | 2012 |
|--------------------------|----------------|----------------|
| | USD | USD |
| Cash at bank and on hand | <u>340,134</u> | <u>460,934</u> |
| | <u>340,134</u> | <u>460,934</u> |

16. Share capital and premium

The authorised share capital of the parent comprises of:

| | 2013 | 2013 |
|-------------------------------|----------------------|-------------------|
| | No of shares | No of shares |
| | GBP | USD |
| Class A Shares of £0.005 each | 1,700,000,000 | 8,500,000 |
| Class B Shares of £0.005 each | <u>300,000,000</u> | <u>1,500,000</u> |
| At the end of the year | <u>2,000,000,000</u> | <u>10,000,000</u> |
| | 2012 | 2012 |
| | No of shares | No of shares |
| | GBP | USD |
| Class A Shares of £0.005 each | 1,700,000,000 | 8,500,000 |
| Class B Shares of £0.005 each | <u>300,000,000</u> | <u>1,500,000</u> |
| At the end of the year | <u>2,000,000,000</u> | <u>10,000,000</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Share capital and premium (continued)

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 allotted 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.

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 | Share premium | Total |
|---|----------------------|-------------------|--------------------|--------------------|
| | | USD | USD | USD |
| At 1 January 2012 | 1,266,006,519 | 10,210,843 | 394,835,588 | 405,046,431 |
| Share issued in lieu of professional fees | (i) 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 |
| At 1 January 2013 | 1,267,249,125 | 10,220,614 | 395,001,706 | 405,222,320 |
| Share issued in lieu of professional fees | (ii) 800,000 | 6,041 | 144,979 | 151,020 |
| At 31 December 2013 | 1,268,049,125 | 10,226,655 | 395,146,685 | 405,373,340 |

- (i) 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.
- (ii) In July 2013, pursuant to settlement agreement between the Company and McClure Naismith, the Company has issued Class A ordinary shares 800,000 shares to McClure Naismith at the price of GBP 0.125 pence per share. The shares were issued to settle the outstanding professional fee of GBP 100,000 (approx. \$151,020).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Share capital and premium (continued)

Share options

The Company has granted share options to the following:

| | 2013 Weighted average exercise price | 2013 Number | 2012 Weighted average exercise price | 2012 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 | (£0.060) | (2,549,467) | - | - |
| Outstanding at the end of the period | - | - | £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 during the period of 5 years and these share options had lapsed 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. None of the options granted have been exercised during the period of 5 years and these share options had lapsed at the reporting date.

Bonus share arrangement

In 2012 reporting period, the Company made a provision of \$683,675 in respect of a bonus share arrangement whereby 3,950,000 shares would have been issued to the Directors as part of their remuneration in connection with the admission of the Company, the issue of bonus shares was conditional on the successful admission to another market. The Company has reversed the provision at the reporting date as the conditions for bonus share arrangement would not be met in the foreseeable future.

Share warrants

The parent company has issued warrant instruments to the following:

| | 2013 Number of share warrants | 2012 Number of share warrants | Exercise price GBP |
|---|----------------------------------|----------------------------------|-----------------------|
| McClure Naismith LLP | 21,445,990 | 21,445,990 | 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 |
| | <u>361,348,378</u> | <u>361,348,378</u> | |

At the reporting date City & Westminster Corporate Finance LLP has transferred 520,000 and 3,423,192 share warrants to Nicola Baldwin and Douglas Wright respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Share capital and premium (continued)

| | 2013 Weighted average exercise price £0.189 | 2013 Number 361,348,378 | 2012 Weighted average exercise price £0.188 | 2012 Number 362,590,984 |
|--|---|-------------------------------|---|-------------------------------|
| Outstanding at the beginning of the period | | | | |
| Granted during the period | - | - | - | - |
| Forfeited during the period | - | - | - | - |
| Exercised during the period | - | - | £0.090 | (1,242,606) |
| Lapsed during the period | - | - | - | - |
| Outstanding at the end of the period | <u>£0.189</u> | <u>361,348,378</u> | <u>£0.189</u> | <u>361,348,378</u> |

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

No warrants were exercised during 2013.

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.

17. 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.

18. Trade and other payables

| | 2013 USD 272,480 | 2012 USD 272,480 |
|-------------------------------------|------------------------|------------------------|
| Due to related parties | | |
| Accrued expenses and other payables | <u>1,513,937</u> | <u>1,598,327</u> |
| | <u>1,786,417</u> | <u>1,870,807</u> |

19. 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.

The balances at 31 December 2013 and transactions with other related party during the period were as follows:

(a) Key management compensation

| Nature of transaction | 2013 USD 640,080 | 2012 USD 377,476 |
|--|------------------------|------------------------|
| Salaries and other short term benefits | | |
| Consultancy services | 68,748 | 170,599 |
| Share based payment (see note 16) | (683,675) | 683,675 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Related parties (continued)

(b) *Included in the statement of financial position are the following amounts arising from interest free working capital loans:*

| | 2013 USD | 2012 USD |
|--|-------------|-------------|
|--|-------------|-------------|

Prepayments, advances and other receivables

| | | |
|--|---------|---------|
| Bonyan Int'l Investment Group (Holding) LLC (common shareholders of MMH) | 698,452 | 729,827 |
|--|---------|---------|

Trade and other payables

| | | |
|--|---------|---------|
| Tabarak Commercial Investment LLC (common shareholders of MMH) | 272,480 | 272,480 |
|--|---------|---------|

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

| | 2013 USD | 2012 USD |
|--|-------------|-------------|
|--|-------------|-------------|

Revenue

| | | |
|--|-----------|-----------|
| Real estate advisory and consultancy fee | 1,089,918 | 1,948,229 |
|--|-----------|-----------|

(d) *Transaction with Al Salam Commercial Investments Limited (related party with common shareholders of MMCI)*

| | 2013 USD | 2012 USD |
|--|-------------|-------------|
|--|-------------|-------------|

Revenue

| | | |
|----------------------------------|-----------|---|
| Consultancy and advisory service | 1,200,000 | - |
|----------------------------------|-----------|---|

Trade receivable

| | | |
|------------------|---------|---------|
| Trade receivable | 224,523 | 631,471 |
|------------------|---------|---------|

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

| | 2013 USD | 2012 USD |
|--|-------------|-------------|
|--|-------------|-------------|

Shareholders' equity

| | | |
|----------------------|---|-----------|
| Capital Contribution | - | 1,702,981 |
|----------------------|---|-----------|

Pursuant to loan assignment agreement between MMH, Makkah and Madinah Hotels (“MM Hotels”) and Al Salam Commercial Investments Limited, MMH has received the sum of \$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 per cent of the share capital of MMCI and in evaluation of alternate stock market 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.

20. Restatement of Comparatives

In the 2012 financial reporting period, the profit from associate incorrectly included the Company’s share of the fair value change of the associate’s available for sale investment when this amount should be reflected in other comprehensive income. The comparatives have been amended to reflect this and the earnings per share have been duly corrected.

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