KEITH BAYLEY ROGERS

مكة مدينة
Makkah Madinah
HOLDINGS

11 November 2013

Makkah & Madinah Holdings

Current share price (mid.): 4p; spread: 3p: 5p

Initiation of Coverage

Significantly Undervalued

ICB Super-sector: 8600 Real Estate;
ICB Sector: 8630 Real Estate Investment & Services

Share Price (p)	NAV/share (p*)	Market Capitalisation (£ million)	Net Assets (£ million*)
4	22.5	50.7	287

* £: $ = 1: 1.60

Year	Revenue (US$m)	Share of Profit from Associate (US$m)	Profit Attributable to Shareholders (US$m)
2012[A]	1.948	29.868	29.345
2013[F]	2.290	32.077	32.293

[A] = actual; [F] = KBR forecast

Key Investment Points

- MMH is significantly undervalued…
- Offers unique public equity exposure to one of the world's fastest-growing property markets…
- Strong asset backing with major investments in Holy cities of Makkah and Madinah…
- Nil current gearing gives flexibility for future development financing…
- MMH is a Shari'ah-compliant company…

Business Description

Makkah & Madinah Holdings Limited ("MMH") is a Shari'ah-compliant, Gulf-based property company with assets in KSA. It is currently quoted on the ICAP Securities & Derivatives Exchange www.isdx.com.

ISDX: MAMP

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Frontispiece

Aerial View of the Holy City of Makkah, showing in foreground
the Grand Mosque and the Haram quarter of the City

Investment Highlights

- MMH is a unique opportunity offering international investors exposure to a market normally available only to Saudi nationals or citizens of the Gulf Co-operation Council countries.
- Through investment in MMCI, MMH has a property portfolio focused on the Holy cities of Makkah and Madinah; and in the fast-growing city of Jeddah.
- Land prices in certain districts of Makkah are some of the highest in the world; and look set to continue to rise.
- MMH's shares stand at a deep discount to NAV, which is 22.5p/share, and have major upside potential.
- Shareholder value should be boosted by higher valuations on the land portfolio, development of sites and rental income.
- The Saudi Arabian economy is buoyant and the residential property market is growing strongly, notably in the Holy cities.
- The worldwide Muslim population is projected to rise from 1.6 billion today to 2.2 billion by 2030, or over a quarter of globe's inhabitants.
- The Holy cities attract visitors from the worldwide Muslim population, including domestic pilgrims.
- Numbers of pilgrims are set to increase sharply alongside increased investment in infrastructure, hence a growing demand for hotels and related developments.
- MMH and MMCI are each debt-free; MMCI has significant net cash.
- MMCI has a site development programme based on project-level equity and/or Shari'ah-compliant borrowings, equity finance and future asset disposals by way either of sales or leasing.
- Presently, no bank finance is secured on any of the MMCI's property investments, allowing flexibility in sites' future development.
- MMCI's land holdings are largely undeveloped; we expect it to develop the portfolio of assets for hotel/mall, leisure and residential usage itself; or lease serviced land to third party developers.

Valuation

We believe the shares are undervalued and offer significant upside potential from the present mid-price of 4p. Based on the value of MMH's investment in Makkah & Madinah Commercial Investment JSC ("MMCI") as at end June 2013 of $459.25 million, net assets were $458.72 million ($401.4 million) which equates to 36 cents (32cents) or 22.5p per share, using an exchange rate of $1.6: £1. On forecast earnings per share of 2.55 cents for 2013, or 1.59p, the prospective, current year earnings' multiple is less than 2.6x. The historic PER is below 3x. The main negatives are probably market unfamiliarity; illiquidity, with a limited free float; a degree of uncertainty about the development programme (financing and timing); and absence of a current dividend. These issues are in the process of being addressed and we anticipate that news of relevant measures may be released over the course of the coming year.

Our main valuation is based on MMH's net assets as at end-June this year of $459 million, which gives 36 cents or 22.5p per share. We expect an increase in NAV when the Company next reports in May of 2014. There may be more available information on UK companies than on peer companies trading on some overseas markets, including markets such as KSA, which is classified as a Frontier Market (MSCI). The UK second-tier property companies we have used for comparative purposes range from Capital and Regional (London: CAL) with a current market value of £85 million to LXB Retail Properties (London: LXB) with a capitalisation of £280 million. All apart from Capital & Regional and LXB pay dividends, with yields ranging from 2.8% (Helical Bar; London: HLCL) to 8.3% (NewRiver Retail; London: NRR). The key point is that the average discount to NAV of the share price of these UK companies is 33%. Valuing MMH on this basis would indicate a share price of 15p compared with the current mid-price of 4p.

Investors may seek to apply a higher discount because the assets are based in a Frontier Market. We would point out the quality of MMH's asset base and the fact that, whilst classified as "Frontier", KSA is economically developed. It is worth pointing out the absence of any currency exposure in terms of its business as neither the Company nor its associate company has any current borrowings and MMH accounts in $, to which the Saudi Rial ("SAR") is "pegged".

Looking at forecast earnings per share of 2.55 cents, or 1.59p, gives a lowly prospective PER of less than 3x. The historic PER is also less than 3x against a UK property sector median PER of around 18x (historic). The sector's median dividend yield on the same basis is 2.57%. This underpins a potential valuation much greater than the present share price, even in the absence of a current dividend.

The table following shows valuation numbers on some quoted Saudi property companies. The three established companies are Dar Al Arkan, Saudi Real Estate and Taiba Holdings. The price: book multiples for these companies are 0.65x, 1.18x and 1.94x respectively, which again emphasises the deep discount attaching to MMH compared with Saudi property companies listed on the Tadawul.

NAME of ISSUER	Ticker symbol	Price	Price/ Book	Premium/ (Discount) to NAV	P:E (x)		EPS (SAR)		Market Cap.	Div. Yield
	(Tadawul)	(SAR*)	(x)	(%)	2012A	2013E	2012A	2013E	(SAR*m)	(%)
Dar Al Arkan Real Estate Development	ALARKAN:AB	10.15	0.65	(35)	16.1	10.8	0.63	0.94	10,962	9.8
Emaar: The Economic City	EMAAR:AB	12.2	1.36	36	174.3	68.9	0.07	0.18	10,370	n/a
Jabal Omar Development	JOMAR:AB	31.7	3.27	227					29,462	n/a
Knowledge Economic City	KEC:AB	16.2	2.0	100					5,514	n/a
Saudi Real Estate Co.	SRECO:AB	32.0	1.18	18	25.0	23.9	1.28	1.34	3,840	3.13
Taiba Holding	TIRECO:AB	43.4	1.94	94	26.9	25.3	1.61	1.72	6,510	3.69

A = actual; E = estimated

* SAR: US$ = 3.75: 1

Sources: Bloomberg; Tadawul

The present share price also reflects a technical situation discussed further in this note and cannot be justified by any discounting normally applicable to a property portfolio in a market (KSA) classified as an MSCI Frontier Market. MMH thus represents a unique opportunity for international investors to enter one of the world's fastest-growing property markets, with a high-quality asset base at an extremely attractive, current valuation.

We expect the shares to re-rate as awareness of the quality of the asset base and the potential for growth increases.

Makkah & Madinah Holdings Limited ("MMH"; ISDX-MAMP)

MMH's shares are quoted on ISDX in London. The Company presently holds a 34.1% minority in its associate company, Makkah & Madinah Commercial Investment Company JSC ("MMCI"). MMCI holds a highly distinctive portfolio of real property assets, which are discussed below.

The statement accompanying MMH's recently-published results for the first half of 2013 makes clear that the Company may increase its stake in MMCI, although the extent of any potential increase is unspecified. MMH is also looking to raise the profile of the Company and increase liquidity in the shares (which to date have proven to be illiquid) and is actively evaluating alternative or parallel listing options.

Through its investment in MMCI, MMH has a portfolio of property investments with a particular focus on the Holy cities of Makkah and Madinah. The Holy cities are "closed cities" and may not be visited by non-Muslims. As far as we can ascertain, few overseas investors are able to gain any exposure to property ownership in these locations, primarily because property ownership is restricted to nationals of the Kingdom of Saudi Arabia ("KSA"). In the other areas of KSA, ownership of real property assets is permitted, subject to certain restrictions, to nationals of KSA and of the associated nations on the Gulf Peninsula, namely the Kingdom of Bahrain, Kuwait, State of Qatar, Sultanate of Oman and the United Arab Emirates ("UAE"), which together with KSA comprise the Gulf Co-operation Council ("GCC"). In the unlikely event of these factors changing, we would expect non-Muslims still to be excluded from ownership of any assets within the Holy cities.

An investment in MMH offers international investors exposure to a market which is not normally open to them. The Company is profitable and well-placed to grow. We believe that it provides a unique investment opportunity that would be impossible currently to replicate.

The outlook for the property market in KSA is positive and demand is particularly strong in the Holy cities of Makkah and Madinah, fuelled by population growth; and by the Hajj and Umrah pilgrimages. Land prices in some areas of Makkah, notably in the Haram district, are some of the highest in the world, and on some estimates have risen by as much as 80% since 2011. We expect these "flagship" assets to increase in value owing in part to their scarcity value. We believe that the special cultural and religious status of the Holy cities and the revenues generated there from religious tourism should serve to insulate the property market there from the more extreme effects of any general, cyclical downturns within the KSA; or more globally.

The land holdings are mostly undeveloped so the returns from the investment will be realised over the medium- to long-term. The value of MMCI's property assets combined with share of the assets in which it had interests was in excess of $1 billion as at the end of 2012. An independent valuation as of 30th June 2013 showed MMCI's share of the value of the portfolio, at that juncture, was estimated to have been $1.28 billion. MMH's share of those assets had a value at that date of approximately $447 million on the same basis.

Shareholder value will be enhanced via increased valuations on the land portfolio; development of the sites or improvement of the sites and subsequent leasing to third party developers as serviced land; and rental income. The shares are at a significant discount to NAV of 82% and a lowly P/E multiple of 2.77 x historic (and below 2.6x prospective) earnings, which offers major upside potential.

The growth strategy of MMCI, based on developing or leasing the sites, will be funded from asset disposals, project-level equity and/or Shari'ah-compliant borrowings. MMCI is currently debt free, with net cash at 30th June 2013 of $59 million, up from $28 million three months previously. Additional equity funding by MMH at the quoted holding company level may be considered for major expansion, provided this would be neutral or anti-dilutive to NAV per share.

Interim Results

Key highlights from the interims include the following:

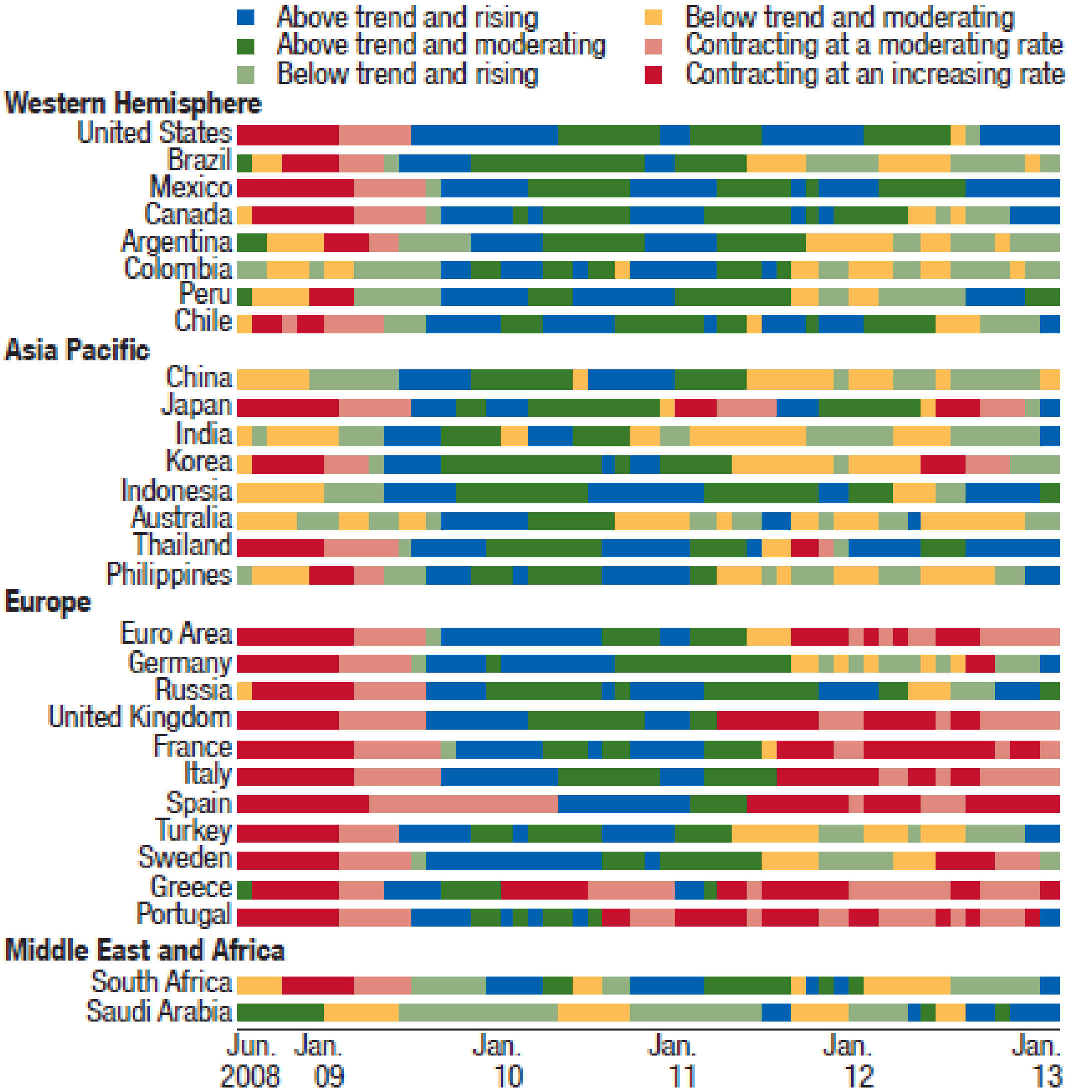
- Carrying value of MMH's investment in MMCI was $459.25 million, an increase of 15% since acquisition (May 2012). This is shown in the balance sheet as an "investment in associates".
- MMH's income for H1 rose to $19.00 million, up from $2.24 million for around one month's post-acquisition contribution last year. The income is mainly derived from MMH's share of profit of $18.89 million from MMCI.

MMCI's NAV, after adjustment for minorities, on 30 June 2013was $1.35 billion compared to $1.17 billion on the date of MMH's acquisition of the 34.12% stake. MMCI also increased its stake in Jabal Al Noor from 49.5% to 99.5% during the first half of 2013.

Overview

KSA is the largest country within the GCC by reference to land mass, GDP and population, of whom approximately 68% are nationals. Real GDP is growing strongly and was relatively unaffected by the recent financial turmoil in the major world markets. Oil revenues are rising, which supports major infrastructure projects and, in turn, helps make available more land suitable for development. Rising GDP per capita underpins the housing market and consumer spending, which encourages retail development. Increased demand for office space goes hand in hand with economic growth. The economic outlook is positive.

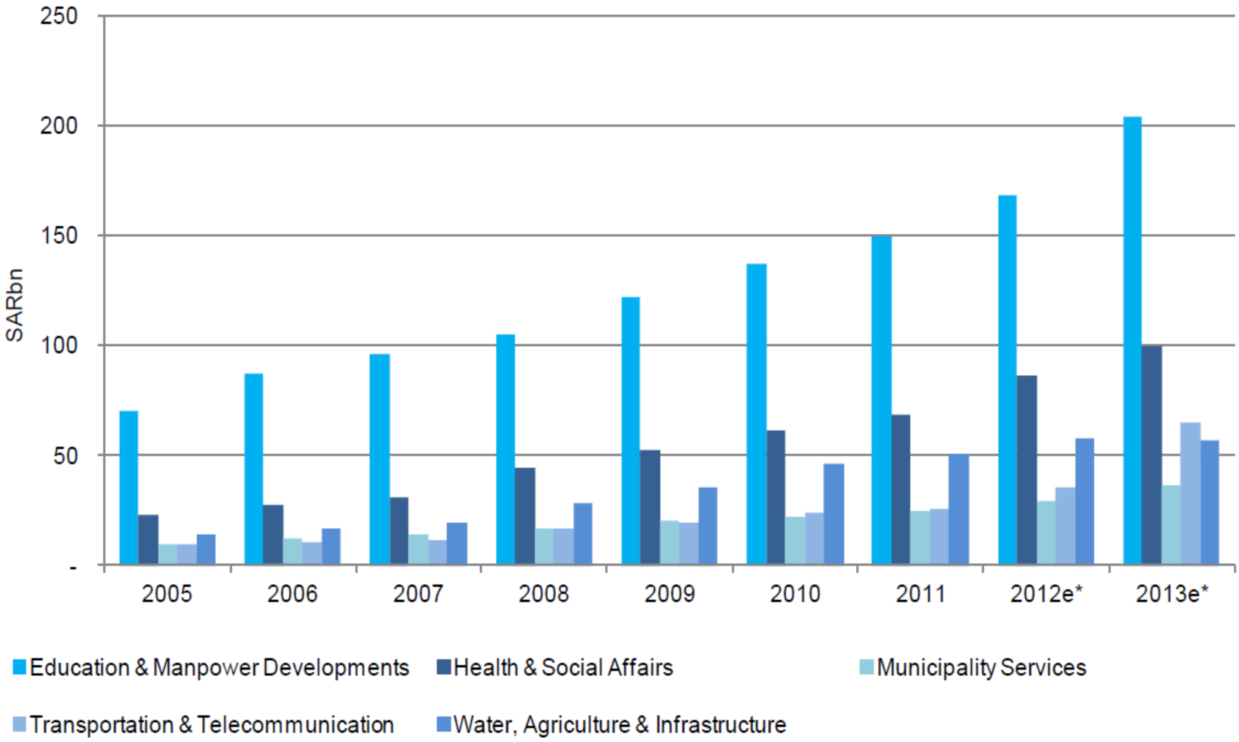
IMF Growth Tracker, World Economic Outlook 2013



Source: International Monetary Fund

The housing market in KSA is likely to benefit from the demographic profile and the resultant pent-up demand for accommodation. The government is supportive of the domestic residential housing programme. There are new and growing mortgage financing alternatives. The Holy cities attract visitors from the worldwide Muslim population and the numbers will grow alongside the investment in infrastructure and accommodation. The number of pilgrims performing the Hajj and Umrah each year is expected to exceed 17 million by 2025. Meanwhile, domestic tourism to Makkah and Madinah is expected to grow at a CAGR of 10%, implying 21 million trips annually by 2016.

KSA Budget Spending since 2005



Source: Samba Financial Group

There is a high level of government spending on social and infrastructure projects. In particular, we note two budgetary provisions:

1. A special allocation of funds by The Custodian of the two Holy Mosques, HM King Abdullah, of circa $66 billion for 500,000 new housing units.

2. Ongoing spend via the Ninth Development Plan on 1.25 million new, residential units due for completion before end 2014. Some $115 billion has been allocated to the Public Housing Authority for housing projects and further sums for related infrastructure associated with this housing.

A further factor supportive of the housing programme is the desire to ease pressures from "rent inflation". The bulk of the housing is for Saudi nationals, but some is allocated for non-Saudis.

The Ninth Development Plan has emphasised the main population centres, one of which is Makkah Province. Growing demand for housing in Makkah is linked, in part, to strong demand in Jeddah, a major Red Sea port and industrial city. Jeddah has a major social housing programme under way. We expect MMH to focus on this residential market such as apartments and villas; and on commercial developments.

A report by the National Commercial Bank, the largest private lender in KSA, indicated that the housing stock was presently below 5 million and forecast to rise to 6.6 million units by 2020. Average annual demand is forecast to rise from 120,000 new units per annum to 200,000 per annum over the same period. The average family size is declining but is still expected to number over five persons per unit by 2020. In summary, key growth drivers include:

1. **A rising population.** According to the Central Department of Statistics & Information, the total population is expected to grow at a CAGR of 2% to reach 37.6 million by 2025. In turn, this is supportive of continued strong economic growth.
2. **Declining average numbers per housing unit.** This is expected to lead to higher demand for apartments, which are preferred by expatriates, small families and younger owners owing to affordability. One estimate is that by 2020, apartments will represent 36% of housing occupancy by type.
3. **Increased urbanisation/urban migration.** In fact this point 3 is strongly linked to point 2, in that urban households tend to have fewer children.
4. **A population demographic of young people** which, with growing levels of formal employment, is likely to reinforce the move to smaller families. The median age, at around 26, is one of the lowest in the world. Almost half of the population is under the age of 24. The key demographic segment for of house buying is the 20-39 age range: this group now accounts for 37.8% of the population, up from 34% in 1990.
5. **The non-Saudi population may grow at a faster rate than that of Saudi nationals.** There are 5.5 million expatriate workers, which increases the pressure on housing.
6. **Home ownership.** Whilst the principle of home ownership is well established, the figure is currently below 35%, mainly owing to a lack of mortgage financing. House prices have been rising strongly - which, as in most countries, is supportive of a buoyant housing market. Similarly, rents are rising although, as we note, this is a double-edged sword, as it may be perceived as being conducive to social disquiet.
7. **Increasing need for support infrastructure.** Increased housing provision and growing population create a need for shopping malls, etc.
8. **The government is increasingly allocating house building to private developers.** The number of building permits, a measure of real estate activity in KSA, has steadily increased. At this stage, it is not clear if this will boost MMH's business but it ultimately underwrites higher valuations for land banks and a strong housing market. Construction activity as a contributor to GDP is forecast to rise from less than 4% in 2008 to around 6.5% by 2020.
9. **The mortgage market is opening up.** Historically, the Real Estate Development Fund and other government schemes were the main sources of housing finance (together with personal savings). However, banks are now becoming involved via the development of a mortgage market to support home financing. Shari'ah-compliant laws are currently being enacted, which will establish a mortgage market operating within a defined regulatory framework. Mortgage lending in KSA as a percentage of GDP is probably no more than 5%. It is estimated to be 15% in the rest of the GCC. In the UK, by contrast, it is over 80%.

MMH/MMCI

The holding in MMCI will allow MMH to integrate project development services to MMCI's existing activities. From this point MMH should be able to report recurring income and positive cash flows. As at the year-end 2012, neither the Company nor MMCI had short- or long-term debt.

In Makkah, the government has begun a major expansion of the Grand Mosque, at a cost of over $20 billion, to increase the existing area of 356,000 m^2 by an additional 456,000 m^2 to raise the number of worshippers from 770,000 to 1.2 million. The Grand Mosque is the main focus of pilgrimage in KSA, with over 6 million visitors each year. The demolition process linked to this expansion has presented a significant opportunity to target new hotels and apartments to make up the shortfall. According to an article in October this year in Britain's "Guardian" newspaper, quoting Makkah's mayor, Osama al-Bar, a square foot of land around the Grand Mosque now sells for up to $18,000, which, the newspaper concludes, has given Makkah the most expensive real estate in the world dwarfing the Monaco average of $4,400.

The government has invested substantially to improve safety and comfort; and a new railway was launched last year to link the Holy sites around Makkah. We feel this will boost the value of the portfolio and, indeed, MMH is reviewing several projects in the light of this government investment. In 2012, it is estimated that Makkah province accounted for 45% of all real estate investment, owing to the expansion of the Holy sites and to the new railway and bridge projects there.

Jeddah is seen as a prospective business location and has attracted a number of international companies. Demand is fuelled by increased government spending in areas such as transport infrastructure and healthcare. Higher business activity creates a need for hotels, etc. It is worth noting that home ownership is relatively low in Jeddah and, consequently, it has a bigger rental segment than other cities in KSA. Fresh supply of rented accommodation has kept a cap on rent increases.

MMCI's growth strategy will be facilitated by its strong financial position. There is net cash and no bank finance is currently secured on any of the MMCI's property investments, which allows major flexibility in the sites' development.

The shares are currently quoted on the ISDX Growth Market. Major investors and the directors presently hold 85.3% of the equity of MMH although this position is likely to reduce as MMH makes additional investments, finances developments at holding company level and/or increases its position in MMCI; or if the Company undertook a listing which required a predetermined percentage of its share capital to be held in public hands.

The share price performance has been weak of late and the current quote is 3p-5p, which reflects a high degree of illiquidity. The mid-market price values the Company at circa £51 million, a discount of over 80% to the last published NAV. Even at the offered price of 5p, the valuation is around 24% of the latest NAV (a discount of 76%). The Company issued a statement on 23 May 2013, noting a sharp downward movement in the share price which, it said, reflected a trade share at a price significantly below the then-prevailing mid-market price. The absence of liquidity has been exacerbated by the existence of an overhang of potential selling from small shareholders who are legatees of the reverse merger transaction of 2011, which brought MMH to the public markets. The magnitude of this overhang is small relative to the free float and, in our opinion, would be addressed by the emergence of any meaningful, public buying interest.

In its last statement, the Company confirmed it was examining various listing options, the completion of any of which we believe would be likely to result in greater liquidity for the shares and a narrowing of the anomalous discount at which they presently trade.

Project Development

The value of the holdings has risen significantly due to increases in land values in Makkah and Madinah. It should be noted that this points to highly attractive entry levels into the various plots which were mostly acquired via swaps with related parties. MMCI has also demonstrated excellent transactional capability as evidenced by the disposal uplift from:

- Aziziyah Land +23% (in 5 months)
- Markaz Al Qibla +150%
- Sabaq Al Madinah +113%

History

MMH was formerly Prime International Investments Group Limited. In July 2011, Prime was floated through a reverse merger with a small, quoted "shell" company; and the land asset the "Eye of Ajman" was acquired simultaneously for $400 million. The plan had been to develop these land plots in the Emirate of Ajman; construction was postponed owing to the severe, temporary downturn in real property in the UAE, following the global financial crash of 2008.

Factors behind the sale of the Ajman land included:

1. The plots in the UAE did not earn income as they were undeveloped.
2. The UAE real estate outlook was uncertain compared to the dynamic growth potential offered by projects in KSA.
3. The MMCI deal offered the opportunity to gain the exposure to an investment with a substantial income stream and a portfolio of property interests which could be traded out, developed or enhanced and leased.
4. MMH already offered advisory and consultancy services to MMCI.

In May 2012, the Company entered into a contract to dispose of the "Eye of Ajman" land bank (valued at $398 million) in exchange for the buyers' entire shareholding in MM RAK, which held 34.12% of the shares in MMCI valued then at $400 million. The disposal, which was a related party transaction, and a change of name from Prime to MMH were approved by shareholders and the deal completed in the same month of 2012. At completion, MMH thus held an equity investment in an associate.

MMCI was incorporated in 2005 to focus on real estate opportunities in KSA and was capitalised with $533 million of assets in the form of development projects.The MMCI property portfolio, after adjustments for minorities, was valued at 30th June 2013 at $1.28 billion. These assets are in the Holy cities of Makkah and Madinah, as well as Jeddah; and a 50% leasehold interest in Al Ahsa, in the Eastern Province of KSA. There are also minor, commercial investments in Egypt, which were excluded from the valuation.

MMCI's Investments

MMCI has one income-generating asset at present (Laith 1) and most of the asset base is undeveloped. MMCI acquired the majority of its investments from related parties and profits have been driven by the increase in KSA land values. It is expected that MMCI will acquire some additional land plots. A construction permit has been obtained for one planned development and initial design work and approvals have been obtained for a number of other sites, which will mostly be developed as mixed usage. Details of the holdings are shown in the table below. There are ten freehold properties with around 3 million m² in Jeddah and 809,000m² in Makkah.

Projects

Name of Project	Tenure	Stage of Development	Area of Land (m²)	MMCI Interest (%)	Location
Rae Zakher	Freehold	Planning	309,243	50.00	Makkah
Jabal Al Noor	Freehold	Planning	128,391	99.50	Makkah
Al Barak - 1	Freehold	Planning	61,506	99.00	Makkah
Al Barak - 2	Freehold	Planning	65,998	99.00	Makkah
Rabwat	Freehold	Planning	2,041,789	42.50	Jeddah
Mulak - North Obhur	Freehold	Planning	297,000	25.00	Jeddah
Mulak - South Jeddah	Freehold	Planning	599,528	25.00	Jeddah
MM Power	Freehold	Planning	113,221	50.00	Jeddah
Laith 1	Freehold	Income producing	184,497	40.00	Makkah
Laith 2	Freehold	Planning	59,841	40.00	Makkah

Source: MMH

MMCI's interest was independently valued at $1.28 billion as at 30th June 2013 (Coldwell Banker report), based on 12 investments with a total gross asset value of $3.1 billion. Five key assets make up over 90% of the share of the asset book. Laith 1, in Makkah, is a commercial property leased out until 2028 and the other main properties are undeveloped land plots in Jeddah, Makkah and a leasehold investment in Madinah. MMCI has obtained the majority of its investments via asset exchanges with related parties.

Laith 1, as noted above, is the only developed and revenue-generating asset. It generates an annual rental income of circa $33 million, increasing at 5% per annum. The lease is subject to five-yearly reviews and we would expect an increase in the rental basis in 2016, when the next review will occur. The intention is either to develop the other sites or to lease them with value added to other developers, MMCI having serviced the land ready for construction. Work has already been undertaken in some cases with regard to planning, design and permitting.

The effective holdings in the key sites at Makkah and Jeddah range from 25% to 99.5% (see above). Substantially all of the revenue of MMH and its associate, MMCI, is derived from KSA. Revenue at MMCI for the year ended December 2012 was $44.65 million and net profit was $232.8 million, mainly driven by revaluations.

The outlook for the real estate market in KSA is positive, particularly so in Makkah and Madinah. The Company has been working with MMCI since 2011, to develop a number of real estate projects in

KSA to increase the potential for profit generation from the asset base. The Company also has income from its advisory and consultancy services to MMCI.

The strategy is to develop a diverse portfolio of assets in real estate (cash generating and capital appreciating) and to look at acquisition opportunities in KSA to expand and diversify the investments. Some assets will be developed and some may be sold. The Company is also evaluating a third methodology for specific freeholds in Makkah, namely that of improving the sites by installing infrastructure (services, vehicular access) and leasing them as serviced land to third party developers, who would construct on them. This would have an effect of de-risking these assets by reducing the capital commitment required from the Company and bringing forward the point at which they became cash-generative, while the freeholds would be retained and be available for future sale.

The initial emphasis will be on hotels, then malls. MMH may also look at higher-value housing projects on some of its sites. Financing has been structured for one planned development (Al Emtiyaz project), which is a small, commercial development in the Eastern Province. This project is a lease held by MMCI and is accordingly not featured in the table of freehold projects above.

Among the leading projects are:

- The project at Rae Zakher already has infrastructure permitting in place; it may be developed for mixed use, including hotel, leisure and residential facilities.
- Al Resala envisages a five star hotel and retail mall, the cost of which is estimated to be $172 million, and serviced land plots. This is based on a 770,000m^2 leasehold plot in Madinah.
- Jabal Al Noor (Mountain of Light) which could include:
    - 4 star hotel
    - Hospitality area, which could include a cable car service to the cave at Ghar Hera Mountain, which has religious significance as the place where the Prophet Mohammad (pbuh) meditated.
    - Retail mall
    - Serviced land plot

We noted earlier that MMCI acquired a further stake in the Jabal Al Noor project, increasing its interest from 49.5% to 99.5%. This reflects confidence in the project and gives MMCI control over the development. The project at Jabal Al Noor owns a land plot with an area of 128,000m^2, at the foot of Ghar Hera Mountain.

Financing can be concluded and work on the project mobilised once relevant permitting has been obtained. The Company estimates that the total construction costs of Jabal Al Noor could be around $160 million. All three projects have attractive, forecast IRRs (19-24%). Overall, MMCI could seek up to $600million of investment financing over the next five years for these projects, split between loan capital and equity.

Drivers of Growth

KSA is the birthplace of Islam and home to Islam's two holiest cities: Makkah and Madinah. The Holy cities are key religious and tourist destinations and numbers are rising. The pilgrimages to the two cities are the Hajj and Umrah.

The Hajj is one of the Five Pillars of Islam and occurs annually, 70 days following the end of the Holy Month of Ramadan. Known as the "great pilgrimage", its performance is a duty imposed on all able-bodied Muslims at least once in a lifetime. Most Hajj pilgrims choose to include in their pilgrimage the city of Madinah and the Al-Masjid al-Nabawi (Mosque of the Prophet), which contains Mohammad's (pbuh) tomb and Riyad al-Jannah (Garden of Paradise). It is also usual for them to pay respects at to the graves of Mohammad's (pbuh) companions, Ummahāt ul-Muminīn and Ahl al-Bayt, in Al-Baqi'. The Quba Mosque and Masjid al-Qiblatain are also usually visited.

The Umrah is a pilgrimage performed by Muslims that may be undertaken at any time of the year. It is sometimes called the "minor pilgrimage" or "lesser pilgrimage". The Umrah is not compulsory for believers but is highly recommended; it is certainly popular. The Arab News' website reports that KSA is expecting more than six million Umrah pilgrims this year alone. Makkah is a city of approximately two million permanent residents so this is a significant visitor number.

Limits imposed on maximum numbers have related to the building works near the Grand Mosque, or owing to health and safety considerations. The government can effectively control visitor numbers via the issuance or withholding of visas or domestic travel permits.

The aggregate number of visitors to the two cities is presently around 12 million annually and is expected to rise by 2025 to 17million. This presents a positive outlook for the real estate sector and supports rising, local land prices. Government investment in infrastructure is also supportive of rising land prices.

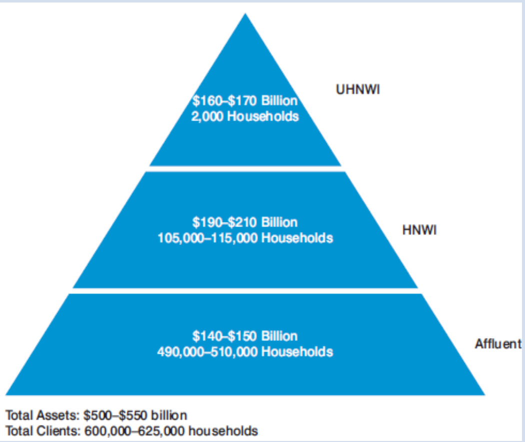
The expansion of the Grand Mosque and Haram districts in Makkah has put further pressure on hotel accommodation and housing. Leading hotel operating groups looking to expand their portfolio within KSA include Hilton, Intercontinental, Jumeirah and Starwood. Makkah has experienced a high level of infrastructure investment such as new railway and bridge projects, driven by the expansion of the Holy sites. It is estimated that the government will spend $16.5 billion to modernise Makkah's transport system.

Key drivers include the following:

- Modern communications and the advent of affordable, long-distance travel have meant that the Hajj has become accessible to more of the Islamic populace in recent years.
- The number of pilgrims performing the Hajj continues to rise. The 2011 figure was 2.9 million, an increase of 4.5% over 2010. The same is true of the Umrah pilgrimage to Makkah and Madinah; and the number of Muslims is growing globally.
- Population growth in KSA is over 2% per annum, which is causing demand for housing to outstrip supply. The level of home ownership is below 35% but is set to rise sharply as mortgage financing is introduced. There are moves to allow foreign lending institutions to provide mortgage financing.

- Makkah Province has over 25% of the total population of KSA, making it the most populous of the 13 provinces.
- Spending on religious tourism in the KSA this year is estimated to exceed SAR 60 billion (over $16 billion).
- GDP in KSA is growing strongly, helped by government spending. Growth was 6.5% in 2011.
- The government has established a Ministry of Housing and has allocated $66 billion for the construction of an additional 500,000 new homes. A new mortgage law has been established, which should help sustain the housing market's buoyancy. House prices, land values and rents are expected to rise further; and at above average rates in the main cities, including Makkah and Madinah.
- The new railway system linking the Holy cities will greatly facilitate increased numbers of pilgrims. Full completion is expected within two years. A local MTS to link the various pilgrimage points in Makkah is also being expanded, with the single, existing line inaugurated in 2010 being complemented by a further four MTS lines.
- A new, much larger airport with initial capacity for 30 million passengers annually, rising to 70-80 million by 2035, is being built at Jeddah which will increase the numbers of visitors/pilgrims able to be accommodated by the KSA. This is scheduled to open in 2015.
- Spending up to 2020 on infrastructure and education in KSA as a whole is expected by the Saudi Arabian General Investment Agency to top $500 billion.

The Saudi Population is Wealthy



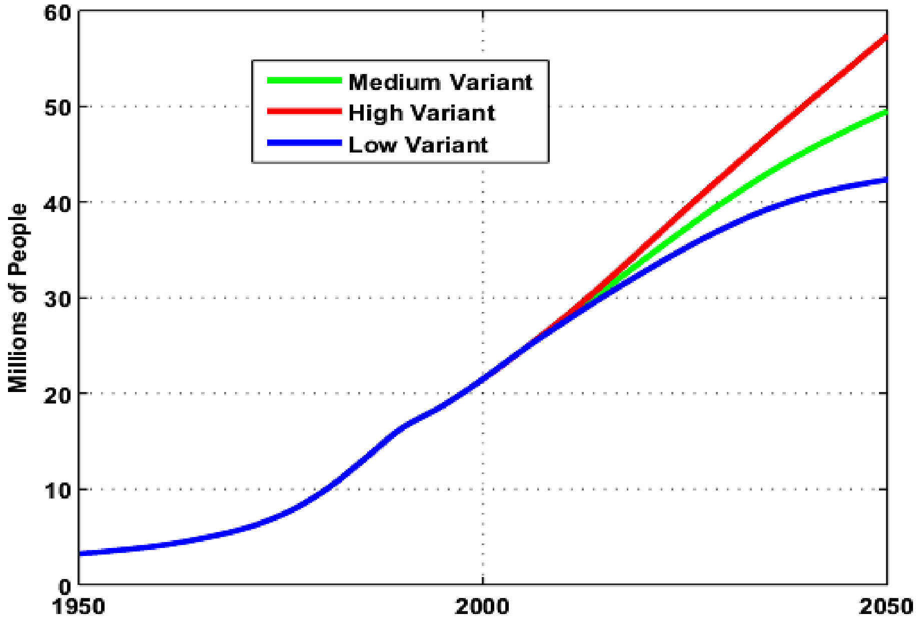
Source: Booz Consulting.

Anticipated Annual Growth

Anticipated Annual Growth by Sector	
Food	2.2%
Clothing and Footwear	3.5%
Housing and Energy	3.9%
Furnishings	3.6%
Healthcare	4.1%
Transportation	3.7%
Communication	2.8%
Recreation and Culture	4.1%
Education	3.0%
Restaurants and Hotels	4.3%

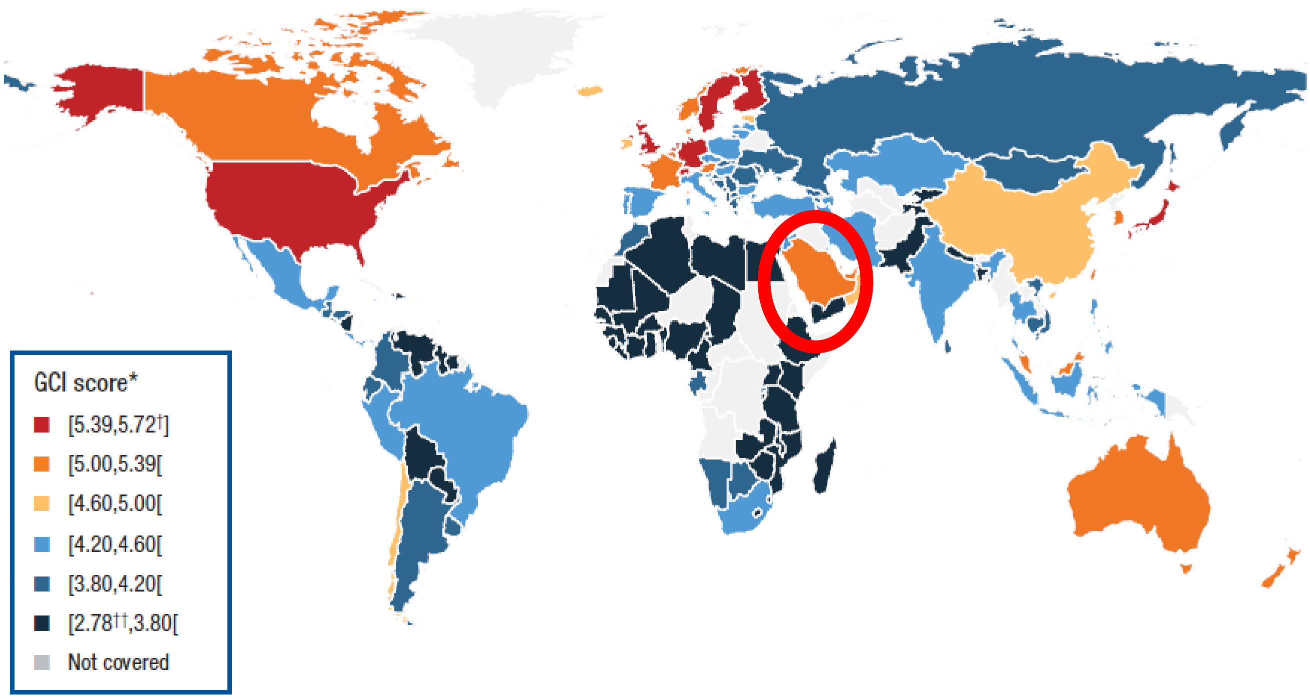
Source: HSBC.

Anticipated Population Growth



Source: United Nations Organisation

Global Competitiveness Index Heat Map



Source: World Economic Forum.

Directors

Dr. Noor Aldeen Subhi Ahmed Atatreh, Chairman

Dr. Noor Atatreh is the Chairman of MMH and a director of MMCI. Among other academic and business positions, Dr. Noor is the Chancellor of Al Ain University of Science and Technology in the UAE. Atatreh family interests presently hold approximately 21% of MMH.

Muin El-Saleh, CEO

Muin El-Saleh qualified as a civil engineer in the UK and has extensive experience in real estate both in KSA and internationally. In particular, he has experience in Makkah real estate and has worked closely with the management of MMCI on planning developments for a number of projects located in Makkah and Madinah. He also holds an MBA from Leicester University.

Iqbal Bangee, CFO

Iqbal Bangee is a Deloitte-trained chartered accountant, having qualified in the UK. He worked on the acquisition of the 34.12% stake in MMCI. He served as a non-executive director of MMH from 2011 before becoming the CFO in 2013. He has over 20 years' experience in the commercial and financial sectors in KSA.

The CEO and CFO are based at MMH's corporate HQ in Dubai, UAE.

Dr. Abdulaziz Fahad Alongary, Non-Executive Director

Dr. Abdulaziz is a Saudi national and a director of MMCI. He began his business career with the Saudi Arabian Monetary Agency in 1991 and has broad experience of the real estate, financial and commercial sectors. He has since been consultant to UK Land & Investment Company, BNP Paribas Bank (Suisse), Century 21 Company, Al Salam Group and Rotana Group. Dr. Abdulaziz serves and has served on the Boards of several real estate companies in the Gulf region, including in the UAE and KSA; he has sat on the Board of MMH since its flotation.

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

Mr. Abdulla bin Brook has been a director of the Company since its flotation in 2011. He is also a director of MMCI. He is the owner and CEO of ABBCo Facilities Management Services LLC and the Chairman and a co-owner of Bonyan International Investments Group (Holding) LLC ("Bonyan") in the UAE. In addition to identifying, acquiring, financing and developing successfully numerous real property assets on behalf of Bonyan, Mr. Abdulla bin Brook has also provided civic service to the Government Lands Department and the Department of Civil Service of the UAE.

Financials

There are 1.268 billion shares in issue which, at the current mid-price, gives a market capitalisation of £50.7 million.

MMH currently has no short- or long-term debt. MMCI's cash position as at end-June 2013 was $59 million. That company has no borrowings on its land and property assets, which gives major scope for future financing. Looking ahead, we expect MMCI to consider a mixture of equity financing and Shari'ah-compliant debt at the individual project level. Project level equity could be sourced from MMCI's internally-generated resources.

Laith 1 provides an annual rental income of circa $33 million, growing with a contractual, annual 5% increase until 2028; with five-yearly rent reviews.

MMH's dividend policy is presently constrained by the profits' distribution policy of MMCI, which has to date deployed its cash to grow the business and the asset value. MMCI may adopt a different dividend policy as its cash-flow increases; or should MMH at a future date increase its interest in MMCI.

Conclusions

- Investment thesis driven by strong economic fundamentals.
- Both oil wealth and the need to invest in development should see the Saudi economy continue to grow for the foreseeable future.
- Demographics are also favourable over the mid- and long-terms.
- Long- term stability also key to fostering a strong business environment.
- Islam is the fastest growing religion in the world, owing mainly to demographics; every Muslim is obliged to perform the Hajj at least once in their lifetime.
- Visa restrictions and the ability of the Holy cities to deal with the sheer numbers actually restrict the number of pilgrims. The Company is perfectly placed to benefit from these restrictions being eased as Makkah becomes more developed.
- The Company also has a unique selling point: it is, as far as we are aware, the only way international investors can acquire exposure to what is a tightly-regulated property market.

Financials

MMH Profit and Loss

USD	6 months to 30 June 2012[A]	Year ended 31 Dec 2012[A]	6 months to 30 June 2013[A]	12 months to Dec 2013[F]
Revenue	**919,619**	**1,948,229**	**1,089,918[4]**	**2,289,918**
Change in fair value of investment property	1,994,942	1,994,942	-	-
Employee costs	-252,164	-682,137	-467,510	-950,000
Share based payment expense		-683,675	683,675	683,675
Other operating expenses	-307,544	-853,868	-295,596	-600,000
Professional fees and expenses	-562,828	-2,102,388	-898,681	-1,200,000
Depreciation		-1,951	-3,754	-7,500
Impairment of AFS assets	-123,257	-123,257	-	-
Operating loss/profit	**1,668,768**	**-504,105**	**108,052**	**216,093**
Share of profit from associate	**453,465**	**29,867,629**	**16,342,917[2]**	**32,077,000**
Finance income/expense	-1,430	-18,044	-	-
Loss/profit for the period	**2,120,803**	**29,345,480**	**16,450,969[1, 3]**	**32,293,093**
Other income				
Share of fair value change of associates		10,487,840	2,552,131	1,911,000
Recycle of prior period losses	**123,257**	**123,257**	**-**	**-**
Available for sale investment	-	-	-	-
Total comprehensive income	**2,244,060**	**39,956,577**	**19,003,100**	**34,204,093**
EPS basic and diluted (p)	**0.002**	**0.023**	**0.013[5]**	**0.025[6]**

Notes to 30 June 2013 results

1. Net profit for H1 to end June 2013 was $16.45m primarily from the share of profit from the associate MMCI in investment properties. The profits of MMCI were mainly derived from a lease property and fair value changes in investment properties

2. The main component of the share of profit from associate was negative goodwill and gain on equity $7.07m and fair value change in value of investment properties and available for sale investment ($8.86million)

3. In the previous H1 MMCI was included for around one month

4. Revenue was mainly derived from real estate advisory and consultancy services to MMCI

5. Weighted average no. of shares in issue 1,267,649,125

Note to forecast to 31 Dec. 2013

6. Assumes weighted average no. of shares at 31-12-2013 to be 1,268,049,125(current no. of shares in issue)

A = Actual
F = Forecast

Source: MMH

MMH Balance Sheet

USD	6 months to 30 June 2012	Year ended 31 Dec 2012	6 months to 30 June 2013
ASSETS			
Non-current assets			
Investments in associates	400,453,465	440,355,469	459,250,517
Property, plant, equipment	1,306	30,597	27,853
	400,454,771	440,386,066	459,278,370
Current assets			
Trade and other receivables	475,837	631,471	261,053
Cash	1,047,980	460,934	339,310
Prepayments and other receivables	158,575	797,336	771,080
	1,682,392	1,889,741	1,371,443
Total assets	**402,137,163**	**442,275,807**	**460,649,813**
EQUITY			
Share capital	10,210,843	10,220,614	10,220,614
Share premium	394,835,588	395,001,706	395,001,706
Reverse acquisition reserve	1,636,894	1,636,894	1,636,894
Retained earnings(losses)	-5,286,358	23,057,946	38,825,240
AFS financial assets reserve		10,487,840	13,039,971
	401,396,967	440,405,000	458,724,425
LIABILITIES			
Non-current liabilities			
Current liabilities			
Trade and other payables	740,196	1,870,807	1,925,388
Total liabilities	**740,196**	**1,870,807**	**1,925,388**
TOTAL EQUITY AND LIBILITIES	**402,137,163**	**442,275,807**	**460,649,813**

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

2. As at May 2012 the fair value of the 34.12% interest in MMCI was $400m. As at end June 2013 the carrying value of the investment was $459.3m

Source: MMH

MMH Cash Flow

USD	6 months to 30 June 2012	Year ended 31 Dec 2012	6 months to 30 June 2013
Profit for the period	**2,120,803**	**29,345,480**	**16,450,969**
Adjustments for non-cash items			
Share of profit from associate	-453,465	-29,867,629	-16,342,917
Change in fair value of investment property	-1,994,942	-1,994,942	
Impairment of AFS assets	123,257	123,257	
Depreciation		1,951	3,754
Fees settled by shares		175,889	
Share based payment expense		683,675	-683,675
Working Capital			
Trade and other receivables	-633,421	-1,300,363	396,673
Trade and other payables	202,242	1,205,400	54,581
Cash from operations	**-635,526**	**-1,627,282**	**-120,615**
Cash flows from investing activities			
Purchase of property, plant, equipment	-1,306	-32,548	-1,009
Net cash used in investing activities	**-1,306**	**-32,548**	**-1,009**
Cash flows from financing			
Capital contribution	1,267,029	1,702,981	
Cash generated from financing	**1,267,029**	**1,702,981**	
Net increase/decrease in cash and cash equivalents	**630,197**	**43,151**	**-121,624**
Cash at beginning period	417,783	417,783	460,934
Cash at end period	**1,047,980**	**460,934**	**339,310**

1. MMH had no borrowings as at end June 2013

2. The net cash outflow from operating activities was mainly linked to advisory fees

Source: MMH

MMCI Profit & Loss

MMCI USD ,000s	12 months to Dec 2010[A1]	12 months to Dec 2011[A1]	12 months to Dec2012[A1]	12 months to Dec 2013[E]
Revenue	_	46,235	46,652	46,405
Operating expenses	-366	-2,471	-2,010	(2,235)
Profit on disposal of investment properties		122,666	8,895	-
Profit on disposal of investment in subsidiaries			1,568	-
Profit on disposal of investment in associates		63,941		-
Negative Goodwill				20,828
Gain on disposal of assets	28,987			-
Surplus on revaluation of properties	7,070	367,708	100,268	70,000
Share of profit(loss) from associates		-39	48,988	300
Profit before Zakat [2]	35,691	598,040	204,361	135,298
Zakat[2]	-715	-1,366	-2,205	-1,000
Profit for the year	34,976	596,674	202,156	134,298
Other income				
Fair value adjustments	7,741	46,446	30,737	8,000
Total income for the year	42,717	643,120	232,893	142,298

1. Audited accounts; figures re-stated in accordance with IFRS

2. Zakat is a mandatory levy for the benefit of charity

A = actual; E = MMH estimate

ADJUSTMENTS[1]	12 months to Dec 2010[A1]	12 months to Dec 2011[A1]	12 months to Dec2012[A1]	12 months to Dec 2013[E1]
Share of Net profit attributable to:				
- Non-controlling interest	-	181,736	70,617	42,690
- MMCI shareholders	34,976	414,938	131,539	91,609
Shares in issue	200,000	200,000	200,000	200,000
Adjusted EPS	0.1749	2.0747	0.6577	0.4580

1. Other than 2012, where the adjustments were audited by MMH's auditors, BDO LLP, these are MMH's internal calculations

A = actual; E = MMH estimate

Source: MMH

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