

**Tejoori Ltd**  
Investment Document Prepared by Ultra Frontier

ULTRA FRONTIER  
Office: +971 4 319 7853  
Fax: +971 4 387 3410  
Email: [info@ultrafrontier.com](mailto:info@ultrafrontier.com)

Emirates Towers, Level 41  
Sheikh Zayed Road  
P.O.Box 31303 Dubai  
United Arab Emirates



### ***Investment Summary***

*There are several factors that make from Tejoori Limited an attractive investment. First of all, the company has a healthy balance sheet with a good cash balance. The company was able to reduce its liabilities had successfully entered into settlement agreements to cancel the sale and purchase agreements with regards to its investment in the Lagoons Plots Development in Dubai. At the same time Tejoori also entered into an agreement to acquire 3 replacement plots of land in Dubai Land, namely the Arjan Plots. Tejoori in February 2014 and the Group does not hold any further liability towards the acquisition of the Arjan Plots. Having a balance sheet free of debt is an attractive attribute that would allow the company to use its cash flows for growth investment opportunities rather than servicing debt. Moreover, the company saw an increase in its sales and revenue profit and had a ROA of 16.58% which was superior to the industry and the sector. The true value of the company resides in its assets. The company did not propose a dividend for the year and said it is confident for the upcoming year as the Dubai Expo 2020 will give a positive boost to local property markets. Tejoori Ltd, which has not traded on the London exchange since July has a share price of \$0.185. Valuation metrics revealed that the company is cheaper and undervalued compared to the industry and sector. The Tangible book value per share gave a value of \$ 0.94/share and the Intrinsic Value (DCF Projected) yielded a value of \$0.75/share.*

## **I) Company overview**

Tejoori Limited is a self-managed investment company. The Company invests in ethical and Sharia compliant ventures worldwide. Currently a limited liability investment company registered in the British Islands, Tejoori is Headquartered in Dubai, UAE.

Islamic finance is not new, but Tejoori is applying its principles in a distinct way. Traditionally, Islamic investment opportunities have been focused on the real estate and environmental technologies. Tejoori, as it is not limited by a specific geographical region or sector, actively seeks opportunities in other sectors such as healthcare, investments in the more established and traditional industries automotive, intellectual and financial services.

Tejoori has been created to take advantage of the large and growing number of investors demanding ethical and Shari'a-compliant investment vehicles. On the one hand, there are significant pools of capital around the world that are continuously and increasingly looking for good Shari'a-compliant and ethical investment opportunities, both inside and outside the region. On the other hand, there is a shortage of ethical and Shari'a-compliant vehicles and, as a result, significant pools of capital have been under utilized

Tejoori has positioned itself strategically to capture this significant global opportunity and, as importantly, to attract capital from outside the GCC to take advantage of the fantastic investment opportunities provided by global economy

## **II) Financial Analysis**

### ***1. Financial Performance during the Period***

Tejoori Ltd had good financial results and performance over the past year. To start with, sales grew by 43.99% in comparison to the same quarter in the previous year. The sales growth rate was superior to that of the industry (11.64%) and that of the sector (28.31%). The EPS(TTM) grew by 6.53% over the past year. Concerning the financial strength of Tejoori, the company has a current ratio of 5.8 to 1 which means that it has enough short term assets and is able to pay back its current obligations when they came due. Another plus for Tejoori is its clean balance sheet that is debt free which can be very beneficial for companies not having to worry about their earnings being constrained by debt servicing and principal payment. The cash flows could be used for growth investment opportunities.

In 2012, the company benefited from a reversal of impairment charges but was hit by a USD4.0 million impairment charge on its available-for-sale investments. Tejoori also increased its administrative expenses to USD593,613 from USD190,163, with the company's CEO salary payment for the period August 2010 until June 2013 accounting for USD325,262, making up the majority of its expenses. The company did not propose a dividend for the year and said it is confident for the upcoming year as the Dubai Expo 2020 will give a positive boost to local property markets. Tejoori, which has not traded on the London exchange since July has a share price of \$0.185.

As at 31 December 2013, the Company had cash available for investment of USD 4,058,090 (31 December 2012: USD 5,066,829). As at 31 December 2013, USD 4,047,684 of the cash available for investment was placed on short term wakala deposits which carry a profit rate of 5 per cent per annum. During the period under review Tejoori generated income of USD 219,746 from these wakala deposits (six months ended 31 December 2012: USD 55,394) and a net profit of USD 89,175 (six months ended 31 December 2012: net profit of USD 10,164).

The company is fairly profitable with a ROA of 16.58% compared to -66.9% for the industry and 3.34% for the sector. Tejoori Ltd had a ROE of 17.71% compared to 24.55% for the industry.

### ***2. Successful Reduction in Company's Liabilities***

As announced on 17 December 2012, Tejoori had successfully entered into settlement agreements to cancel the sale and purchase agreements with regards to its investment in the Lagoons Plots Development in Dubai. At the same time Tejoori also entered into an agreement to acquire 3 replacement plots of land in Dubai Land, namely the Arjan Plots. Under these arrangements, the final consideration payable by the Company was USD

1.92 million over a period of 18 months. The final payment of approximately USD 320,000 was paid by Tejoori in February 2014 and the Group does not hold any further liability towards the acquisition of the Arjan Plots. The title deed for the third Arjan Plot is expected to be granted in the Company's name shortly.

### 3. Future Strategy & Investments

With regards to the Arjan Plots, the Board is considering various strategic options for the investment is racould include the development of the plots with real estate developers in the UAE or selling them undeveloped to a third party. The Company also retains a 10.1 per cent. equity interest in the BEKON Group, a business focused on the development, construction, marketing and operation of biogas, energy and waste treatment plants.

## III) Valuation

| VALUATION RATIOS         |         |          |        |
|--------------------------|---------|----------|--------|
|                          | Company | Industry | Sector |
| P/E Ratio (TTM)          | 0.83    | 31.21    | 15     |
| Beta                     | 0.19    | 1.01     | 1.37   |
| Price to Sales (TTM)     | 0.73    | 34.78    | 5.16   |
| Price to Book (MRQ)      | 0.13    | 1.57     | 2.85   |
| Price to Cash Flow (TTM) | 0.83    | 29.04    | 12.99  |

Thomson Reuters

A first glance at the valuation ratios revealed that Tejoori is undervalued and cheaper compared to the industry and sector. All of the price multiples are low and bellow 1.0. A good method that has been used by value investors to find low priced stocks is the Price to Book. Tejoori has a P/B of 0.13 which is less than 1 (Company trading for less than its book value). Another good metric for stock valuation is the Price to Sales, the lower the ratio, the more attractive the investment. With a P/S multiple of 0.73 compared to 34.78 for the industry and 5.16 for the sector, Tejoori looks undervalued and having a low P/S ratio couple with no debt levels makes the company an even more attractive investment.

### Tangible Book Value per share \$0.94 (As of Dec. 2013)

A method of valuing a company on per-share basis is the TBVPS. It is calculated as the total tangible equity divided by Shares Outstanding. Total tangible equity is calculated as the total equity less preferred stock less intangibles. Tejoori Ltd's tangible book value per share in Dec. 2013 was \$0.94. Since intangibles such as goodwill cannot be sold when the company liquidates, tangible book value per share is considered more accurate in reflecting how much shareholders will receive when the company liquidates.

Tejoori Ltd's Tangible Book Value Per Share for the fiscal year that ended in Jun. 2013 is calculated as

$$\begin{aligned}
 \text{Tangible Book Value per Share} &= \text{Total Tangible Equity} / \text{Shares Outstanding} \\
 &= (\text{Total Equity} - \text{Preferred Stock} - \text{Intangibles}) / \text{Shares Outstanding} \\
 &= (26.059) - 0 - 0 / 27.71 \\
 &= \$0.94/\text{share}
 \end{aligned}$$

## Tejoori Ltd (LSE:TJI) Intrinsic Value (DCF Projected) \$0.75

Since the intrinsic value calculations based on Discounted Cash Flow Intrinsic Value (DCF), or Discounted Earnings (DCE) Intrinsic Value (DE) cannot be applied to companies without consistent revenue and earnings, the following formula was developed based on **normalized Discounted Cash Flow and Book Value of the company**.

### THE FORMULA

Based on the 6 year free cash flow average, total equity and free cash flow growth assumptions, the following formula is applied

$$\text{Value} = (\text{Growth Multiple}) * \text{FCF}_{(6 \text{ year avg})} + 0.8 * \text{Total Equity}_{(\text{most recent})}$$

It uses a 6 year average of Free Cash Flow. The reason for this is to smooth the peaks and valleys that can occur in any single year of reported data. This average acts as a way to normalize the FCF data.

As of (8/20/2014), Tejoori Ltd's DCF projected intrinsic value is **\$0.75**. The stock price of Tejoori Ltd is **\$0.185**.

$$\text{Value} = ((\text{Growth Multiple}) * \text{Free Cash Flow}(6 \text{ year avg}) + 0.8 * \text{Total Equity}(\text{most recent})) / \text{Shares Outstanding}$$

Here Tejoori Ltd's FCF(6 year avg) is calculate as

### Tejoori Ltd Annual Data

|           | 2008  | 2009 | 2010  | 2011  | 2012 |
|-----------|-------|------|-------|-------|------|
| Total FCF | -2.34 | 7.77 | -2.35 | -2.86 | 1.50 |

The average of the last 6 year FCF is 0.01

Tejoori Ltd's DCF Projected Intrinsic Value is calculated as

$$\begin{aligned} \text{Intrinsic Value} &= (\text{Growth Multiple} * \text{Free Cash Flow}(6 \text{ year avg}) + \text{Total Equity}(\text{Jun13}) * 0.8) / \text{Shares Outstanding} \\ &= (9.52 * 0.01 + 25.97 * 0.8) / 27.709 \\ &= 0.75/\text{share} \end{aligned}$$

## Appendix

|                                      | Company        | Industry        | Sector        |
|--------------------------------------|----------------|-----------------|---------------|
| Sales (MRQ) vs Qtr. 1 Yr. Ago        | 43.99          | 11.64           | 28.31         |
| Sales (TTM) vs TTM 1 Yr. Ago         | 42.72          | 12.39           | 37.99         |
| Sales - 5 Yr. Growth Rate            | --             | 23.73           | 13.29         |
| EPS (MRQ) vs Qtr. 1 Yr. Ago          | 5.3            | 632.87          | 25.13         |
| EPS (TTM) vs TTM 1 Yr. Ago           | 6.53           | --              | --            |
| EPS - 5 Yr. Growth Rate              | --             | 0.28            | 25.3          |
| Capital Spending - 5 Yr. Growth Rate | --             | 42.56           | 23.04         |
|                                      | <b>Company</b> | <b>Industry</b> | <b>Sector</b> |
| Current Ratio (MRQ)                  | 5.8            | 28.73           | 2.48          |
| LT Debt to Equity (MRQ)              | 0              | 18.1            | 27.48         |
| Total Debt to Equity (MRQ)           | 0              | 19.89           | 42.47         |
| Interest Coverage (TTM)              | --             | 11.44           | 6.8           |
|                                      | <b>Company</b> | <b>Industry</b> | <b>Sector</b> |
| Return on Assets (TTM)               | 16.58          | -66.9           | 3.34          |
| Return on Assets - 5 Yr. Avg.        | -11.83         | 15.52           | 2.9           |
| Return on Investment (TTM)           | 17.71          | 19.98           | 0.86          |
| Return on Investment - 5 Yr. Avg.    | -12.65         | 11.84           | 0.74          |
| Return on Equity (TTM)               | 17.71          | 24.55           | 23.22         |
| Return on Equity - 5 Yr. Avg.        | -12.65         | 15.02           | 23.92         |

| Income Statement (\$ m)                | 30-Jun-13   | 30-Jun-12   | 30-Jun-11   | 30-Jun-10     | 30-Jun-09    |
|--|-------------|-------------|-------------|---------------|--------------|
| <b>Continuing Operations</b>           |             |             |             |               |              |
| Revenue                                | 0.00        | 0.00        | 0.00        | 0.00          | 0.00         |
| Operating Profit/(Loss)                | 4.16        | 3.91        | 0.36        | -15.62        | -8.50        |
| Net Interest                           | 0.00        | 0.00        | 0.00        | 0.00          | 0.00         |
| Profit Before Tax                      | 4.16        | 3.91        | 0.36        | -15.62        | -8.50        |
| Profit After Tax                       | 4.16        | 3.91        | 0.36        | -15.62        | -8.50        |
| <b>Discontinued Operations</b>         |             |             |             |               |              |
| Profit After Tax                       | 0.00        | 0.00        | 0.00        | 0.00          | 0.00         |
| <b>PROFIT FOR THE PERIOD</b>           | <b>4.16</b> | <b>3.91</b> | <b>0.36</b> | <b>-15.62</b> | <b>-8.50</b> |
| <b>Attributable to:</b>                |             |             |             |               |              |
| Minority Interests                     | 0.00        | 0.00        | 0.00        | 0.00          | 0.00         |
| Equity Holders of Parent Company       | 4.16        | 3.91        | 0.36        | -15.62        | -8.50        |
|  |             |             |             |               |              |
| <b>Continuing EPS</b>                  |             |             |             |               |              |
| Earnings per Share - Basic             | 15.00¢      | 14.10¢      | 1.31¢       | -56.00¢       | -31.00¢      |
| Earnings per Share - Diluted           | 15.00¢      | 14.10¢      | 1.20¢       | -51.00¢       | -28.00¢      |
| Earnings per Share - Adjusted          | 15.00¢      | 14.10¢      | 1.31¢       | -56.00¢       | -31.00¢      |
| <b>Continuing and Discontinued EPS</b> |             |             |             |               |              |
| Earnings per Share - Basic             | 15.00¢      | 14.10¢      | 1.31¢       | -56.00¢       | -31.00¢      |
| Earnings per Share - Diluted           | 15.00¢      | 14.10¢      | 1.20¢       | -51.00¢       | -28.00¢      |
| Earnings per Share - Adjusted          | 15.00¢      | 14.10¢      | 1.31¢       | -56.00¢       | -31.00¢      |
|  |             |             |             |               |              |
| Dividend per Share                     | 0.00¢       | 0.00¢       | 0.00¢       | 0.00¢         | 0.00¢        |
|  |             |             |             |               |              |
| Balance Sheet (\$ m)                   | 30-Jun-13   | 30-Jun-12   | 30-Jun-11   | 30-Jun-10     | 30-Jun-09    |
| <b>Assets</b>                          |             |             |             |               |              |
| <b>Non-Current Assets</b>              |             |             |             |               |              |
| Property, Plant & Equipment            | -15.07      | 0.00        | 0.00        | -4.38         | -15.92       |
| Intangible Assets                      | 0.00        | 0.00        | 0.00        | 0.00          | 0.00         |
| Investment Properties                  | 15.07       | 0.00        | 0.00        | 4.39          | 15.93        |
| Investments                            | 0.00        | 0.00        | 0.00        | 0.00          | 0.00         |
| Other Financial Assets                 | 0.00        | 0.00        | 0.00        | 0.00          | 0.00         |

| <b>Income Statement (\$ m)</b> | <b>30-Jun-13</b> | <b>30-Jun-12</b> | <b>30-Jun-11</b> | <b>30-Jun-10</b> | <b>30-Jun-09</b> |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| Other Non-Current Assets       | 0.00             | 0.00             | 0.00             | 0.00             | 0.00             |
|                                | <b>15.07</b>     | <b>0.00</b>      | <b>0.00</b>      | <b>4.39</b>      | <b>15.95</b>     |
| <b>Current Assets</b>          |                  |                  |                  |                  |                  |
| Inventories                    | 0.00             | 0.00             | 0.00             | 0.00             | 0.00             |
| Trade & Other Receivables      | 8.32             | 14.82            | 1.32             | 0.47             | 3.25             |
| Cash at Bank & in Hand         | 0.01             | 3.07             | 4.35             | 5.58             | 7.93             |
| Current Asset Investments      | 4.84             | 4.04             | 4.39             | 8.02             | 7.57             |
| Other Current Assets           | 0.00             | 0.00             | 8.02             | 0.00             | 0.00             |
|                                | <b>13.17</b>     | <b>21.93</b>     | <b>18.07</b>     | <b>14.07</b>     | <b>18.75</b>     |
| <b>Total Assets</b>            | <b>28.24</b>     | <b>21.93</b>     | <b>18.08</b>     | <b>18.46</b>     | <b>34.69</b>     |
| <b>Liabilities</b>             |                  |                  |                  |                  |                  |
| <b>Current Liabilities</b>     |                  |                  |                  |                  |                  |
| Borrowings                     | 0.00             | 0.00             | 0.00             | 0.00             | 0.00             |
| Other Current Liabilities      | -2.27            | -0.93            | -0.97            | -1.72            | -2.33            |
|                                | <b>-2.27</b>     | <b>-0.93</b>     | <b>-0.97</b>     | <b>-1.72</b>     | <b>-2.33</b>     |
| <b>Net Current Assets</b>      | <b>10.90</b>     | <b>21.01</b>     | <b>17.10</b>     | <b>12.35</b>     | <b>16.42</b>     |
| <b>Non-Current Liabilities</b> |                  |                  |                  |                  |                  |
| Borrowings                     | 0.00             | 0.00             | 0.00             | 0.00             | 0.00             |
| Provisions                     | 0.00             | 0.00             | 0.00             | 0.00             | 0.00             |
| Other Non-Current Liabilities  | 0.00             | 0.00             | 0.00             | 0.00             | 0.00             |
|                                | <b>0.00</b>      | <b>0.00</b>      | <b>0.00</b>      | <b>0.00</b>      | <b>0.00</b>      |
| Other Liabilities              | n/a              | n/a              | n/a              | n/a              | n/a              |
| <b>Total Liabilities</b>       | <b>-2.27</b>     | <b>-0.93</b>     | <b>-0.97</b>     | <b>-1.72</b>     | <b>-2.33</b>     |
| <b>Net Assets</b>              | <b>25.97</b>     | <b>21.01</b>     | <b>17.10</b>     | <b>16.74</b>     | <b>32.36</b>     |



| <b>Income Statement (\$ m)</b>  | <b>30-Jun-13</b> | <b>30-Jun-12</b> | <b>30-Jun-11</b> | <b>30-Jun-10</b> | <b>30-Jun-09</b> |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Capital &amp; Reserves</b>   |                  |                  |                  |                  |                  |
| Share Capital                   | 0.28             | 0.28             | 0.28             | 0.28             | 0.28             |
| Share Premium Account           | 41.29            | 41.29            | 41.29            | 41.29            | 41.29            |
| Other Reserves                  | 0.80             | 0.00             | 1.37             | 1.37             | 1.37             |
| Retained Earnings               | -16.39           | -20.55           | -25.83           | -26.19           | -10.57           |
| <b>Shareholders Funds</b>       | <b>25.97</b>     | <b>21.01</b>     | <b>17.10</b>     | <b>16.74</b>     | <b>32.36</b>     |
| Minority Interests/Other Equity | 0.00             | 0.00             | 0.00             | 0.00             | 0.00             |
| <b>Total Equity</b>             | <b>25.97</b>     | <b>21.01</b>     | <b>17.10</b>     | <b>16.74</b>     | <b>32.36</b>     |

| <b>Ratios - based on IFRS</b>        | <b>30-Jun-13</b> | <b>30-Jun-12</b> | <b>30-Jun-11</b> | <b>30-Jun-10</b> | <b>30-Jun-09</b> |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Continuing Operations</b>         |                  |                  |                  |                  |                  |
| PE Ratio - Adjusted                  | 0.03             | 0.04             | 0.52             | -0.02            | -0.03            |
| PEG - Adjusted                       | 0.00             | 0.00             | n/a              | n/a              | n/a              |
| Earnings per Share Growth - Adjusted | 6.38%            | 976.34%          | n/a              | n/a              | n/a              |
| Dividend Cover                       | n/a              | n/a              | n/a              | n/a              | n/a              |
| Revenue Per Share                    | 0.00¢            | 0.00¢            | 0.00¢            | 0.00¢            | 0.00¢            |
| Pre-Tax Profit per Share             | 15.01¢           | 14.09¢           | 1.31¢            | -56.39¢          | -30.68¢          |
| Operating Margin                     | n/a              | n/a              | n/a              | n/a              | n/a              |
| Return on Capital Employed           | 16.02%           | 18.59%           | 2.13%            | -93.33%          | -26.27%          |

|   |        |         |         |         |         |
|---|--------|---------|---------|---------|---------|
| <b>Continuing &amp; Discontinued Operations</b> |        |         |         |         |         |
| Dividend Yield                                  | 0.00%  | 0.00%   | 0.00%   | 0.00%   | 0.00%   |
| Dividend per Share Growth                       | n/a    | n/a     | n/a     | n/a     | n/a     |
| Net Asset Value per Share (exc. Intangibles)    | 93.72¢ | 75.82¢  | 61.73¢  | 60.41¢  | 116.80¢ |
| Net Gearing                                     | -0.05% | -14.62% | -25.43% | -33.31% | -24.49% |

London Stock Exchange