



FINANCIAL ADVISORY SERVICES

# Jannet Al Kamar, Comoros

January 2010

ADVISORY

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Vice President  
SCAC Inc.  
Massachusetts,  
USA

KPMG  
Beirut Central District  
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Lebanon

5 January 2009

Dear Sirs,

**Establishment of Jannet Al Kamar, Comoros**

In accordance with the terms of reference set out in our engagement letter dated 18 November 2009, we enclose our report on the feasibility study of the establishment of Jannet Al Kamar, Comoros.

Our report is for information of the addressees only and should not be quoted or referred to, in whole or in part, without our prior written consent, except as specifically provided in our engagement letter. The terms of reference for this report have been agreed by the addressees and we will not accept responsibility to any other party to whom the report may be shown or who may acquire a copy of the report.

Our report does not constitute investment advice. Any decision regarding whether or not to proceed with the proposed Hotel shall rest solely with the Client.

Yours faithfully



KPMG

# Important notice

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## Notice to the reader

- KPMG has been appointed to act as financial advisor to SCAS Inc ("The Company"). for a feasibility study exercise on the establishment of Jannet Al Kamar, Comoros.
- This report has been prepared in accordance with KPMG's terms of reference as set out in our engagement letter dated 18 November 2009. This report is prepared on the basis that it is for the Company's internal use only and that it will not otherwise be quoted or referred to, in whole or in part, without KPMG's prior written consent.
- Our work commenced on 11 December 2009, and was completed on 5 January 2010. We have not undertaken to update our report for events or circumstances arising after that date.
- The contents of the report may not be used for any other purpose without the prior written consent of KPMG.
- If this report is received by anyone other than our client, the recipient is placed on notice that the attached report has been prepared solely for our client for its own use and its contents are not to be shared with or disclosed to anyone by the recipient without the express written consent of the Company and KPMG.
- KPMG shall have no liability and shall pursue all available legal and equitable remedies against the recipient for the unauthorized use or distribution of this report.
- The financial forecasts and calculations are based on estimates provided to us by the Management, and the same has not been independently verified by us. In preparing this report, we have relied upon and assumed, without independent verification, the accuracy and completeness of any information available from public sources.
- KPMG, nor affiliated partnerships or bodies corporate, nor the directors, shareholders, managers, partners, employees or agents of any of them, makes any representation or warranty, expressed or implied, as to the accuracy, reasonableness or completeness of the information contained in the report. All such parties and entities expressly disclaim any and all liability for or based on or relating to any such information contained herein, or errors or omissions from this report or based on or relating to the use of this report.

# Important notice (cont'd)

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## Scope and limitations

- KPMG has carried out a desktop review of the information provided by Management in relation to the feasibility study exercise on the establishment of Jannet Al Kamar, Comoros. If there were any omissions, inaccuracies or misrepresentations of the information provided by Management, this may have a material effect on our findings.
- This report sets forth our analysis based on the facts and assumptions provided to KPMG. If any of the above foregoing is not entirely complete or accurate, it is imperative that we are informed immediately, as the inaccuracy or incompleteness could have a material effect on our conclusions.
- Our work did not constitute an audit of the information submitted by Management and accordingly we do not express any opinion on the same.
- Our report makes reference to “KPMG Analysis”; this indicates that we have (where specified) only undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.
- We must emphasize that the realization of the projections/forecasts set out within our report is dependent on the continuing validity of the assumptions on which they are based. The assumptions will need to be reviewed and revised to reflect such changes in trading patterns and cost structures as they emerge.
- Since the forecast relate to the future, actual results are likely to be different from the forecast results because events and circumstances frequently do not occur as expected, and the difference may be material.
- We have performed sensitivity analysis in order to measure the impact of variation in some key assumptions on financial indicators.

## Basis of information

In the preparation of this report, we have relied on the following information:

- Information provided by Management
- Meetings and discussions with Management
- Other publicly available information on Comoros Islands economy and the infrastructure sector in Comoros Islands

# Glossary of terms

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<b>BOT</b>	Build, Operate, Transfer
<b>Capex</b>	Capital Expenditure
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CGH</b>	Comoro Gulf Holding
<b>CMO</b>	Chief Managerial Officer
<b>COGS</b>	Cost Of Goods Sold
<b>EBIT</b>	Earnings Before Interest and Taxation
<b>EBITDA</b>	Earnings Before Interest, Taxation, Depreciation and Amortisation
<b>EU</b>	European Union
<b>FTE</b>	Full Time Employee
<b>GCC</b>	Gulf Cooperation Council
<b>HR</b>	Human Resource
<b>IMF</b>	International Monetary Fund
<b>IRR</b>	Internal Rate of Return
<b>JAK</b>	Jannet Al Kamar
<b>UAE</b>	United Arab Emirates
<b>UCEC</b>	United Company for Economical Citizenship
<b>VIP</b>	Very Important Person

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# Executive Summary

# The opportunity

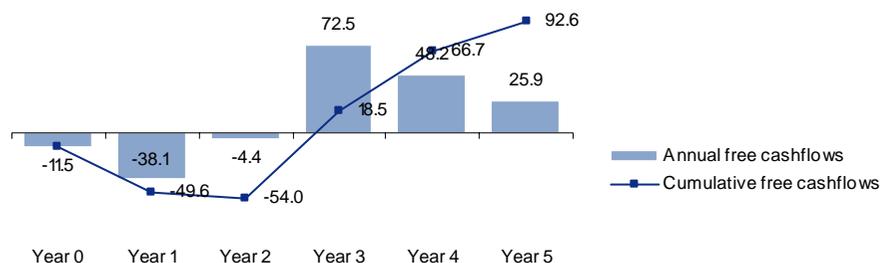
<b>Project overview</b>	<ul style="list-style-type: none"> <li>• Comoro Gulf secured a concession on a 1,000 hectare costal land around the Lac Sale area with a spectacular beachfront 20 km North of Moroni.</li> <li>• The land is foreseen for a mix-used development focusing mainly on setting up a tourism village known as the “Jannet Al Kamar (JAK)” Project</li> <li>• This touristic village will offer multiple services to its residents and visitors including malls, restaurants, entertainment and commercial spaces, as well as the necessary land and infrastructure to construct two hotels and spa resorts, and a number of villas, bungalows, and residential apartments designed to meet various demands.</li> <li>• The project will require developing both hard (superstructure) and soft infrastructure (facilities and outlets).</li> <li>• A mainly residential and tourism development project consisting of around 15,000 residential units along with service amenities described later</li> <li>• Sale and development of property would be conducted over a five-year period</li> <li>• Land offered as equity to the project at the price of €10 per sqm (i.e., €100,000 per hectare) totaling €100 million</li> <li>• Development cash requirement totaling €54 million part of which could be financed through debt (no debt assumption was factored into our forecast)</li> <li>• Value proposition related to amenities (i.e., school building, hospital, marina, green parks, golf course, horse farm, health clubs, private beaches) offered were assumed not to generate any revenues, but rather incurred as expense by the project as to make the development more attractive</li> <li>• Residential project IRR = 43.4% (no debt assumption)</li> <li>• Residential levered IRR = 73% (50% debt assumption)</li> <li>• Payback period for unlevered scenario: 3 years and 1 month</li> <li>• Payback period for 50% levered scenario: 3 years and 2 months</li> </ul>
<b>Heavy investment scenario</b>	<ul style="list-style-type: none"> <li>• In addition to the residential villas construction, two luxurious hotels will be build each having a capacity of 250 rooms. Hotels operations are assumed to be performed in-house as part of the whole project. Hotels construction is assumed to span over a period of 2 years. Revenues are assumed to be driven by room, food and beverage, and services charges. At cruse speed, each hotel will employ more than 250 employees. The two hotels will be located in the Lac Sale area.</li> <li>• Combining the two hotels and the residential area, project IRR = 31.3% with an initial capital of €247 million</li> </ul>
<b>Country overview</b>	<ul style="list-style-type: none"> <li>• Comoros Islands consist of four Islands: Mayotte, Njazidja, Nzwani, and Mwali as well as numerous coral reefs and islets. Mayotte is administered by France while the remaining three islands form the Republic of Union of the Comoros.</li> <li>• In September 1993 Comoros joined the Arab League as the 21st nation member of the League.</li> <li>• Comoros Islands were originally populated by immigrants from Africa, Indonesia, and Arabia, the islands were ceded to the French between 1841 and 1909. In 1974 the islands voted to become independent, except for Mayotte, which chose to remain under French control.</li> <li>• It is a poor nation opening up economically and is in need of foreign investment which could be well served by such a program.</li> </ul>

# Residential project's results

The Comoros Project appears to be very attractive with a 43.5% IRR and requiring € 53.9 million in initial capital

## JAK residential free cashflow

€ million



**Project IRR = 43.5%**  
**Project Cash requirement = €53.9 million**

## Sensitivity analysis

Scenario	Project*	
	IRR	Cash requirement (€ million)
Base case	43.50%	53.9
Type G payment schedule (1/3, 1/3, 1/3)**	40.80%	47.5
Type G payment schedule (25%, 25%, 50%)**	26.70%	130.4
10% increase in infrastructure cost (no change in absolute debt levels)	28.70%	69.9
5% increase in units capex (no change in absolute debt levels – no change in sales price)	23.50%	74.9
10% increase in units capex (no change in absolute debt levels – no change in sales price)	6.60%	95.9

\* Five-year valuation

\*\* Assumed constant leverage

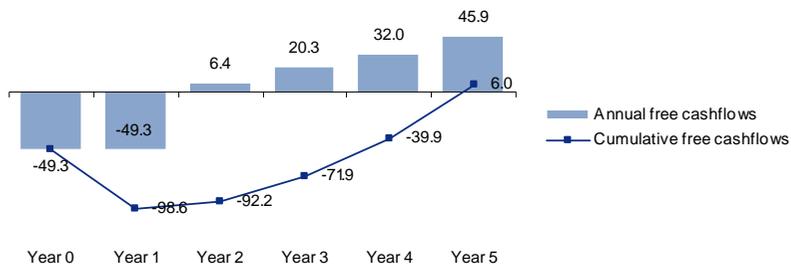
Source: SCAS

# Combined project's results (cont'd)

Finally, combining the two hotels and the residential area, JAK would realize a 31.3% IRR and would require €247 million in initial capital

**First Hotel free cashflow**

€ million

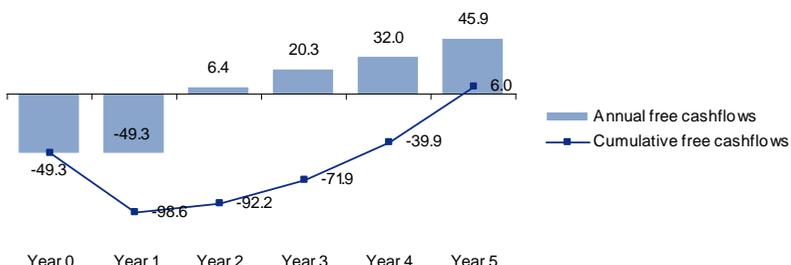


Source: CGH

**Project IRR = 31.3%**  
**Project Cash requirement = €247 million**

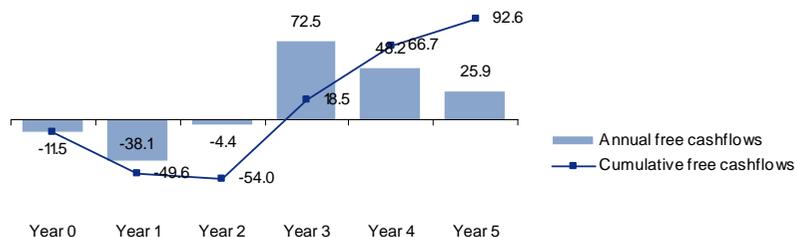
**Second Hotel free cashflow**

€ million



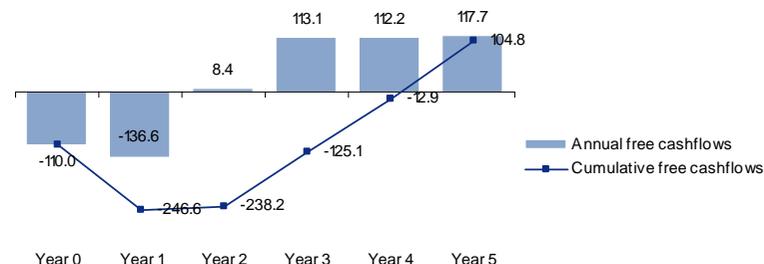
**JAK residential free cashflow**

€ million



**Total JAK project free cashflow**

€ million



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# The Market at a glance

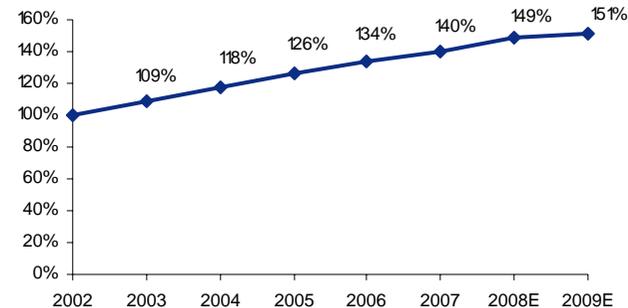
# Alternative investments

**The economic conjuncture, coupled with Arab skepticism of investing in the West, is pushing Arabs to look for alternative investments**

- The events of September 11 and the frequent freezing of assets of Arab residents in the West, has discouraged nationals from investing in the West but helped boost investments in the Arab world
- But with local stock markets lacking transparency and highly risky, many smaller investors have ended up burning their fingers. Many investors see the stock market as a way to make quick profits by gambling rather than a safe investment
  - Quoted from the 2009 IMF Economic Outlook Report “After a deep global recession, economic growth has turned positive, as wide-ranging public intervention has supported demand and lowered uncertainty and systemic risk in financial markets. Nonetheless, the recovery is expected to be slow, as financial systems remain impaired, support from public policies will gradually have to be withdrawn, and households in economies that suffered asset price busts will continue to rebuild savings.
- Therefore, residents are on the look out for additional safe investments with a promise of long-term return on investments

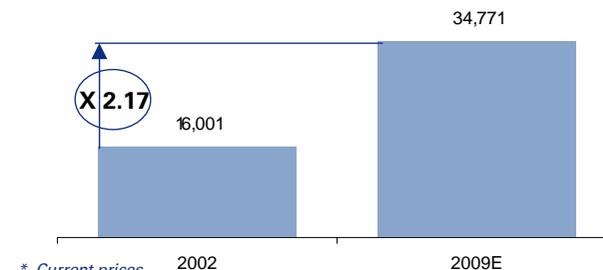
## Real GDP Growth Index in GCC Countries

Index: 2002 = 100%



Source: IMF

## GDP\* per capita in GCC Countries, USD



\* Current prices

Source: IMF

## Examples of Mega Real Estate developments

Real estate developments have been commonly used by poorer or developing countries in order to attract inward investments



### Morocco

- Project Name: Club Tamesloht Resort Maroc
- Main investors: Metropol Invest (Russia), and Strategic Partners (USA)
- Project Capital = €150 Million
- Around 280 hectares of residential development including hotels, golf course, etc.



### Senegal

- Project Name: Station de Saly
- Around 800 hectares
- Prices start from €96,000 per villa
- The development include 12 hotels, 800 Villas, mall, casino, golf course, etc.
- Plot sizes are around 500 m2



### Bahrain

- Project Name: Lulu Island
- Main Investor: Mouawad Group Real Estate Development Company
- Capital = USD1.25 Billion
- Mainly Residential Project
- Free-hold facility to Non-Bahrainis



### Mauritius

- Project Name: Domaine de Bel Ombre Estate
- Around 210 hectares
- Project includes golf course, hotel resort, etc.
- Includes 300 residential villas with plot sizes between 500 and 2,500 m2

## Benefits of Economic Citizenship program

Other countries have used economic citizenship as an added source for government revenues



### Dominica

- Citizenship for Life- for applicant and eligible family members.
- Passports with 10 year validity for adults and 5 year validity for children under 16 years of age
- Visa-Free travel- to approximately 80 countries including Switzerland, Canada, Schengen Visa countries of Europe and most British Commonwealth member countries
- Fees are USD125,000 for a family and USD100,000 for a single applicant



### Saint Kitts and Nevis

- Citizenship for Life- for applicant and eligible family members.
- Passports with 10 year validity for adults and 5 year validity for children under 16 years of age
- Visa-Free travel- to approximately 80 countries including Switzerland, Canada, Schengen Visa countries of Europe and most British Commonwealth member countries
- Fees are USD97,000 for a family of 5 and USD37,000 for a single applicant. In addition, the government requires that applicants invest USD250,000 in real estate in the country

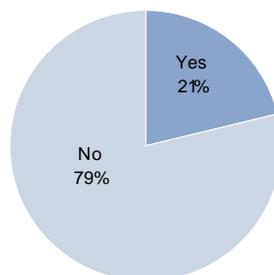
### AAA and Other countries

- Other countries also offer economic citizenship program for a high fee. However, governments do not make this information public
- There are a number of international consulting and legal agencies who specialize in obtaining such nationalities for their clients
- Fees for AAA countries nationalities with EU residency capability could run in the hundreds of thousands of dollars in fees and could be obtained within months rather than year

# Acquiring Economic Citizenship

Economic citizenship is not a new concept; by itself, it has number of benefits for people that seek to acquire it – In fact, 21% of Arab citizens claim to have already applied or are applying for a foreign citizenship

Ratio of Arabs surveyed who already applied or are considering applying to a foreign citizenship



Source: Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and consultancy; SCAS research

## Typical reasons for acquiring Economic Citizenship

- Solidification of a claim of domicile of choice (e.g., Americans and others who are subject to steep estate taxes) as part of an expatriation tax plan.
- Acquisition of an insurance policy in times of political strife (e.g., ethnic Chinese in Indonesia, Palestinians, Kurds, Bidoon, Gulf Arabs).
- Acquisition of an insurance policy in times of personal strife (e.g., potential plaintiffs who could have their passports seized during civil litigation).
- As a privacy tool or to do business without the burden of their current nationality (e.g., American citizens who wish to establish certain offshore entities or invest in non-SEC approved securities, American citizens who wish to avoid taxes on income earned on foreign/offshore investments).
- To acquire a better travel document (e.g., third world nationals who travel in the first world for business).
- Ensuring the ability to work, do business, buy property or settle in a country and invest in the foreign stock markets or mutual funds without restriction or hindrance.

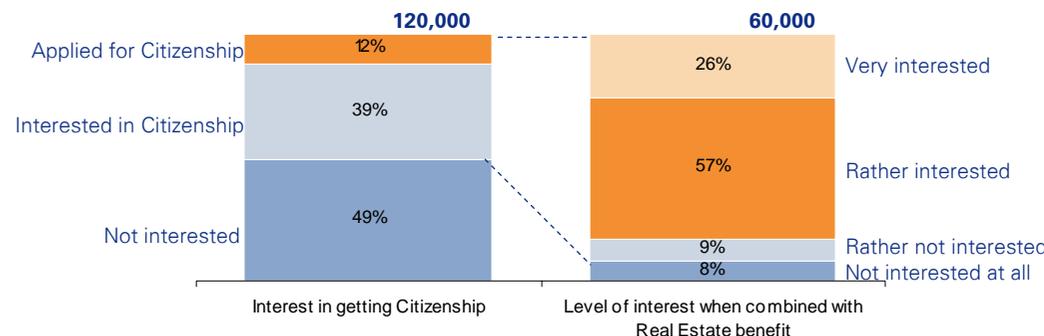
# Bidoon overview

**In the Arab world, the problem of Bidoon is widespread and governments have been seeking to legalize their conditions**

- Bidoon is an abbreviation used for the term 'Bidoon jinsiya' meaning "without nationality" and refers to stateless people of certain Bedouin tribes in existence around the GCC countries
- Many Bidoon have lived in countries their entire lives, but are not entitled to full citizenship rights of their country
- Children born to mothers who are widows or divorcees of Bidoon men, are not accorded citizenship
- To regularize their status, many Bidoon try and obtain foreign passports, often being scammed with forged documents instead
- Estimates put the number of stateless Bidoons in Kuwait between 110,000 and 120,000
- The UAE also has a population of a roughly estimated 10,000 stateless Bidoon
- Although Saudi Arabia had around 70,000 Bidoons, Saudi authorities moved in 2004 to allow those who lived in Saudi Arabia for 10 years or more with a clean criminal record and able to support themselves financially to apply for Saudi citizenship

- Our recent survey in Kuwait and UAE indicates that 50% of Bidoons have been seeking a citizenship, and when linked to real estate, 85% of the ones seeking a foreign citizenship would be interested in this value proposition

**Interest level in seeking a foreign Nationality of Bidoons**  
January 2009



Source: Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and consultancy;

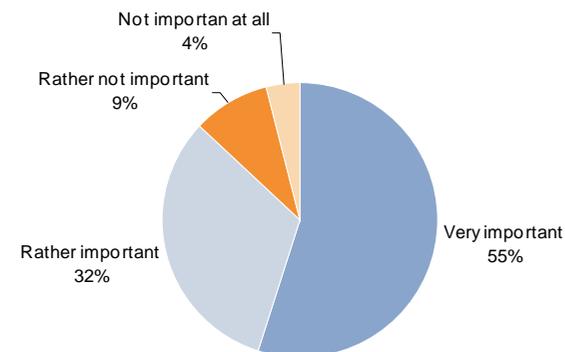
## Offering citizenship service via a reputable Arab corporation, gives Bidoons the trust they require to invest in such a program

- The problem of the Bidoons is considered a problem in their society, with Arab governments seeking ways to regularize their conditions
- For example, Kuwait had a number of offices that offered nationality and passport procurement services for third world countries (e.g., Bangladesh, Dominican, Belize...) for fees of around € 1,200 - 2,900. The same shops allegedly also offered citizenships for the same countries for around € 6,000
- Nevertheless, most of the countries on offer had no embassy presence in Kuwait, creating a serious impediment in dealing with the governmental agencies concerned in case of the renewal or amendment of official papers ( e.g., birth certificates, passports, etc.)
- Desperate residents looking to obtain nationalities at any cost were vulnerable for fraud and reported numerous fraudulent cases leading to the closure of all of citizenship offices in Kuwait. Today, every office offering such services would require a license issued by the government, but so far, none has been granted such a license in Kuwait

## Importance of a reputable Arab Company in Offering Citizenship for Real estate Investment

100% = 120,000 bidoons

January 2009



Source: Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and consultancy; SCAS research

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# Jannet Al Kamar

**To start with, a concession agreement for an 1,000-hectare costal land has been secured in Comoros Islands along with a deal on economic citizenship**

- COMOROGULF, a company incorporated in Comoros Islands was established in 2006 with the following shareholders:
  - Sheikh Sabah
  - Bashar Kiwan
  - Ahmed Baadarani
  - Turki Al Shabanah
  - Majd Suleiman
- COMOROGULF has secured a deal with the government of Comoros Islands that includes freehold concessions on a beautiful 1,000-hectare land located directly on the beach front.
- The deal would also provide for a minimum of 50,000 economic citizenships for life.



Source: Google Earth, COMOROGULF

Comoro Gulf Holding (CGH) secured a concession on a 1,000-hectare coastal land around the Lac Sale area with a spectacular beachfront 20 km North of Moroni

1<sup>er</sup> feuillet

Titre foncier n° 1081-DLA      Propriété dite : *Le Lac Sale*

Réquisition n° : 3531-DLA

La propriété :

Objet de présent titre figurant au livre foncier du district de

appartenant à <sup>(1)</sup> *La Société Comoro Gulf Holding*  
*ayant son siège à Hamramba - Moroni.*

En qualité de <sup>(2)</sup> *propriétaire*

En vertu d'un <sup>(3)</sup> *arrêt n° 07-113/MFBCD/CAB du 30/10/2007, d'une*  
*réquisition d'immatriculation n° 3531-DLA du 30 octobre 2007*  
*et d'une ordonnance n° 1 du 2-1-2008 du T P 2 de Moroni.*

Duplicata certifié conforme délivré à *M la Société Comoro Gulf Holding*  
*à Moroni.*

*à Moroni le 08/01/2008*

*[Signature]*  
Le conservateur  
Porteur du duplicata

(1) Nom, prénom, profession, domicile et tous autres indications prescrites par l'article 28 du décret N° 60 529 Du 28 décembre 1960

(2) En cas d'indivision entre plusieurs propriétaires, indiquer le part chacun.

(3) Désignation de la décision ordonnant l'immatriculation Ou des actes justifiant le morcellement ou la fusion.

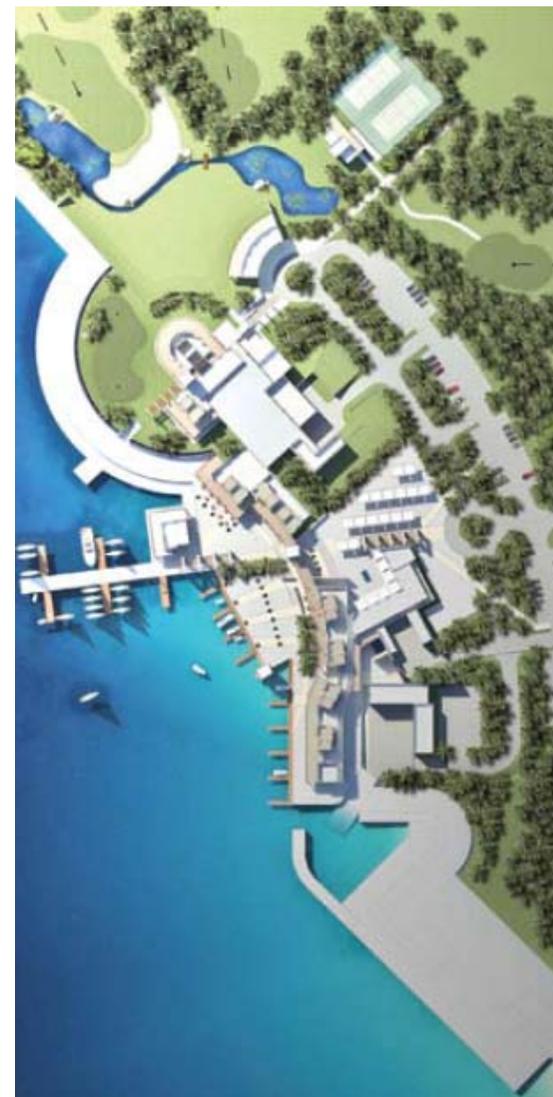


Source: Google Earth, COMOROGULF

## The land

**The land is foreseen for a mix-used development focusing mainly on setting up a tourism village known as the “Jannet Al Kamar (JAK)” Project**

- The land is annexed to the resort property under development that was purchased by Dubai World.
- The land is foreseen for a mix-used development focusing mainly on setting up a tourism village along with its amenities.
- The deal would also provide for a minimum of 50,000 economic citizenships for life



# A mix-used development

This touristic village will offer multiple services to its residents and visitors including malls, restaurants, entertainment and commercial spaces...  
  
...as well as the necessary land and infrastructure to construct two hotels and spa resorts...  
  
...and a number of villas, bungalows, and residential apartments designed to meet various demands



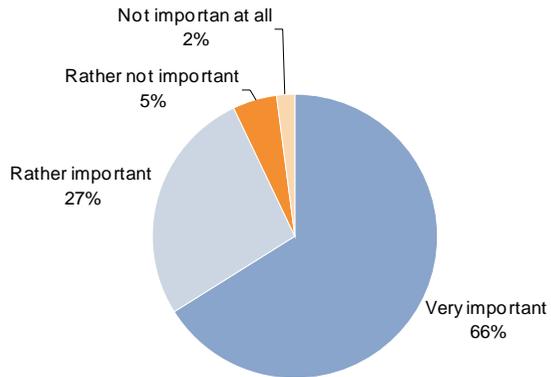
# An Arab and Muslim Country

**Comoros would be highly attractive for Arabs as being Arab and a Muslim country are key success factors of the concept**

**The Comoros Concept is appealing to the majority of Bidoons with respondents stating a number of reasons as positive factors of the concept, most notably the citizenship benefit**

## Importance of Comoros as a Muslim Country

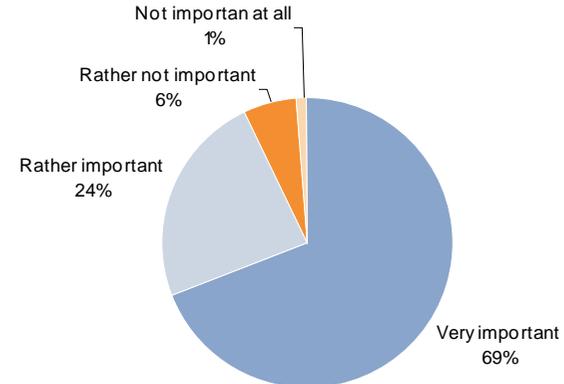
100% = 1.8 million Arabs  
January 2009



Source: Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and consultancy

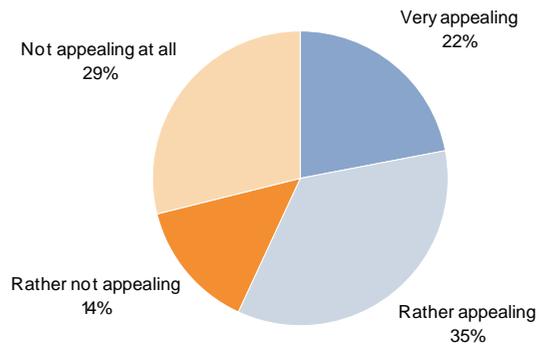
## Importance of Comoros as an Arab Country

100% = 1.8 million Arabs  
January 2009



## Interest level in the Comoros Concept

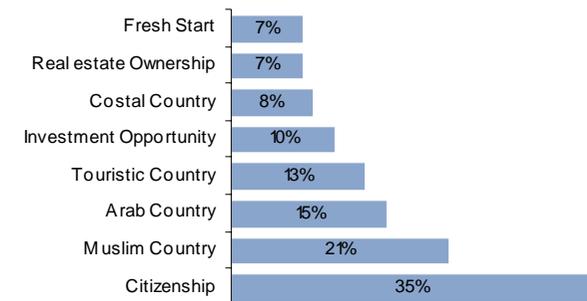
100% = 120,000 Bidoons  
January 2009



Source: Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and consultancy

## Stated Reasons why Concept is Appealing

% of Respondents  
January 2009



**The Union of the Comoros has recently overcome its political differences and is now under a stable democratically elected government**

**Comoros Islands is the 21st country to join the Arab League, with three of the original four islands comprising the union**

- Comoros Islands consist of three islands that became independent from France in 1975
- In 1999, after a series of mostly peaceful coups, military chief colonel AZALI seized power and pledged to resolve the secessionist crisis through a confederal arrangement
- In December 2001, 75% of voters overwhelmingly approved a decentralized constitution, mainly aimed at strengthening the Union by preventing Anjouan and Moheli to secede. Under the new constitution, the federal presidency rotates between the three islands on a four-year basis. Each island has its own president; the federal president has overall authority
- In the Spring of 2002, voters approved a new constitution and presidential elections took place. Now Comoros enjoys a peaceful democratically elected government. Assoumani's union government, which acts as the umbrella authority for the islands' administrations, has control of finances and the archipelago's security apparatus
- In May 2009, the Union of Comoros voted positively on a referendum, which changed the system to have one president, one Government and one parliament. The head of each island would become a governor. Under the new constitution, the government's term will be five years.

#### General facts and figures

Population	652,000
Capital	Moroni
Area	2,236 km <sup>2</sup>
Official language	Arabic
Major religion	Sunni Islam (98%)
Main exports	Vanilla, cloves, perfume oil
GDP per capita	USD 1,154 (PPP)
Coastline	340 km
Highest Point	Le Kartala, 2,36 km <sup>2</sup>

*Source: BBC News; CIA World Factbook; IMF; Ernst & Young Doing Business in Comoros*

- Comoros Islands consist of four Islands: Mayotte, Njazidja, Nzwani, and Mwali as well as numerous coral reefs and islets. Mayotte is administered by France while the remaining three islands form the Republic of Union of the Comoros.
- In September 1993 Comoros joined the Arab League as the 21st nation member of the League.
- Comoros Islands were originally populated by immigrants from Africa, Indonesia, and Arabia, the islands were ceded to the French between 1841 and 1909. In 1974 the islands voted to become independent, except for Mayotte, which chose to remain under French control.
- It is a poor nation opening up economically and is in need of foreign investment which could be well served by such a program.

# Quotes from popular websites

**Comoros Island has undeveloped picturesque landscape and beaches**

- “Potentially a holiday paradise with picture-postcard beaches” – BBC News
- “The Comoros islands are wrapped in a fragrant blend of ylang-ylang oil, Arabic aesthetics, African warmth and French chic. A magic realist couldn't dream up a better island heaven” – Lonely Planet
- “The islands' vegetation is rich and varied: 65% of the world's perfume essence comes from the Comoros, being processed from the blossoms of ylang-ylang, jasmine and orange” – World Travel Guide
- “Nature in the Comoros Islands conjures up images of peace: white beaches fringed by coconut palms, multi-colored tropical gardens, myriad shells and fish, bush babies and sea turtles” - Nationsonline



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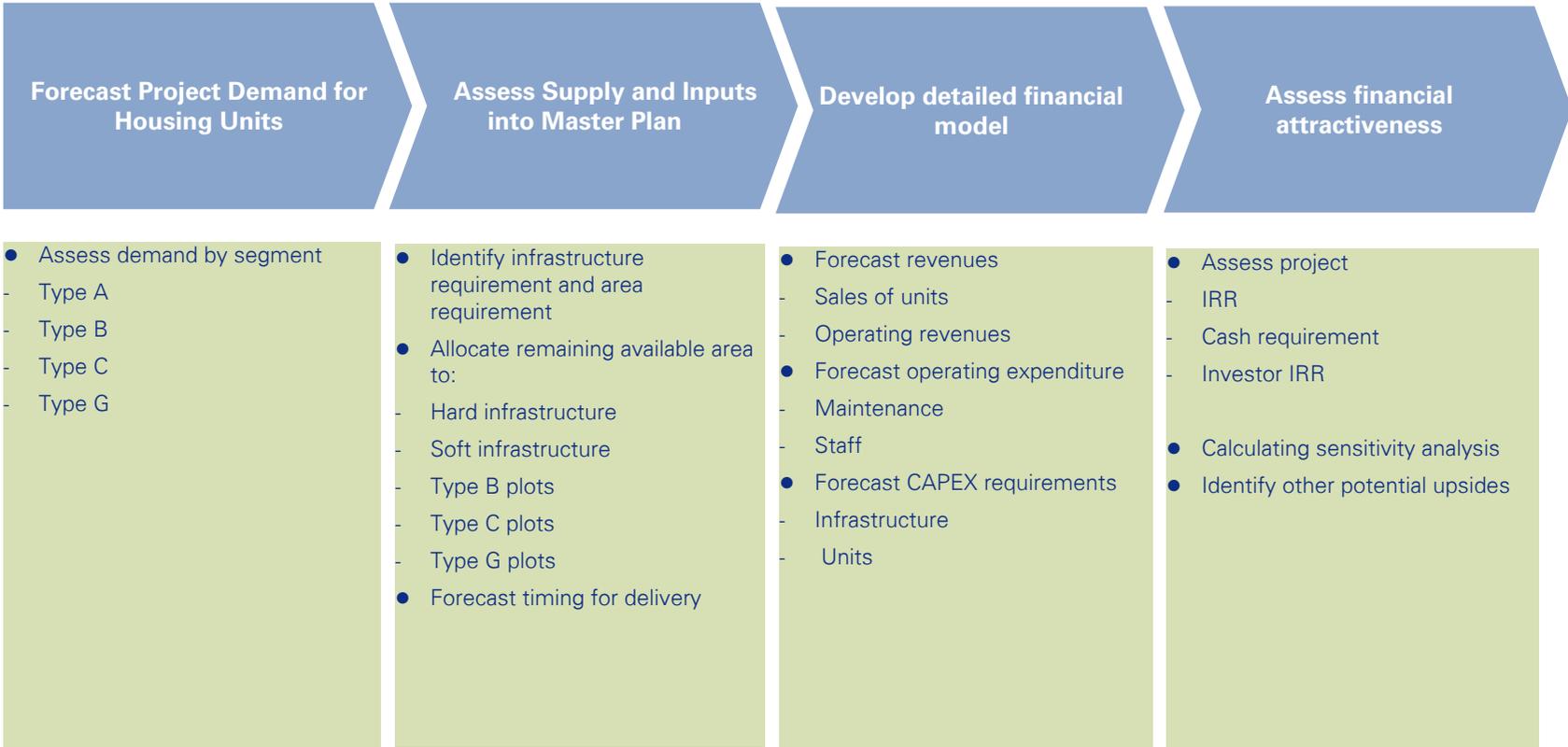
# Business Plan

**JAK scope would be limited to developing and to promoting/marketing the concession on the land in Comoros Islands**

- JAK revenues will be generated from
  - The sale of housing units to private households
  - Maintenance fees for the offered amenities
- In a conservative scenario, JAK will make both hard and soft infrastructure freely available to external operators who will take over operations and service provision
- The company will concentrate on developing and promoting the project and then will hand-over the residential development area to an operator, it will not be involved in running the project after completion and hand-over
- Funds raised will be dedicated to
  - Pre-operating expenditure
  - Developing the infrastructure for the project (water, electricity, communications)
  - Developing turnkey housing units

# Approach

In conducting the financial assessment of the Comoros Project, a four-step approach was adopted

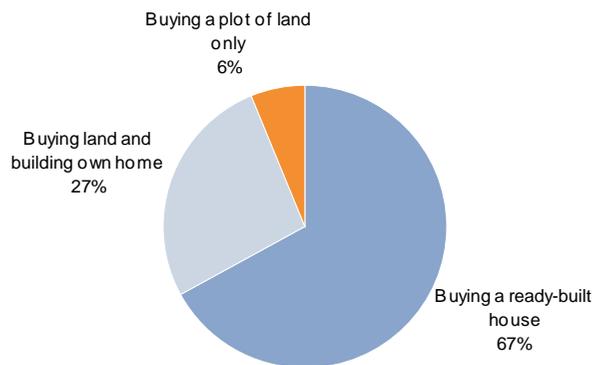


# Demand for real estate

**Demand for real estate in Comoros clearly favors turnkey solution for properties, with 68% of Bidoon likely buyers favoring such a solution**

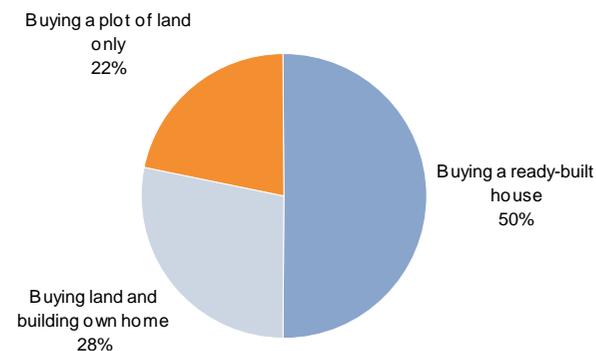
## Bidoon likely buyers purchasing preference

100% = 100,000 bidoons  
January 2009



## Arabs likely buyers in Kuwait purchasing preference

100% = 740,000 Arabs  
January 2009



Source: Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and consultancy

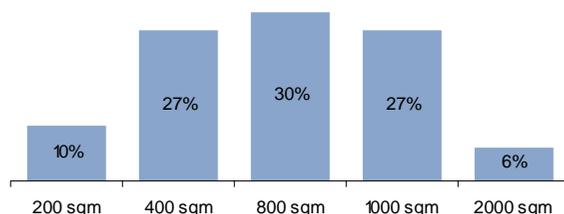
As such, in the demand forecast, only turn key housing units are considered

# Demand for real estate (cont'd)

Considering plot size and house size preference, turnkey offering would be split into four segments with different levels of requirement...

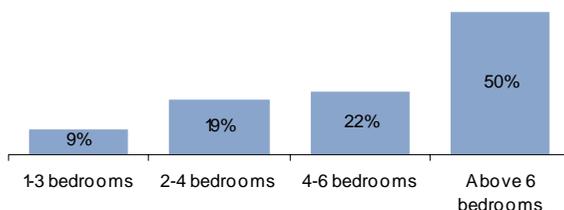
## Plot size preference

100% = 100,000 Bidoons

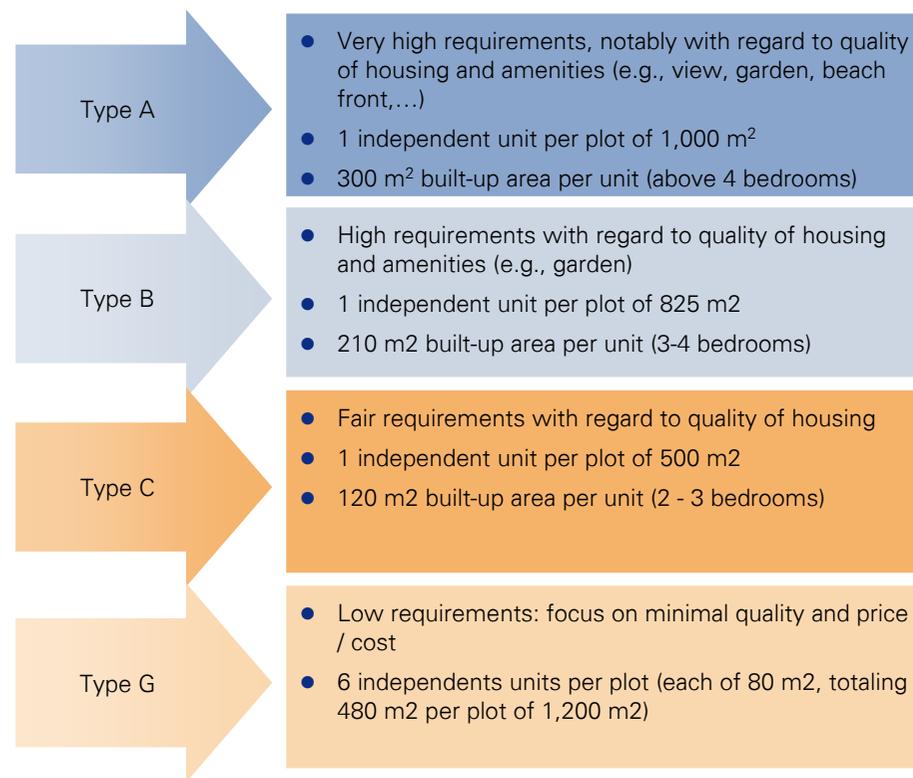


## House size preference

100% = 100,000 Bidoons



## Turnkey offering assumptions



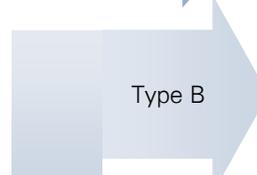
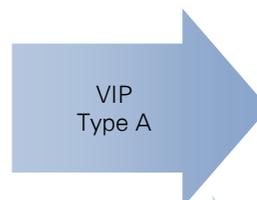
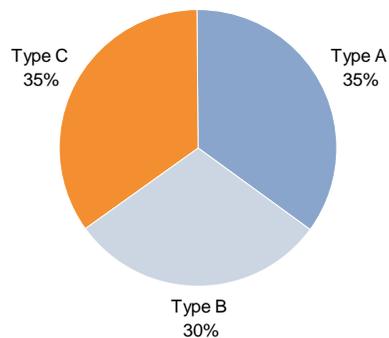
Source: Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and consultancy

# Demand for real estate (cont'd)

...which would be complemented with various passport privileges ranging from VIP to Standard, depending on investment level per household

## Bidoon class breakdown by willingness to invest level

100% = 100,000 Bidoons  
January 2009



## Program classes offered by UCEC

- This program class would be offered to buyers purchasing exclusive property and are willing to pay well above €200,000
  - These investors may be granted 7 passports by unit with some even eligible for a diplomatic passport and official honorary titles (e.g., honorary consul, presidential advisory, etc.)
- This program class is for investors willing to spend up to €130,000 per property
  - This class of investors would be granted citizenship for a family of up to 4 individuals
- This program class is for investors willing to spend up to € 65,000 or less per property
- This program class would consist of standard-size low-cost properties and would be priced/valued in the lower range bracket
  - Unit cost will be as low as €30,000
  - This class of investors would be granted citizenship for a family of up to 4 individuals

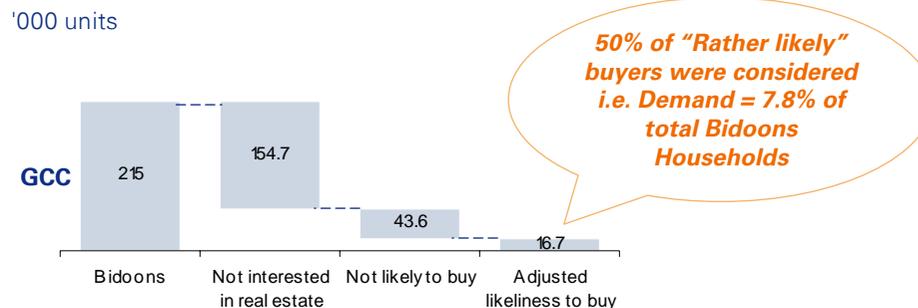
Source: Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and consultancy

# Demand for real estate (cont'd)

Free market demand based on survey results is estimated at 16,700 units (8% of Bidoons population considered)

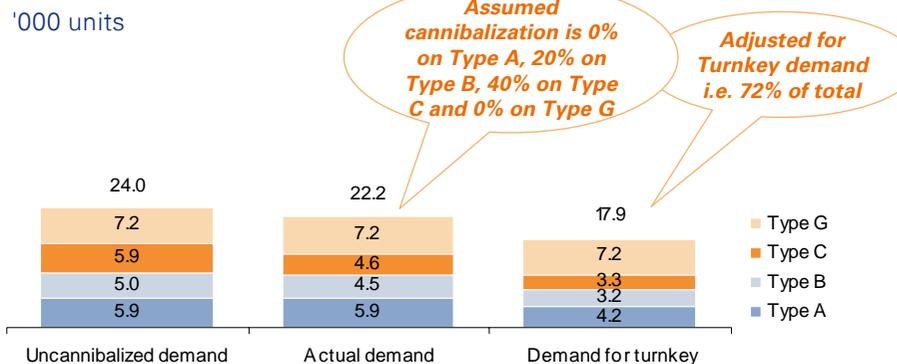
Additional demand would come from governmental 7,200-unit guarantee – After cannibalization on free demand total unit demand would be 17,900

## Free market demand assessment for Bidoons



Source: Wikipedia; Refugees International; COMOROGULF research; Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and Consultancy; SCAS analysis

## Overall demand assessment - Including Government Guarantee



Source: Comoros Islands Concept Assessment, Survey sample of 263 respondents, ARA research and Consultancy; SCAS analysis

# Infrastructure assumptions

**In the context of infrastructure, the project will require developing both hard (superstructure) and soft infrastructure (facilities and outlets)**

## Hard Infrastructure

- Transportation and landscaping
  - roads (including traffic signalization)
  - connection to Comoros road network,...
- Water
  - water treatment plant
  - local zonal infrastructure pipes
  - local zonal collector pipes
- Electricity
  - electrical substation (including connection to Comoros electrical network)
  - distribution network (including local relays)
- Telecom
  - Fixed telephony (PSTN): copper network
  - Internet: ADSL network and switches
  - Mobile: local mobile coverage and connection to Comoros networks
  - Backbone: local loop and connection to Comoros network
- Waste
  - No infrastructure required – only operational waste collection required

## Soft Infrastructure

- General facilities
  - Administration
  - parks, green areas and playgrounds
  - Mosque
  - Health care facilities
  - School/Nursery
  - Marina
- City Centre outlets
  - Mall / shopping centre, shops
  - Restaurants, pubs, music clubs
  - Cinema
  - Hotel (part of an independent study)
- Sport outlets
  - General outlets (e.g., basketball, soccer playgrounds)
  - Swimming pool
  - Golf club
  - Horse back riding
  - Water sports
  - Indoor (bowling, pool tables)
  - Health spa
  - Private beaches

# Infrastructure assumptions (cont'd)

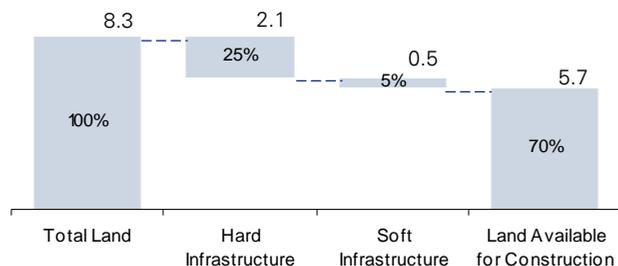
When hard and soft infrastructure are factored in, 6.9 million m<sup>2</sup> out of the 10 million m<sup>2</sup> would be available for housing units

The 5.8 million m<sup>2</sup> available for housing are well above current demand – To be conservative, Type G, B and C were allocated first

In fact, the land on offer is close to half total demand would be from Bidoon alone, implying a conservative demand estimate

## Available area for housing

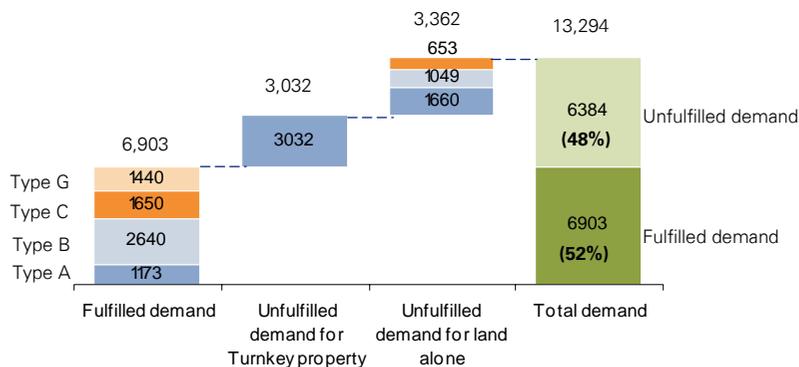
Million m<sup>2</sup>



Source: SCAS

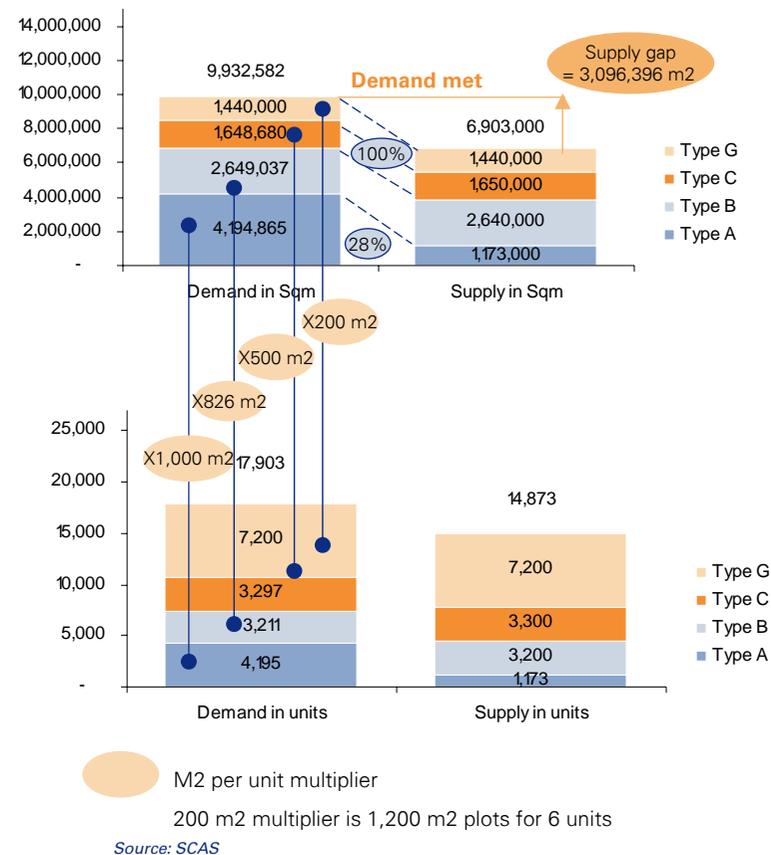
## Unfulfilled demand balance for Bedoons

'000 m<sup>2</sup>



Source: SCAS

## Supply/Demand comparison and allocation



Source: SCAS

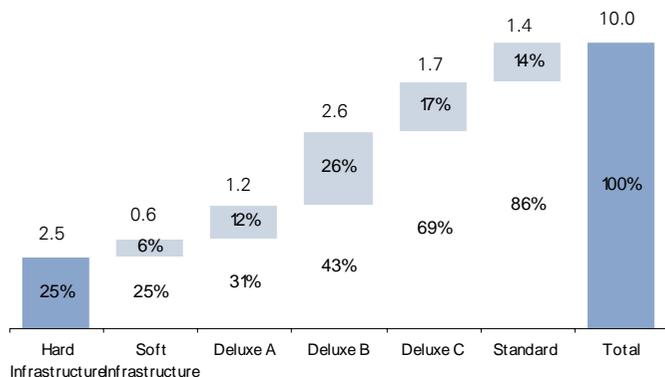
# Infrastructure assumptions (cont'd)

**Priority in land allocation is given to low-cost type units**

**Cost effective unit delivery should span over five years, with over 85% of units delivered by the end of year 3**

## Land area allocation

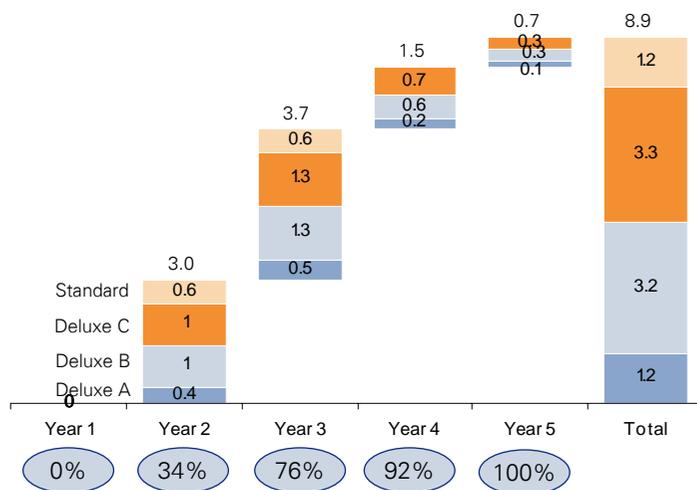
Million m2



Cumulative share of total

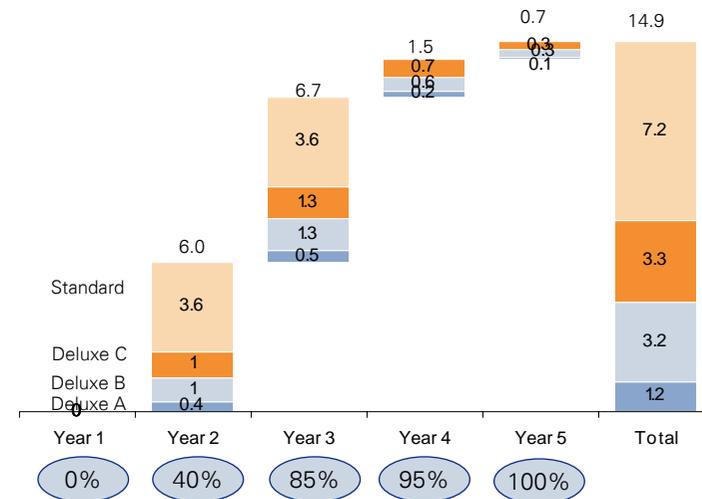
## Plots delivery schedule

'000 plots



## Units delivery schedule

'000 units



# Revenue assumptions

In pricing the property, a conservative price assumption was adopted

As such, by applying conservative pricing scheme scenario, sales would reach ramp-up to €335 million by year 2, compounding to over €1000 million by year 4

## Price acceptance and mark-ups

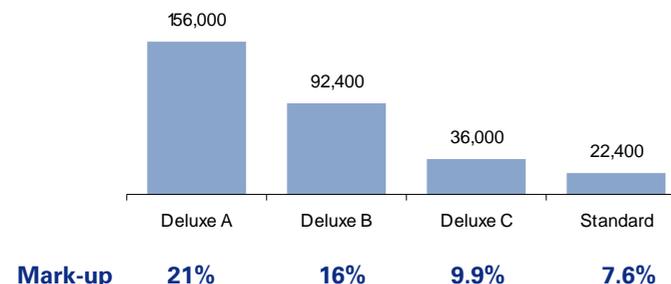
- Assessment of price acceptance and elasticity reveals that 34% of Bidoon respondents and 50% of other Arabs are likely to pay around a 30% mark-up on JAK estimated/forecasted costs
  - This was perceived as acceptable (by a population significantly larger than Bidoons interested in the project)
- In order to remain conservative, business plan prices were determined as follows:
  - 21% mark-up on fully loaded cost (house + land) for deluxe A, adding up to a unit price of 156K€
  - 16% mark-up on fully loaded cost (house + land) for Deluxe B, adding up to a unit price of 92 K€
  - ~10% mark-up on fully loaded cost (house + land) for Deluxe C, adding up to a unit price of 36 K€
  - ~7.5% mark-up on fully loaded cost (house + land) for Standard (government guarantee), adding up to a unit price of 22 K€

## Revenue assumptions

- Customer payment schedule was assumed as follows:
  - For Deluxe A, Deluxe B and Deluxe C, 10% in year 1, 33% in year 2, 34% in year 3, 16% in year 4 and the remaining 7% on delivery
  - Due to their very low cost, 45% of all Standard units upfront are assumed to be sold upfront, 20% in year 1, 20% in year 2 and the remaining 15% in year 3 (when all units delivered)
- Operating fees were assumed to be €42 per unit month until year 5 - a 25% mark up on actual running cost (maintenance excl. operation of infrastructure and administration staff) was applied thereafter.
- To be conservative and to insure appropriate service provision by enticing external operators, no margin on service provision was assumed. As such, JAK will not generate any revenues from either the sale of electricity, water, telecommunication nor waste collection, nor from granting the license to an external operator.

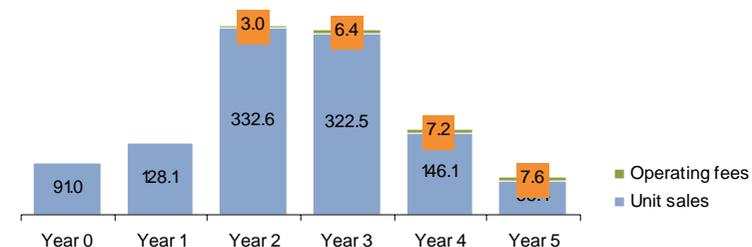
## Property unit price assumption

€ '000



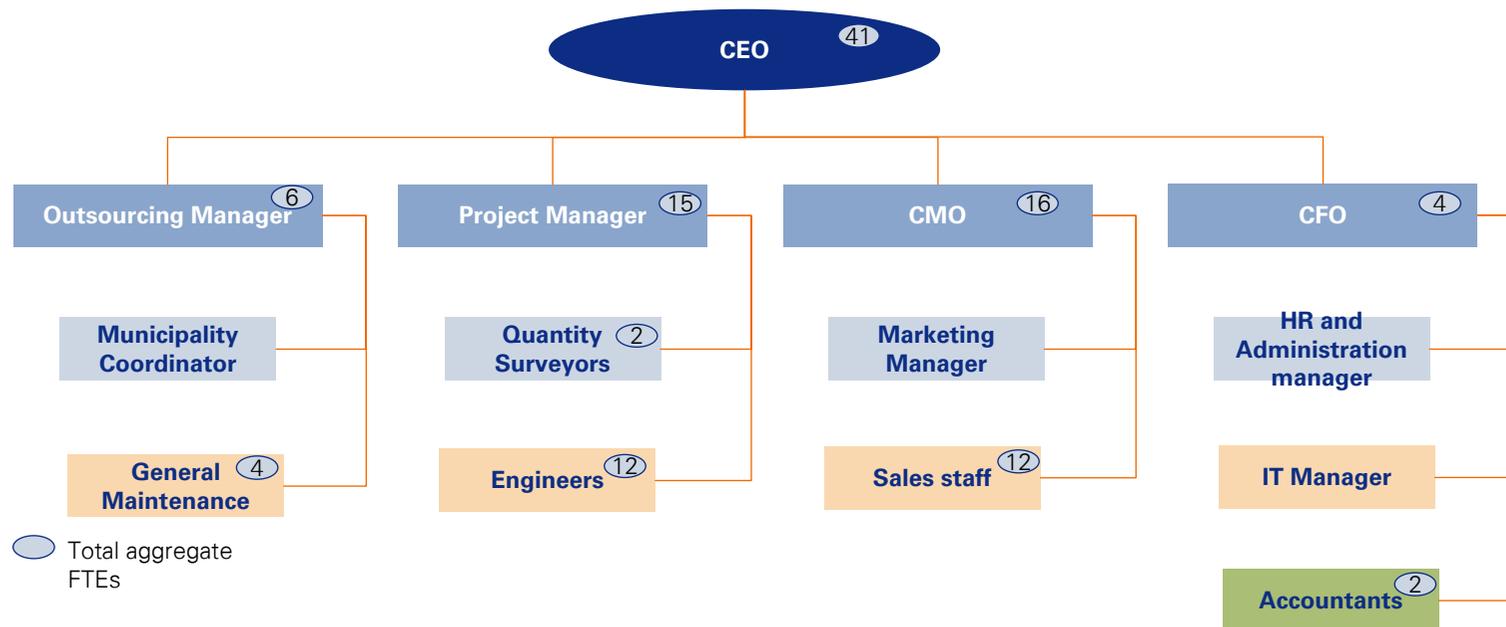
## Cash receipts (including deferred revenues)

€ million



# Staffing assumptions

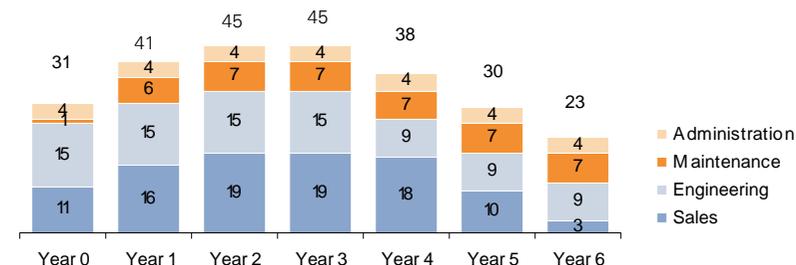
JAK is expected to have a total of 41 FTEs in its first year of operation



### Staffing cost assumptions

- Officers: CEO at €300,000, CFO at €180,000 and CMO at €240,000 per year
- Other Staff:
  - Engineering: Project manager: €180,000; Engineers: 12 decreasing to 5 by year 6 at €70,000 per year and Quantity Surveyors: 2 decreasing to 0 by year 6 at €35,000
  - Sales & Marketing: 3 Marketing staff decreasing to 1 by year 6 at €40,000 and 3 Sales decreasing to 1 by year 6 at €20,000
  - Admin: 2 Accountants at €35,000; one IT at €40,000 and one HR & Administration staff at €50,000
  - Maintenance: Purchasing staff 1 in year 1 then 2 at €40,000; General Maintenance: 4 starting year 1 at €25,000; Municipality coordinator: 1 at €25,000
- Legal and Audit would be outsourced
- Inflation assumed at 5% per annum

### JAK headcount forecast during Comoros project FTEs



Source: CGH

# Operating cost assumptions

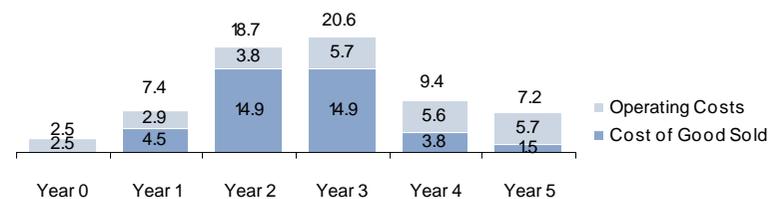
**Operating expenditure should ramp-up to close to €21 million by year 3, and drop to €7 million by year 5**

## Operating cost assumptions

- Infrastructure
  - Transportation and landscaping: 2.5% of CAPEX per year
  - Water treatment plant: 2.5% of CAPEX per year
  - Electricity: substation: 10.0% of CAPEX per year
  - Soft infrastructure: 3.0% of CAPEX per year
  - Waste management: €892,000 per year (i.e. €12 per unit per month)
- Legal and auditing fees € 150,000 per year
- Sales commission 0.1% of units sales and advertising expenditure of 5.0% of sales (COGS)
- Contingency 5.0% of operating expenditure
- Inflation assumed at 5% per annum

## Operating expenditures

€ million



# Capex assumption

**CAPEX include hard and soft infrastructure and housing units construction costs**

**CAPEX requirement totals €945 million, 60% of which would be required during the first two years and €759 million would be required for housing units**

Hard infrastructure	
• Land and Pre-op Expenses:	• €100 million
• Transportation and landscaping	• €2.12 per m2 with 50% upfront, and 50% according to delivery schedule
• Water	
– Water treatment plant	– €20.7 million (70% spent in year 1)
– Infrastructure pipes	– €0.40 per m2 according to delivery schedule
– Collector pipes	– €0.71 per m2 according to delivery schedule
• Electricity	
– Electrical substation	– €4.0 million for 230 kW (70% year 1)
– Distribution network	– €0.88 per m2 according to delivery schedule
• Telecom	
– Copper	– €1.70 per m2 according to delivery schedule
– Internet	– €200 per unit according to delivery schedule
– Mobile	– €411 per unit (year 2)
– Backbone	– €2.0 million (year 2)

Source: CGH

Soft infrastructure
• General facilities €1.7 million
• Transportation and landscaping
• City Centre outlets €1.4 Million
• Water
• Sport outlets €1.6 million
• All soft facilities CAPEX requirement would be required 50% in year 1 and 50% in year 2

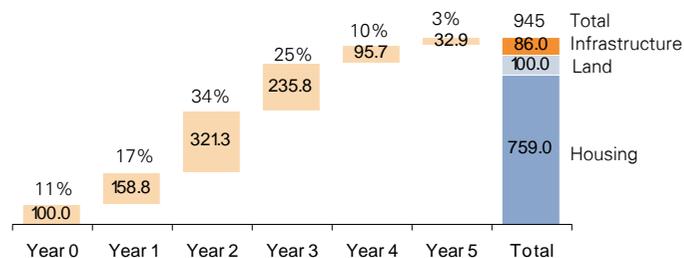
Source: CGH

Unit Capex
• Deluxe B 260 m2 at € 240 per m2 = € 62,500 per unit
• Deluxe C 150 m2 at € 165 per m2 = € 24,750 per unit
• Standard 100 m2 at € 150 per m2 = € 15,000 per unit

Source: CGH

## Capex breakdown summary

€ million



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# Investment analysis



# Sensitivity analysis

Assuming a fixed unit pricing levels, sensitivity analysis demonstrates that the IRR is most sensitive to the unit CAPEX costs

Finally, a number of additional sources of revenues have not been incorporated into our analysis, but would contribute to a higher IRR

## Sensitivity analysis

Scenario	Project*	
	IRR	Cash requirement (€ million)
Base case	43.50%	53.9
Type G payment schedule (1/3, 1/3, 1/3)**	40.80%	47.5
Type G payment schedule (25%, 25%, 50%)**	26.70%	130.4
10% increase in infrastructure cost (no change in absolute debt levels)	28.70%	69.9
5% increase in units capex (no change in absolute debt levels – no change in sales price)	23.50%	74.9
10% increase in units capex (no change in absolute debt levels – no change in sales price)	6.60%	95.9

\* Five-year valuation

\*\* Assumed constant leverage

Source: SCAS

## Additional upsides

- Demand from other upper-class Arab citizens in the Levant, who will be interested to take on this opportunity for a far higher price than our survey indicated
- Price points could be increased by shifting Deluxe to VIP, as base for allocation conservative
- Similarly, several features could be charged to investors (e.g., diplomatic passports, honorary titles)
- Additional margins as base case scenario does not include any margin on service provision or rent/revenue share from facilities operators
- All infrastructure is assumed to be developed by JAK – opportunity to reduce CAPEX by relying on BOT types of agreements with external operators (both for hard and soft infrastructure)
- No revenues are assumed from leasing or selling infrastructure

# Financial statements

In Year 5, net income and total assets are expected to reach € 88 million and € 1 billion respectively

Income statement						
in €	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	-	-	367,113,746	458,165,144	182,493,809	95,232,013
CoGS	-	(4,470,293)	(14,900,977)	(14,900,977)	(3,798,288)	(1,519,315)
<b>Gross Profit</b>	-	<b>(4,470,293)</b>	<b>352,212,768</b>	<b>443,264,167</b>	<b>178,695,521</b>	<b>93,712,697</b>
Opex	(2,525,250)	(2,916,113)	(3,787,174)	(5,716,689)	(5,572,023)	(5,694,966)
<b>EBITDA</b>	<b>(2,525,250)</b>	<b>(7,386,406)</b>	<b>348,425,595</b>	<b>437,547,477</b>	<b>173,123,497</b>	<b>88,017,731</b>
Depreciation	-	-	-	-	-	-
<b>EBIT</b>	<b>(2,525,250)</b>	<b>(7,386,406)</b>	<b>348,425,595</b>	<b>437,547,477</b>	<b>173,123,497</b>	<b>88,017,731</b>
Interest expense	-	-	-	-	-	-
EBT	(2,525,250)	(7,386,406)	348,425,595	437,547,477	173,123,497	88,017,731
Taxes	-	-	-	-	-	-
<b>Net income</b>	<b>(2,525,250)</b>	<b>(7,386,406)</b>	<b>348,425,595</b>	<b>437,547,477</b>	<b>173,123,497</b>	<b>88,017,731</b>

Source: SCAS

Balance sheet						
in €	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>						
Cash on hand	-	-	-	72,500,238	120,675,235	146,546,615
Deferred Payment	-	-	-	-	-	-
A/R	-	-	-	-	-	-
Fixed Assets	100,000,000	258,776,475	580,124,089	815,932,703	911,663,600	944,592,349
<b>Total assets</b>	<b>100,000,000</b>	<b>258,776,475</b>	<b>580,124,089</b>	<b>888,432,941</b>	<b>1,032,338,836</b>	<b>1,091,138,964</b>
<b>Equity and liabilities</b>						
<b>Liabilities</b>						
Deferred Revenues	91,032,968	219,144,874	187,673,831	58,435,206	29,217,603	-
A/P	-	-	-	-	-	-
Long Term	-	-	-	-	-	-
	91,032,968	219,144,874	187,673,831	58,435,206	29,217,603	-
<b>Equity</b>						
Capital	11,492,282	49,543,256	53,936,319	53,936,319	53,936,319	53,936,319
Retained earnings	(2,525,250)	(9,911,656)	338,513,939	776,061,416	949,184,913	1,037,202,644
	8,967,032	39,631,601	392,450,258	829,997,735	1,003,121,233	1,091,138,964
<b>Total equity and liabilities</b>	<b>100,000,000</b>	<b>258,776,475</b>	<b>580,124,089</b>	<b>888,432,941</b>	<b>1,032,338,836</b>	<b>1,091,138,964</b>

Source: SCAS

## Financial statements (cont'd)

In Year 5, free cash flow  
will reach € 26 million

Cashflow statement						
in €	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>EBITDA</b>	<b>(2,525,250)</b>	<b>(7,386,406)</b>	<b>348,425,595</b>	<b>437,547,477</b>	<b>173,123,497</b>	<b>88,017,731</b>
Delta WC	91,032,968	128,111,905	(31,471,043)	(129,238,625)	(29,217,603)	(29,217,603)
Taxes	-	-	-	-	-	-
<b>Operating CF</b>	<b>88,507,718</b>	<b>120,725,500</b>	<b>316,954,552</b>	<b>308,308,852</b>	<b>143,905,895</b>	<b>58,800,128</b>
Net Capex	(100,000,000)	(158,776,475)	(321,347,615)	(235,808,614)	(95,730,897)	(32,928,749)
<b>FCF</b>	<b>(11,492,282)</b>	<b>(38,050,975)</b>	<b>(4,393,063)</b>	<b>72,500,238</b>	<b>48,174,997</b>	<b>25,871,380</b>
Financing	-	-	-	-	-	-
Equity	11,492,282	38,050,975	4,393,063	-	-	-
<b>Change in Cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,500,238</b>	<b>48,174,997</b>	<b>25,871,380</b>
Cash on Hand Before Equity	(11,492,282)	(38,050,975)	(4,393,063)	72,500,238	120,675,235	146,546,615

Source: SCAS

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# Heavy investment scenario

## Scenario highlights

**An additional scenario was considered that includes the construction and operation of two ultra-luxury hotels with a capacity of 250 rooms each**

- In addition to the residential villas construction, two luxurious hotels will be build each having a capacity of 250 rooms.
- Hotels operations are assumed to be performed in-house as part of the whole project.
- Hotels construction is assumed to span over a period of 2 years.
- Revenues are assumed to be driven by room, food and beverage, and services charges.
- At cruse speed, each hotel will employ more than 250 employees.
- The two hotels will be located in the Lac Sale area.



# Assumptions

**Revenues for a single hotel will start at € 13 million in year 2 and reach €82 million by year 6**

**Operating expenses for a single hotel should start at €1.4 million in year 2, reaching €10.4 million by year 6**

**Staffing for a single hotel would start with 120 employee in year 2 and would reach 267 employee by year 6**

## Revenue assumptions

- Rooms construction ramp-up was assumed to start at 50% in year 2, reaching 100% as of year 3
- Occupancy is assumed to start at 50% in year 2 and gradually increases to reach almost 60% by year 10
- Food and Beverage revenues were assumed to be 40% of room renting revenues, with a discount of 50% in year 2, 20% in year 3, 10% in year 4, and no discount starting in year 5
- Service revenues are assumed to be equal to 20% of room revenues while applying same discount as for the Food and Beverage
- Inflation assumed at 3% per annum

## Operating cost assumptions

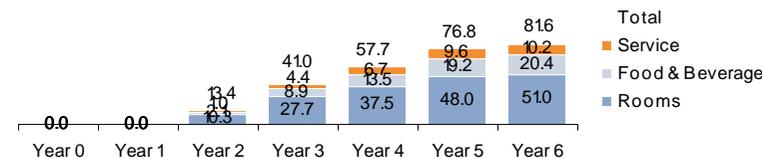
- Room COGS is assumed to be 7% of total room revenues
- Food and Beverage COGS is assumed to be 30% of total Food and Beverage revenues
- Services COGS is assumed to be 7% of service revenues
- Inflation assumed at 3% per annum

## Staffing cost assumptions

- Management: General Manager at €150,000, Assistant GM at €50,000 per year
- Other Staff:
  - Technical staff: €11,000 per year
  - Service staff: €5,000 per year
- Legal and Audit would be outsourced
- Inflation assumed at 3% per annum

## Single Hotel revenues

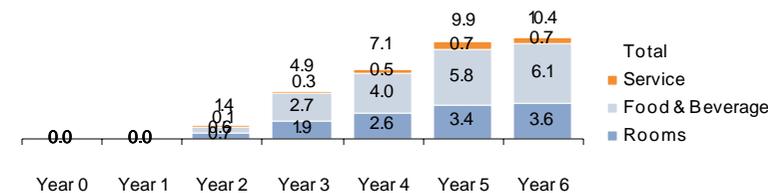
€ million



Source: CGH

## Single Hotel operating expenses

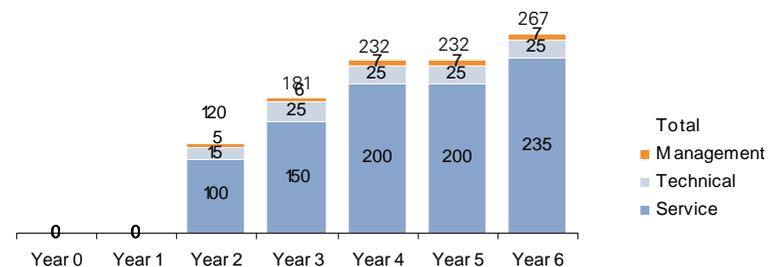
€ million



Source: CGH

## Single Hotel headcount forecast

FTEs



Source: CGH

**CAPEX requirement totals €98.4 million divided equally into the first two years**

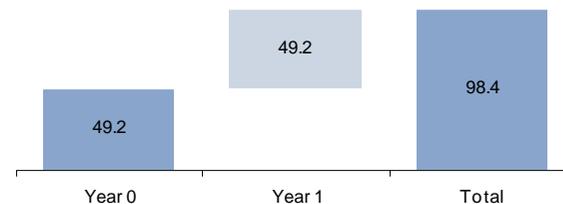
**If each hotel was to be considered separately, it would realize a 29.6% IRR and would require €99 million in initial capital**

**Capex assumptions**

- Construction is assumed to take 2 years to be completed
- Given that the hotel is conceived as an ultra-luxurious hotel and given its location, the CAPEX is assumed to be equal to € 5,250 per m2
- Each hotel is assumed to have a total area of 18,750 m2

**Capex breakdown for a single hotel**

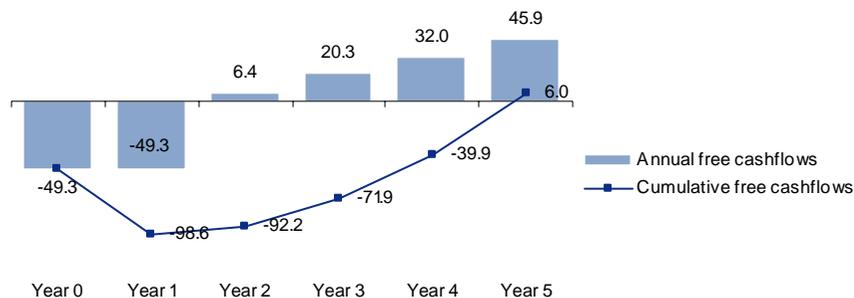
€ million



Source: CGH

**Five-year single hotel valuation analysis**

€ million



**Project IRR = 29.6%**  
**Cash requirement = €99 million**

# Combined project's results

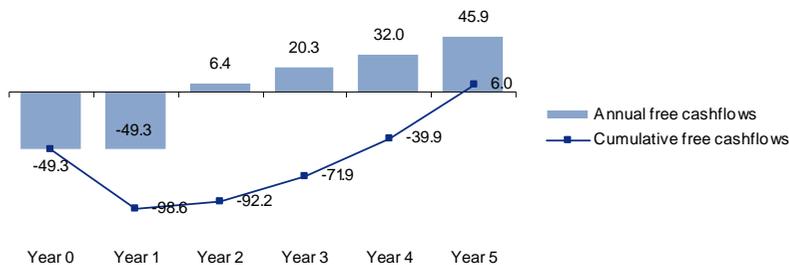
Finally, combining the two hotels and the residential area, JAK would realize a 31.3% IRR and would require €247 million in initial capital

Source: CGH

**Project IRR = 31.3%**  
**Project Cash requirement = €247 million**

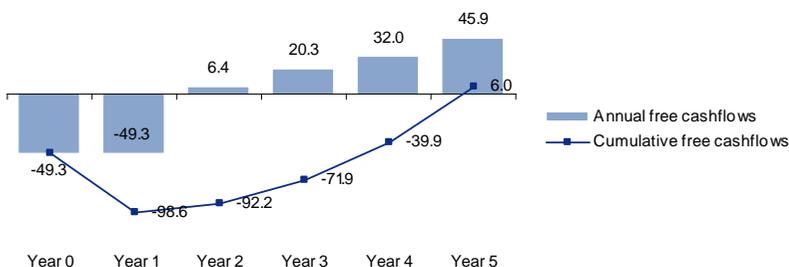
**First Hotel free cashflow**

€ million



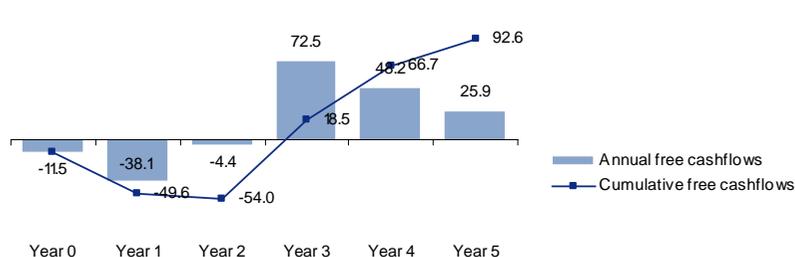
**Second Hotel free cashflow**

€ million



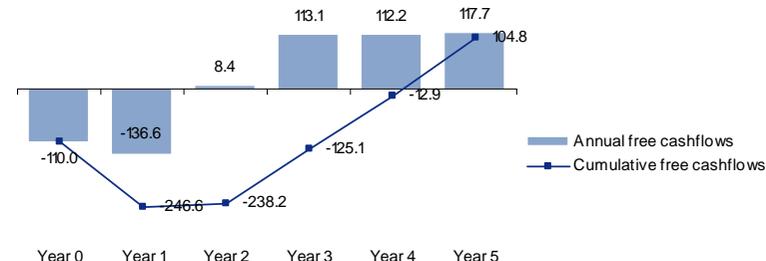
**JAK residential free cashflow**

€ million



**Total JAK project free cashflow**

€ million



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# Appendices

## Sources of information

- We held discussions with the Client, mainly:
  - Mr. Patrick V. Jabre (Vice President)
  - Mr. Samer Chikhani (Analyst)
  
- Information relating to the Project were mainly taken from:
  - Business plan prepared by SCAS Inc.
  - Comoros Islands Concept Assessment, survey sample of 263 respondents, ARA research and consultancy
  - CGH research
  - Wikipedia
  - Refugees International
  - CIA World Factbook
  - IMF
  - BBC news
  - Ernest & Young Doing Business in Comoros Islands
  - Google Earth
  - Other publicly available information on Comoros Islands' economy