



Private & Confidential

Valuation Report

TARBIYAH ISLAMIYAH SCHOOL, RIYADH, KSA

SAUDI FRANSI CAPITAL

REPORT ISSUED 07 JANUARY 2021

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1 EXECUTIVE SUMMARY

THE EXECUTIVE
SUMMARY AND
VALUATION SHOULD NOT
BE CONSIDERED OTHER
THAN AS PART OF THE
ENTIRE REPORT.

1.1 THE CLIENT

Saudi Fransi Capital

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1.2 THE PURPOSE OF VALUATION

The valuation is for Public Listing Offering (REIT) for the Saudi Market purpose.

1.3 INTEREST TO BE VALUED

Tarbiyah Al Islamiyah (TIS) School, Riyadh KSA

Title Deed No.	Title Deed Date:	Property	Location	Interest
310 117 026 614	20 / 8 / 1435	School	Riyadh, KSA	*Freehold

Source: Client 2020

Freehold reflecting 27-year lease agreement with an unexpired 24-year term. The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation.

The subject consists of Al Tarbyah Al Islamiyah (TIS) school which is one of the oldest and most prestigious school in Riyadh established in 1964 by HRH Princess Sara Faisal Abdul Aziz Al Saud upon the instruction of her father HRH King Faisal bin Abdulaziz Al Saud. The ownership of the school was later acquired by his Excellency Late Dr. Mohammed Ahmed Rasheed, former Minister of Education.

The school is recognized as one of the pioneering private educational establishments in the kingdom for adapting advanced technological and educational programs to enhance the academic process.

The school continues to be one of the best and most sought-after providers of education services in Riyadh with a current student strength of 2,600 students and an Alumni network of over 3,400 students.

The school's education department has five divisions: Kindergarten for both boys and girls (KG 1 – KG 3); elementary school (Grade 1 – Grade 6); intermediate school (Grades 7 – 9); secondary girls only (Grades 10 –12), and the American Diploma Program (ADP) (Grades 4 – 12).

The school configuration in terms of building and facilities is broken down as follows:



Section/School	Floor	Land (sq. m)	Build Area (sq. m)
Administration	2	913	1,826
Auditorium	1	1,500	1,500
Mosque	1	135	135
Gymnasium	1	957	957
Cafeteria / Multipurpose Hall	1	957	957
Middle & High School	3	5,579	8,388
Elementary	3	5,666	6,669
KG	1	1,900	2,125
Boys Section	3	2,296	3,243
Special Education Center	2	724	1,120
Total		20,627	26,920
Open Area		22,107	-
Playgrounds		1,775	-
School Building		1,158	-
Total Land Area (Sq. m)		45,667	-

Source: Client 2020

1.4 VALUATION APPROACH

Primary method - Discounted Cash Flow (DCF) approach to valuation with a sanity check on comparative land approach reflecting improvement to the subject land.

1.5 DATE OF VALUATION

Unless stated to the contrary, our valuation has been assessed of 31 December 2020.

The valuation reflects our opinion of value as at this date. Property values are subject to fluctuation over time as market conditions may change.

1.6 SUMMARY OF VALUE

Details	
Leasehold Interest	Unexpired 23 years
Gross Income	21,000,000 (increased every 3 years)
Discount Rate	7.5%
Less Tax	2.5%
Total (SAR) [Rounded]	276,200,000

The executive summary and valuation should not be considered other than as part of the entire report.



1.7 SALIENT POINTS (GENERAL COMMENTS)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries across the globe.

Market activity is being impacted in many sectors. Despite short term challenges whereby force majeure (as a result of the pandemic cause beyond anyone’s reasonable control) has created inactivity in the real estate market with the market currently at a standstill. Although we understand investor sentiment remains strong as it was prior to the virus pandemic and the KSA was on an upward trajectory showing growth in the last quarter of 2019 after a period of subdued market conditions.

With all positive activity and investment by the government creating opportunities through projects across the Kingdom and through the creation of the Giga projects and now a stimulus package of SAR 120 billion, we understand the market will bounce back with investors and buyers having a strong appetite. We understand the current uncertainty and market stagnation will not allow a fairly resilient market to stop where it left off prior to the pandemic. In short, we suspect the pandemic effect to be a short-term shock and expect a rapid recovery and a surge in business activity to bounce back allowing markets to start flourishing towards a growth cycle.

Our valuation(s) are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the property(s) under frequent review.

We confirm that on-site measurement exercise was not conducted by ValuStrat International, and we have relied on the site areas specified by the Client. In the event that the areas of land and site boundary prove erroneous, our opinion of Market Value may be materially affected, and we reserve the right to amend our valuation and report.

We have assumed that the land is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and good title can be shown. For the avoidance of doubt, these items should be ascertained by the client’s legal representatives.

ValuStrat draws your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that would be reasonable to expect a purchaser to make.



We are unaware of any adverse conditions which may affect future marketability for the subject site.

It is assumed that the subject land is freehold and is not subject to any rights, obligations, restrictions and covenants.

This report should be read in conjunction with all the information set out in this report, we would point out that we have made various assumptions as to tenure, town planning and associated valuation opinions. If any of the assumptions on which the valuation is based is subsequently found to be incorrect then the figures presented in this report may also need revision and should be referred back to the valuer.

Note property values are subject to fluctuation over time as market conditions may change.

This executive summary and valuation should not be considered other than as part of the entire report.



2 VALUATION REPORT

2.1 INTRODUCTION

Thank you for the instruction regarding the subject valuation service.

We ('ValuStrat', which implies our relevant legal entities) would be pleased to undertake this assignment for Saudi Fransi Capital ('the client') of providing valuation services for the subject land mentioned in this report subject to valuation assumptions, reporting conditions and restrictions as stated hereunder.

2.2 VALUATION INSTRUCTIONS / PROPERTY INTEREST TO BE VALUED

Title Deed No.	Title Deed Date	Property	Location	Interest
310 117 026 614	20 / 8 / 1435	School	Riyadh, KSA	*Freehold

Source: Client 2020

Freehold reflecting 27-year lease agreement with an unexpired 24-year term. The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation.

2.3 PURPOSE OF VALUATION

The valuation is for Public Listing Offering (REIT) for the Saudi Market Purpose and the semi-annual update.

2.4 VALUATION REPORTING COMPLIANCE

The valuation has been conducted in accordance with Taaqem Regulations (Saudi Authority for Accredited Valuers) in conformity with International Valuation Standards Council (IVSCs') and International Valuations Standards (IVS).

It should be further noted that this valuation is undertaken in compliance with generally accepted valuation concepts, principles and definitions as promulgated in the IVSCs International Valuation Standards (IVS) as set out in the IVS General Standards, IVS Asset Standards, and IVS Valuation Applications.

2.5 BASIS OF VALUATION

2.5.1 MARKET VALUE

The valuation of the subject property, and for the above stated purpose, has been undertaken on the **Market Value** basis of valuation in compliance with the above mentioned *Valuation Standards* as promulgated by the IVSC and adopted by the RICS. **Market Value** is defined as: -



The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion.

The definition of **Market Value** is applied in accordance with the following conceptual framework:

“The estimated amount” refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;

“an asset should exchange” refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;

“on the valuation date” requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;

“between a willing buyer” refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute “the market”;

“and a willing seller” is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

“in an arm's-length transaction” is one between parties who do not have a particular or special relationship, e.g. parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;



“after proper marketing” means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;

‘where the parties had each acted knowledgeably, prudently’ presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

‘and without compulsion’ establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

Market value is the basis of value that is most commonly required, being an internationally recognized definition. It describes an exchange between parties that are unconnected (acting at arm’s length) and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, on the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximizes its productivity and that is possible, legally permissible and financially feasible.

Market value is the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

It should be further noted that the subject property is best described as a trade related property that is a property that is trading and is commonly sold in the market as an operating asset with trading potential, and for which ownership of such a property normally passes with the sale of the business as an operational entity.



2.5.2 VALUER(S):

The Valuer on behalf of ValuStrat, with responsibility of this report is Mr. Ramez Al Medlaj (Taqeem Member), having sufficient and current knowledge of the Saudi market and the skills and understanding to undertake the valuation competently.

Also Mr. Ramez Al Medlaj (Taqeem Member) who is a local Arabic specialist having knowledge, skills and understanding of the market and valuation.

We further confirm that neither Valuer or ValuStrat have no previous material connection or involvement with the subject of the valuation assignment apart from this same assignment undertaken back in June 2020.

2.5.3 STATUS OF VALUER

Status of Valuer	Survey Date	Valuation Date
External Valuer	16 December 2020	31 December 2020

2.6 EXTENT OF INVESTIGATION

In accordance with instructions received we have carried out an external and internal inspection of the property. The subject of this valuation assignment is to produce a valuation report and not a structural / building or building services survey, and hence structural survey and detailed investigation of the services are outside the scope of this assignment. We have not carried out any structural survey, nor tested any services, checked fittings of any parts of the property.

Our internal inspection was limited to common areas of the property including the ground floor areas, mezzanine floor area, other commercial areas, and a representative sample of areas.

For the purpose of our report we have expressly assumed that the condition of any un-seen areas is commensurate with those which were seen. We reserve the right to amend our report should this prove not to be the case.

2.7 SOURCES OF INFORMATION

For the purpose of this report, it is assumed that written information provided to us by the Client is up to date, complete and correct in relation to title, planning consent and other relevant matters as set out in the report.

Should this not be the case, we reserve the right to amend our valuation and report.

2.7.1 VALUATION ASSUMPTIONS / SPECIAL ASSUMPTIONS

This valuation assignment is undertaken on the following assumptions:



That no contaminative or potentially contaminative use has ever been carried out on the site; we assume no responsibility for matters legal in character, nor do we render any opinion as to the title of the property, which we assume to be good and free of any undisclosed onerous burdens, outgoing, restrictions or other encumbrances. Information regarding tenure and tenancy must be checked by your legal advisors;

This subject is a valuation report and not a structural/building survey, and hence a building and structural survey is outside the scope of the subject assignment.

We have not carried out any structural survey, nor have we tested any services, checked fittings or any parts of the structures which are covered, exposed or inaccessible, and, therefore, such parts are assumed to be in good repair and condition and the services are assumed to be in full working order;

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material have been used in the construction of the property, or have since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent;

That, unless we have been informed otherwise, the property complies with all relevant statutory requirements (including, but not limited to, those of Fire Regulations, Bye-Laws, Health and Safety at work);

We have made no investigation, and are unable to give any assurances, on the combustibility risk of any cladding material that may have been used in construction of the subject building.

We would recommend that the client makes their own enquiries in this regard, and the market value conclusion arrived at for the property reflect the full contract value and no account is taken of any liability to taxation on sale or of the costs involved in effecting the sale.

2.8 PRIVACY/LIMITATION ON DISCLOSURE OF VALUATION

This valuation is for the sole use of the named Client. This report is confidential to the Client, and that of their advisors, and we accept no responsibility whatsoever to any third party.

No responsibility is accepted to any third party who may use or rely upon the whole or any part of the contents of this report. It should be noted that any subsequent amendments or changes in any form thereto will only be notified to the Client to whom it is authorised.



2.9 DETAILS AND GENERAL DESCRIPTION

2.9.1 DETAILS & LOCATION OF PROPERTY

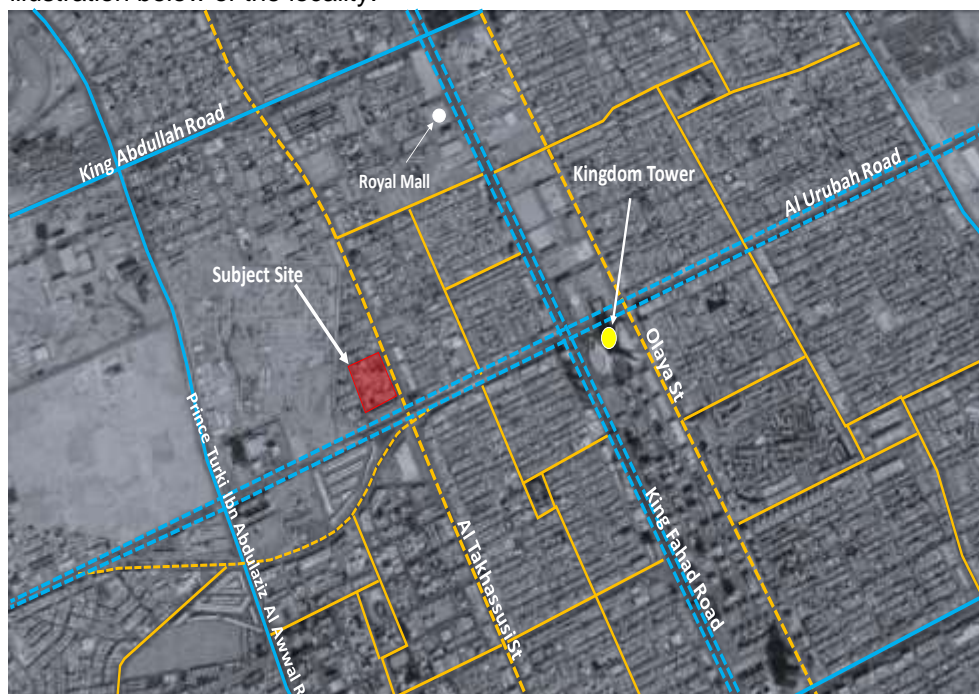
The subject property is an established school built approximately 20-25 years ago located in the Rahmania area, although under the Umm Al Hamman district in the central area of Riyadh.

The subject school is located within a prime and upscale (high income) locality at the intersection of Takhassusi Road and Al Urubah Road with a 242 metre commercial front onto Takhassusi Road. Refer to photographs at appendix 1.

This subject school is in close proximity to Nakheel, Muhamediyah, and Hittin districts which are considered among the sought-after areas in Riyadh. The land is easily accessible from 4 major roads (Takhassusi Road, Al Urubah Road, King Abdullah Road and Ameer Turki Road).

- Takhassusi Road: Signal free access to Thumamah
- Al Urubah Road: Connectivity from East to West
- King Abdullah Road: Connectivity from East to West
- TurkiAwwal Road: Connectivity from South to North

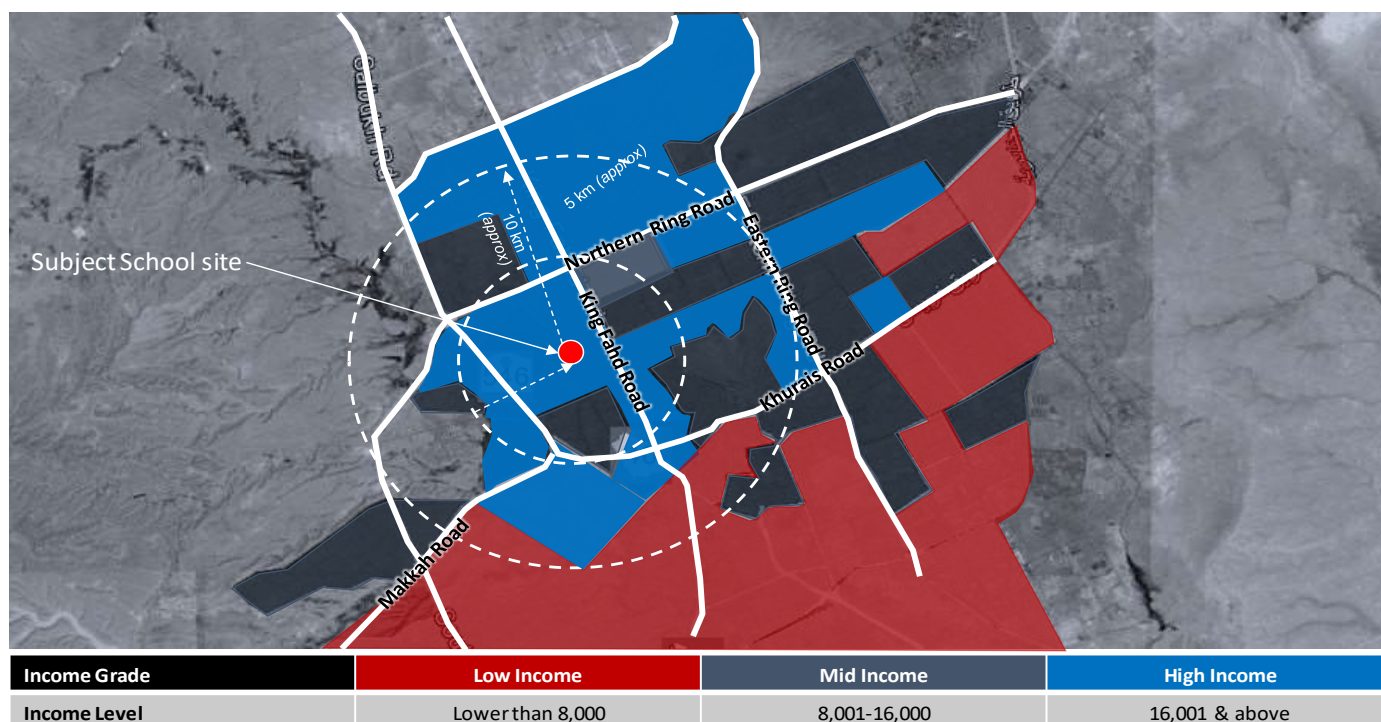
The subject property fronts with high visibility on Takhassusi Road and the land extends to total approximate area of 45,667 sq. m. For ease of reference refer to the illustration below of the locality.



Source: Google 2020; For illustration purposes only

The illustration referenced below provides a breakdown of Riyadh's Income Grade level by the identification of areas within the City. There is divide between north, central and the south of the city in relation to the income grade level. The subject

school is situated within a high-income area and the target audience will reflect the type and quality of service offered.



Source: Google 2020; For illustration purposes only

We have also referenced an illustration below indicating how the subject area and land is situated in relation to the current CBD, landmark buildings and the upcoming CBD along with the new King Abdullah Financial District.



Source: Google 2020; For illustration purposes only

2.9.2 SCHOOL BUILDING BRIEF DESCRIPTION

The subject school site is an established KG, elementary, middle and high school for both girls and boys. The subject school site forms many cluster of buildings designed as a purpose-built school which is a fully integrated and a segregated school for both girls and boys.

The buildings are a mix of single, double and 3 storey buildings of reinforced concrete frame with block infill. At the time of inspection, the subject school was in good condition considering age, type and location. The subject school accommodates currently 2,600 students but has additional capacity for further student due to possible additional extension works, etc. A closer look at the site below clearly showing the site is dominated by the girl's section. The school caters for around 1,800 girls currently and the remainder are boys.



Source: Google 2020; For illustration purposes only

Some features which we have been informed by the client as follows:

School Infrastructure and facilities

Auditorium - The school has purpose built, state of the art auditorium with a seating capacity of over 1,000 students.

Healthcare - The school has two doctors on staff full-time with fully-equipped health rooms to provide first aid for injuries and to maintain students' well-being.

Computer Labs - There school is equipped with five computer labs to support students with their learning.

Laboratories - There school has 5 science laboratories for students.

Library and Media Centre - The school houses five libraries and media centers.

Sports and Physical Exercise - The school has several outdoor and indoor facilities for sports which includes 3 football pitches and indoor gymnasiums for PE, basketball, volleyball and other indoor sports.

2.9.3 LAND AND BUILT UP AREA (BUA) SQ. M BREAKDOWN

Section/School	Floor	Land (sq. m)	Build Area (sq. m)
Administration	2	913	1,826
Auditorium	1	1,500	1,500
Mosque	1	135	135
Gymnasium	1	957	957
Cafeteria / Multipurpose Hall	1	957	957
Middle & High School	3	5,579	8,388
Elementary	3	5,666	6,669
KG	1	1,900	2,125
Boys Section	3	2,296	3,243
Special Education Center	2	724	1,120
Total		20,627	26,920
Open Area		22,107	-
Playgrounds		1,775	-
School Building		1,158	-
Total Land Area (Sq. m)		45,667	-

Source: Client 2020

Snapshot of the subject property referred below, although refer to further photographs at appendix 1.



2.9.4 RIYADH'S METRO SYSTEM



The new City Metro of Riyadh is a rapid transit system under construction to be completed circa. 2021, which will be of benefit to Riyadh's population, business and future growth of Riyadh, etc. The Metro will be help in many ways for day to day life activities such as traffic control, school journeys, shopping journey and business commuting, etc.

The city metro project is one of the world's largest infrastructure projects currently under-construction.

The city metro, which is designed as a world-class transportation system includes 756 metro cars, 85 stations, six metro lines and 176-km network line.

KING ABDULLAH FINANCIAL DISTRICT STATION



The below-mentioned table lists the six metro lines along their estimated length.

Riyadh City Metro System Lines

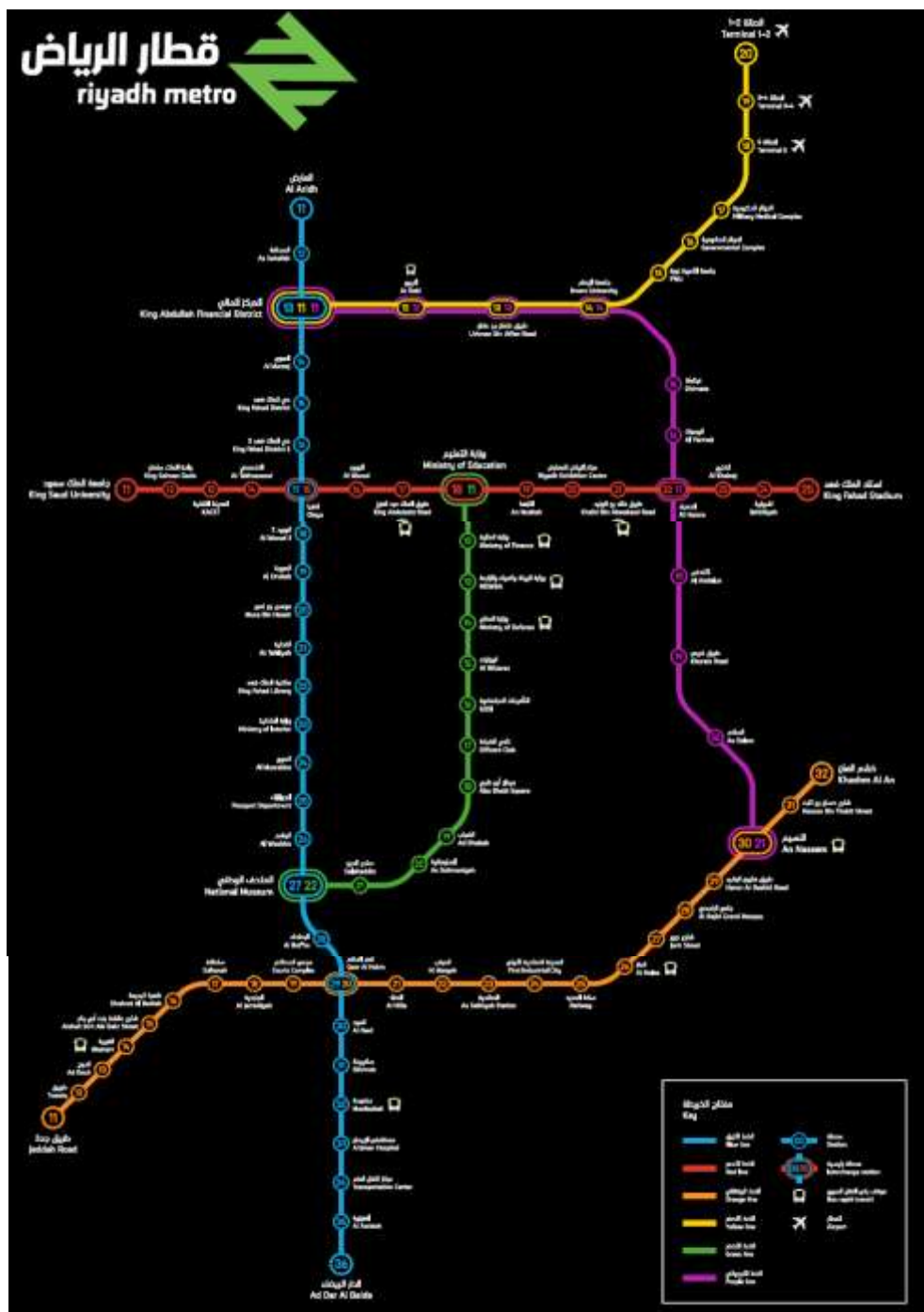
Line	Length (Km)
Line 1 – Blue	38.0
Line 2 – Green	25.3
Line 3 – Red	40.7
Line 4 – Orange	29.6
Line 5 – Yellow	12.9
Line 6 - Purple	29.90

The Riyadh metro will span over 178km including underground, elevated and at-grade sections. The three major metro stations (intersection of the lines) KAFD, Olaya and downtown will be designed by world renowned architectural firms to include Gerber Architekten, Snohetta and Zaha Hadid.

Three leading consortia, including the US Construction company Bechtel Group Inc., Spain's FCC and Italy's Ansaldo STS have been awarded contracts to build the project.

The below-mentioned indicators and map out the metro system lines.

6 Lines
85 Stations
170 Miles of Track



We understand, the subject property and area will be connected via a Riyadh Metro (via line 2 – King Abdullah Road Line) and the nearest station will be about 1,500 - 1,800 meters away from the subject property.

THE METRO CENTRAL SYSTEM



The construction of the metro system has led to a number of road closures that has affected traffic in various parts of the city, especially the Olaya major thoroughfare. The public transport project will also comprise an integrated bus system to include 3,853 bus stops, 24 bus routes, 1,150 km network and 956 buses that will ease traffic congestion considerably and reduce pollution by cutting the number of vehicles on the road.

In terms of public transport, the upcoming Riyadh Metro will greatly improve access to the central business district, as it will not only run from east to west on King Abdullah Road, but also run north to south on King Fahad Road.

The subject property will also be accessible via bus routes under the Riyadh City Metro system. Riyadh City Metro, along with a substantive network of bus routes, is a public transport network which aims to ease the city's traffic congestion. The project is divided into two phases:

- Phase 1 is approximately 25 km and will operate between Olaya Road and Batha Road, connecting North Ring Road to South Ring Road;
- Phase 2 is expected to connect Sheikh Jaber Al Ahmed Al Sabah Road to West Ring Road through King Abdullah Road.

The commencement date for the project is in early 2014, with completion date of the project projected to complete in 2021. The proximity to the bus station of the subject property will be beneficial to future visitors, consumers, etc.

2.10 ENVIRONMENT MATTERS



We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination.

In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative use has ever been carried out on the property.

We have not carried out any investigation into past or present use, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject property from the use or site, and have therefore assumed that none exists.

However, should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises has been or is being put to any contaminative use, this might reduce the value now reported.

Details	
Land Area	ValuStrat has been advised land plot area referred is approximately 45,667 sq. m. The boundaries appear to be reasonably well defined. For ease of reference, refer to the illustration referred above at section 2.9.1.
Topography	Generally, appears to be level and regular in shape
Drainage	Assumed available and connected.
Flooding	ValuStrat's verbal inquiries with local authorities were unable to confirm whether flooding is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not flood liable. A formal written submission will be required for any further investigation which is outside of this report's scope of work. Flood defences reduce but do not completely remove the risk of flooding and can fail in extreme weather conditions.
Landslip	ValuStrat's verbal inquiries with local authorities were unable to confirm whether land slip is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not within a landslip designated area. A formal written submission will be required for any further investigation which is outside of this report's scope of work.

2.10.1 TOWN PLANNING

Neither from our knowledge nor as a result of our inspection are we aware of any planning proposals which are likely to directly adversely affect this property.

In the absence of any information to the contrary, it is assumed that the existing use is lawful, has valid planning consent and the planning consent is not personal to the existing occupiers and there are no particular onerous or adverse conditions which would affect our valuation.

We are not aware of any potential development or change of use of the property or We have attached both the building permit and title deed confirming that the subject land is zoned for school (educational) purposes. For the purpose this valuation, we have assumed zoning to be correct and accurate and should this not be the case, we reserve the right to amend our valuation and report.

We have also assumed that the subject property will include adequate parking provision in line with the applicable planning regulations.

2.10.2 SERVICES

The properties referred within this report have been assumed are connected to mains electricity, water, drainage, and other municipality services. Should this not be the case, we reserve the right to amend our valuation and report.

For the purpose of this valuation exercise, we assume fire safety is in place and that a valid civil defence certificate is available.



2.11 TENURE/TITLE

Unless otherwise stated we have assumed freehold title is free from encumbrances and that Solicitors' local searches and usual enquiries would not reveal the existence of statutory notices or other matters which would materially affect our valuation.

We have made aware that the freehold will be reflected by a lease with following salient details:

First party	Legally heirs of Dr. Mohamed Bin Ahmed Al Rasheed:
	Sons: Ahmed, Osama, Rasheed, Faisal, Eyad
	Daughters: Areej, Maha
	Wife: Salwa bint Abdulmohsen Al-Tiwajri
	All represented by legal legit Mr. Ahmed Bin Mohamed Bin Ahmed Al Rasheed
Second party	Islamic Education Schools Company Ltd.
	Registration No [1010226612]
	Represented by Rasheed Bin Mohamed Al-Rasheed – General manager
Date of signature	1/1/2017 Eq. to 03/4/1438 Hijri
Property details	Existing building with the following details:
	Land Area: 45666.940 sq. m
	District: Um Al-Hammam
	Title deed No: 310117026614 dated on 20/8/1438
	Plot No: 1324/ب
Purpose for Rent	Commercial education investment for public schools for boys, girls and for all education levels.
Contract Duration	26 Years and Eight Months starting from 1/1/2017 to 31/8/2043.
Rent Value	As per below payment schedule

Rent payment schedule is as follows:

Year		Payment
2017	-	18,000,000
2018	-	21,000,000
2019	-	21,000,000
2020	-	21,000,000
2021		22,050,000
2022		22,050,000
2023		22,050,000



2024		23,152,500
2025		23,152,500
2026		23,152,500
2027		24,310,125
2028		24,310,125
2029		24,310,125
2030		25,525,631
2031		25,525,631
2032		25,525,631
2033		26,801,913
2034		26,801,913
2035		26,801,913
2036		28,142,008
2037		28,142,008
2038		28,142,008
2039		29,549,109
2040		29,549,109
2041		29,549,109
2042		29,549,109
2043		29,549,109

For the sake of this valuation exercise, we rounded the figure and used 23 years' as the unexpired lease term.

We are unaware of any rights of way, easements or restrictive covenants which affect the property; however, we would recommend that solicitors investigate both the titles in order to ensure everything is correct.

All aspects of tenure/title should be checked by the client's legal representatives prior to any form of transaction and insofar as any assumption made within the body of this report to be incorrect then the matter should be referred back to the valuer to ensure the valuation is not adversely affected. Reference has been made to a copy of the title deed at the attached appendices section.

2.12 METHODOLOGY & APPROACH

In determining our opinion of Market Value of the subject property we have utilized the Investment Approach utilizing a Discounted Cash Flow technique as the primary method of valuation. Thereafter, we have shown an alternative assessment as a market sense check below on a land plus cost basis.

The DCF approach involves the discounting of the net cash flow on a yearly basis over the explicit cash flow period. In the case of the subject property the existing



cash flow terminates upon expiry of the ground lease (approximately 23 years are unexpired as at the date of valuation). The cash flow is discounted at an appropriate rate to reflect risk in order to determine Market Value. The projected income stream reflects the anticipated rental growth inherent in a property investment based upon the physical, tenancy or market characteristics related to that property. In addition to projected operating costs and allowances, future capital expenditure can also be reflected in the cash flow.

Cash inflows comprise income from the property adjusted to reflect actual and assumed lease conditions and rental growth, whilst cash outflows comprise operating costs adjusted to reflect anticipated inflation. The rental income being capitalised and discounted in the cash flow refers to net rental income, that is, the income stream after deductions for the associated operating expenses and ground lease payments of the property as provided by the Client. The subject property is held by leasehold tenure. The ground lease explicitly states that, upon expiry, ownership of the mall reverts to the land owner. As such, we have adopted a terminal value of zero in our valuation calculations.

The future values quoted for property, rents and costs are projections only formed on the basis of information currently available to us and are not representations of what the value of the property will be as at a future date.

2.12.1 MARKET RENTAL ANALYSIS

We have analysed the tenancy schedule and the rents for the subject school. Accordingly, we have benchmarked these against with market rentals achieved in other comparable similar style of property. The analysis of current passing rental shows a wide rental range; however, it appears the passing rents are generally in line with current market conditions.

The market rental range is between SAR 650 – SAR 900 per sq. m for this size, type and location of property. The subject passing rent is SAR 21,000,000 per annum equating to around SAR 780 per sq. m which is line with market benchmarks.

2.12.2 ASSUMPTIONS & VALUATION ANALYSIS COMMENTARY

The subject school has been assessed reflected an unexpired 23-year lease contract subject to the forecast and inputs provided by the client and any assumptions made by ValuStrat within market benchmarks.

ValuStrat has made certain assumptions and adjustments based on their experience in valuing typical properties in Riyadh, KSA taking cognisance of the surrounding area, location and type of property.

This was done in an attempt to forecast our interpretation of performance of the school over the 23-year explicit cash flow period. In this instance, we have adopted the following analysis:



2.12.3 DISCOUNT RATE & COMMENTARY

Discount Rate	7.5%
Finance Cost	Excluded from our Calculations

Finance Cost & Debt - If debt is unavailable, then both the liquidity and value of the property would be affected. Growth Rates - We have relied on the lease contract with the following agreed rental schedule:

Year		Payment
2017	-	18,000,000
2018	-	21,000,000
2019	-	21,000,000
2020	-	21,000,000
2021		22,050,000
2022		22,050,000
2023		22,050,000
2024		23,152,500
2025		23,152,500
2026		23,152,500
2027		24,310,125
2028		24,310,125
2029		24,310,125
2030		25,525,631
2031		25,525,631
2032		25,525,631
2033		26,801,913
2034		26,801,913
2035		26,801,913
2036		28,142,008
2037		28,142,008
2038		28,142,008
2039		29,549,109
2040		29,549,109
2041		29,549,109
2042		29,549,109
2043		29,549,109

Should this not be correct or accurate, we reserve the right to amend our valuation and report.

Discount Rate

Research conducted collated from developers and investors indicate that the discount rate is dependent on the scale of the development and the inherent risk associated. This risk takes into account the extent of the property type, location, economic conditions and investor sentiment. Generally, the discount rate reflects the opportunity cost of capital and the return required to mitigate the risk associated with a particular investment type. Although benchmark data is preferable, the availability of this evidence is scarce. As a result, the prudent approach is to look at capitalisation rate evidence and make adjustments for inflation.

In addition, when reviewing the Discount Rate, it is important to consider Market risk and Property Specific risk. Market Risk comes in the form of potential competition from existing as well as future supply and also considers the state of the property market. Property Specific Risk reflects the liquidity of the market for large assets as well as the additional costs in maintaining and operating the property.

As a result of the above, we have arrived at a Discount Rate of 7.5% given the low risk of the unexpired 24-year covenant on the subject school with no concern about vacancy rates subject to the school being professionally run in line with Ministry of Education rules and procedures. This makes the subject a low vacancy risk in compared to general commercial property with similar or higher adjusted returns. Equally the subject land holds a high value in relation to the building cost value making a secure asset for future alternative potential development due to the prime location of the site and potential flexibility of use so ultimately to get a best possible exit value.

2.12.4 SUMMARY OF MARKET VALUE

The resultant value based upon the above variables for the subject property is as follows:

Valuation Summary	
Passing Rent per annum (SAR)	21,000,000
Annual Growth Rate	As per agreed rent schedule referred above
Operational Cost	Onus upon the lessee to keep maintaining subject to high operational standards
Discount Rate	7.5%
Less Tax	2.5%
Exit Yield	N/A
Value SAR (rounded)	276,200,000

The client is also recommended to consider the benefits in such a volatile market, of having more frequent valuations to monitor the value of the subject property.

In order to ascertain whether this valuation accurately reflects the value of the subject Property, we also carried out a sense check by analysing the land plus cost basis.

2.12.5 LAND - COMPARATIVE APPROACH

This method requires the collection of comparative market transactions that have occurred within the location of the subject site. Upon analysis and subsequent subjective adjustments, such evidence has then been applied to the subject property. Due to the nature of the property market within the Kingdom of Saudi Arabia, sales for similar properties are not readily available or transparent. Much if not all of the evidence is anecdotal and consequently in most circumstances this can place limitations on the veracity of such information and subsequently impact on values reported.

Accordingly, the valuation has been prepared in accordance with normal practice taking into account our usual research and enquiries and our discussions with leading local agents. In addition, we have analysed existing market commentaries and data in determining our opinion as to the applicable values. Information has also been sought from internal records and internet based property intelligence sites.

We draw your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that it would be reasonable to expect a purchaser to make.

2.12.6 MARKET PRICES

We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to base valuations. Due to this shortage, it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature.

This evidence shortage, combined with a rapidly changing market only serves to highlight the unpredictability of the current market, which is subject to change on a day by day basis. The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's market place.

There has little/no change in prices since our last exercise in December 2018, although the wider market remains subdued with little sales transactions with sales may not be achievable in the event of an early re-sale/disposal. The below-mentioned comparable evidence was compiled and analysed:

Comps.	Size (sq. m)	Price - (SAR) / sq. m	Zoning	Location
1	30,000	4,800	Commercial	Close-by
2	42,000	5,000	Commercial	Close-by
3	15,000	6,000	Commercial	Close-by



2.12.7 VALUATION ADVICE

There are a number of matters on which we have reflected in assessing our valuation in particular circumstances of the subject land as follows:

- The valuation considerations are as of the date of valuation referred within this report reflecting size, type, and use;
- Limited selection of comparable information available;
- The subject land is situated within a high-end district where good land plots are holding their price despite the current scare of economic depression.
- Comparable Evidence of actual transactions/sales prices within close proximity to the subject land/plots giving recognition to the surrounding amenity, to establish benchmarks from which values are extrapolated.
- It is important to note that the zoning for the subject land is school (educational use), although flexibility of use in line with the surrounding commercial and residential use is very much possible.
- The subject land has a large frontage on the main commercial road increasing its appeal and value.
- Preference has been directed at similar sized plots and property holdings; however, in the absence of such, other sized land holdings have been considered where a quantum adjustment to take into account the difference in the subject site area and the comparable plots.

2.12.8 LAND VALUATION SUMMARY

As a result, taking the individual characteristics of the subject land into account and cross referencing them with our findings we are of the opinion that the subject is reasonably priced within a range SAR 4,500 to SAR 6,000 per sq. m for land. We can accurately reflect the value of the subject land as follows:

Land Area (sq. m)	Rate per sq. m	Value (SAR) [rounded]
45,667	5,200	237,400,000

2.12.9 COST APPROACH

In determining the value for the Built-Up Area BUA for the subject school, we have conducted the replacement cost approach.

The below-mentioned table provides the breakdown used in the cost assessment:



2.12.10 COST VALUE SUMMARY

The below-mentioned table provides the summary for the Cost Assessment:

Use	BUA (sq. m)	Cost Assessment	Price (SAR) [Rounded]
School	30,122	*1,100	33,000,000

**Source: Construction Costs 2019 – In-House Research, Aecom, Flanagan Arabia plus reflecting the age of the subject property with more than 50% of economic life remaining given that the school is in good condition and has been well maintained.*

**We would stress that we are not Quantity Surveyors and the reported construction cost is only an estimate and is based upon reported costs of other similar construction in the market area of the subject and/or by recognized costing services.*

2.12.11 LAND PLUS COST VALUATION SUMMARY

Component	Value SAR (rounded)
Land	237,400,000
*Building(s)	33,000,000
Total (SAR) Rounded	270,400,000

**We have placed reliance on market benchmarks for construction costs as referred above. ValuStrat would stress that we are not Quantity Surveyors and the reported construction cost is only an estimate and is based upon reported costs of other similar construction in the market area of the subject and/or by recognized costing services.*

2.13 VALUATION

2.13.1 MARKET VALUE

ValuStrat is of the opinion that the Market Value of the leasehold interest in the subject property only referred within this report, and as of the date of valuation, based upon the Discounted Cash Flow and assumptions expressed within this report, may be fairly stated as follows;

Market Value (rounded and subject to details in the full report):

SAR 276,200,000 (TWO HUNDRED SEVENTY-SIX MILLION TWO HUNDRED THOUSAND SAUDI RIYALS)

2.14 GENERAL MARKET SNAPSHOT

2.14.1 MARKET ASSESSMENT, TIMES OF UNCERTAINTY (COVID-19 PANDEMIC) & VALUATION COMMENTARY OVERVIEW

At a time of unprecedented trial over the Coronavirus COVID-19 and the global spread of the virus, it has meant a significant impact on global financial markets as geographies experience continued spread and increase of pandemic cases. This has meant a global shutdown/lockdown of economies with most sectors affected.



The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization (WHO) as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries across the globe. Market activity is being impacted in many sectors.

Prior to the global rapid spread of the virus and the announcement by the KSA authorities of an initial indefinite lockdown, the KSA real estate market was in a healthy position with many analysts predicting a strong 2020 for real estate (vision 2020) with the positive activity and investment by the government unveiling a number of reforms, including recent facilitation of the tourism visa, where citizens of 49 countries are now able to apply e-visas and holders of Schengen, UK or US visas are eligible for visas on arrival.

Also the government has now allowed the full foreign ownership of retail and wholesale operations along with previously opening up of the Tadawul Stock Market to foreign investment supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country's economy, etc. With all the opportunities throughout the Kingdom and the creation of the Giga projects, there was an ambitious resilience which was suddenly shutdown overnight due to the initial lockdown period. Presently the whole of the KSA is on a 24-hour lockdown given that Coronavirus cases have passed 39,000 (thirty-nine thousand). With all the current uncertainty, market stagnation and short-term challenges whereby force majeure (as a result of the pandemic's cause beyond anyone's reasonable control) has created inactivity in the real estate market with the market currently at a standstill.

Given as mentioned above the KSA market's ambitions and resilience, we understand investor sentiment remains strong as it was prior to the virus pandemic and the KSA was on an upward course showing growth in the last quarter of 2019 after a period of subdued market conditions.

The current global crushing of liquidity in economies will have impact on markets and real estate market and this maybe the case with many economies across the globe; however, the KSA market has shown resilience in previous years through a period of downward trend (2016-18), a correction allowing for the market to bottom out with 2019 experiencing growth in the first quarter and subdued market conditions throughout 2019. The latter part of Q4 – 2019 saw positive growth with strong investor appetite, though the market lacking good quality stock. Now with the Saudi government confirming a stimulus package of SAR 120 billion, we understand the market will bounce back with investors underlying strong appetite. This will delay any evidence in the short term of declining prices and with the government stimulus will assist any short-term losses on transactions, private and public funds, although will need to be sustained in the short-term.

The KSA real estate sector generally follows the fortunes of the greater economy and while the oil reserves were left off prior to the pandemic fairly strong, although currently a price war between major producers is adding to a growing supply glut,

though this will help KSA once markets start normalizing again. The KSA economy remains stable and backed-by strong fundamentals of the KSA market (i.e. young growing population) and also the economic transformation plan transforming the Kingdom towards a service economy post-oil era.

In short, the pandemic is expected to be a short term shock wave with an eventual surge of business activity leading to a rapid recovery either in the form of a “V-shape” or a more gradual recovery in the form of a “U-shape” bounce back. Accordingly, we expect the KSA market to surge in business once the lockdown is lifted allowing for markets to start flourishing towards long term sustainability in social trends and patterns along with socio-economic distancing in a growing cycle. On the other hand, should the global economic impact of the Coronavirus pandemic (COVID-19) outbreak depends on how long the virus lasts, how far it spreads and how much lock-down, public organizations quarantines disrupt the market.

Indeed, the current response to COVID-19 means that we are faced with unprecedented set of circumstances on which to base judgement(s). There is strong evidence that real estate markets spring back to strong activity and growth fairly quickly. Equally, the short-term generally speaking we do not expect the current real estate market to show any small adjustment in prices/rates due to non-activity or a market standstill especially prior the market was on an upward trend. The KSA real estate market is a developing market with much invested by the government in infrastructure projects so we expect the government’s latest stimulus to preserve liquidity and for demand to hold having limited / no bearing on prices / rates. However, should the pandemic persist throughout this year, we do expect adjustment later or towards the end of this year.

Our valuation(s) is / are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the subject property referred in this report under frequent review.

2.14.2 MARKET CONDITIONS PRIOR TO THE PANDEMIC & THE KSA LOCKDOWN

The Kingdom of Saudi Arabia (KSA) - world's largest exporter of crude oil, embarked four years (2016) ago on an ambitious economic transformation plan, “Saudi Arabia Vision 2030”. In a hope to reduce its reliance on revenue from hydrocarbons, given the plummeting oil price revenues from 2014.

Through the current vision and in a post oil economy, KSA is adapting to times of both austerity measures and a grand ambitious strategy. With an overdue diversification plan Saudi Arabia’s economic remodelling is about fiscal sustainability to become a non-dependent nation of oil. This is supported by current energy



reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country's economy.

Despite economic headwinds, across the region, KSA has shown resilience through a period of subdued real estate market activity. The real estate sector generally follows the fortunes of the greater economy and whilst Saudi Arabia is undergoing structural reforms politically, economically and socially will transform the Kingdom towards a service economy post-oil era.

These changes along with significant amounts of investment - estimated to soon be over 1 trillion US dollars will create vast amounts of opportunities for the public and private sectors across all businesses segments.

The KSA economy in the first quarter of 2019 has relied on the current oil price rise to pull it out of recession; however, the previous 18-24 months, KSA faced a protracted spell of economic stress, much of which can be attributed to the falling oil prices coupled with regional political issues.

Oil prices are starting to surge again around 80 dollars a barrel currently from under 30 dollars a barrel in early in 2016 which resulted in a crash in prices and the economy dipped into negative territory in 2017 for the first time since 2009, a year after the global financial crisis.

General consensus anticipates a piercing improvement in the Saudi economy in the period ahead (2021-2022), supported by both the oil and non-oil sector. So ultimately it appears the economy will still need to rely on oil revenues to bridge the gap in the short term with a budget deficit over the past 3 years and the Kingdom borrowing from domestic and international markets along with hiking fuel and energy prices to finance the shortfall. The economy slipped into recession in 2018 but returned to growth this year 2019, albeit at the fairly modest level of 1.7%, according to estimates from the International Monetary Fund (IMF).

However, the return to growth is mainly due to a return to increase in oil prices again and output which, in turn, is enabling an increase in government spending. Accordingly, in the short term needs to rely on the oil revenue and this reliance is being channelled into public spending. The non-oil economy is growing, but at a slow pace. Analysts are forecasting non-oil GDP to grow by 1.4% this year, compared to 1% in 2017. Even here, the non-government sector is coping relatively poorly. Analysts are forecasting non-oil private sector growth of 1.1%, this year, up from 0.7% last year.

The reforms that have been pushed through to date have led to important changes aiding the economy. The opening up of the entertainment industry will create jobs for young locals and women driving makes it easier for millions more people to enter the workforce. Reforms to the financial markets have led indexing firms to bring the Saudi Stock Market (Tadawul) into the mainstream of the emerging markets universe which now assists to draw in many billions of investment dollars. A due enactment of law will encourage public-private partnerships to herald more foreign investment.



The economic transformation that the KSA has embarked upon is complex and multidimensional and will certainly take time to turn around a non-oil serviced economy, although there have been recent positive signs, but it will remain in the short term with the support of oil revenues.

On the other hand, the KSA was resilient in the previous recession in 2007/2008 on strong oil reserves and not only can the Saudi government be relied upon to step in to rescue troubled lenders, reliable institutions for procedural reasons but crucially, it can also afford to do so, although has suffered due to previous oil price declines and it has meant increased spending.

Vision 2030 to diversify the economy from reliance on oil, has only just commenced and with a young and increasingly well-educated population, together with its own sovereign wealth fund, the Kingdom has many favourable factors to become a leading service sector economy in the region. Reform efforts include a reduction of subsidies on fuel and electricity and the implementation of a 5 per cent VAT back on 1st January 2018 which increased to 15 per cent as of 01 July 2020. The government is also striving to get women to play a greater role in the economy including allowing them to drive back in 2019. Wider reforms have been initiated by the government allowing for the entertainment industry to flourish with the opening of the first cinema in King Abdullah Financial District (KAFD) along with 4 VOX screens opening at Riyadh Park Mall. The cinema entertainment is spurred on by Public Investment Fund (PIF) in collaboration with AMC Cinemas and led by the Development and Investment Entertainment Company (DIEC), a wholly owned subsidiary of PIF. With an objective of 30 to 40 cinemas in approximately 15 cities in Saudi Arabia over the next five years, and 50 to 100 cinemas in about 25 Saudi cities by 2030.

As part of wider reforms to overhaul the economy and to allow for deep rooted diversification, the PIF have initiated plans to bolster the entertainment industry by forming ambitious plans such as the following:

Red Sea Tourism Project

To transform 50 islands consisting of 28,000 square kilometres along the Red Sea coastline into a global tourism destination. For ease of reference to illustration below showing the location in relation to the Kingdom of Saudi Arabia.

Al Faisaliyah Project

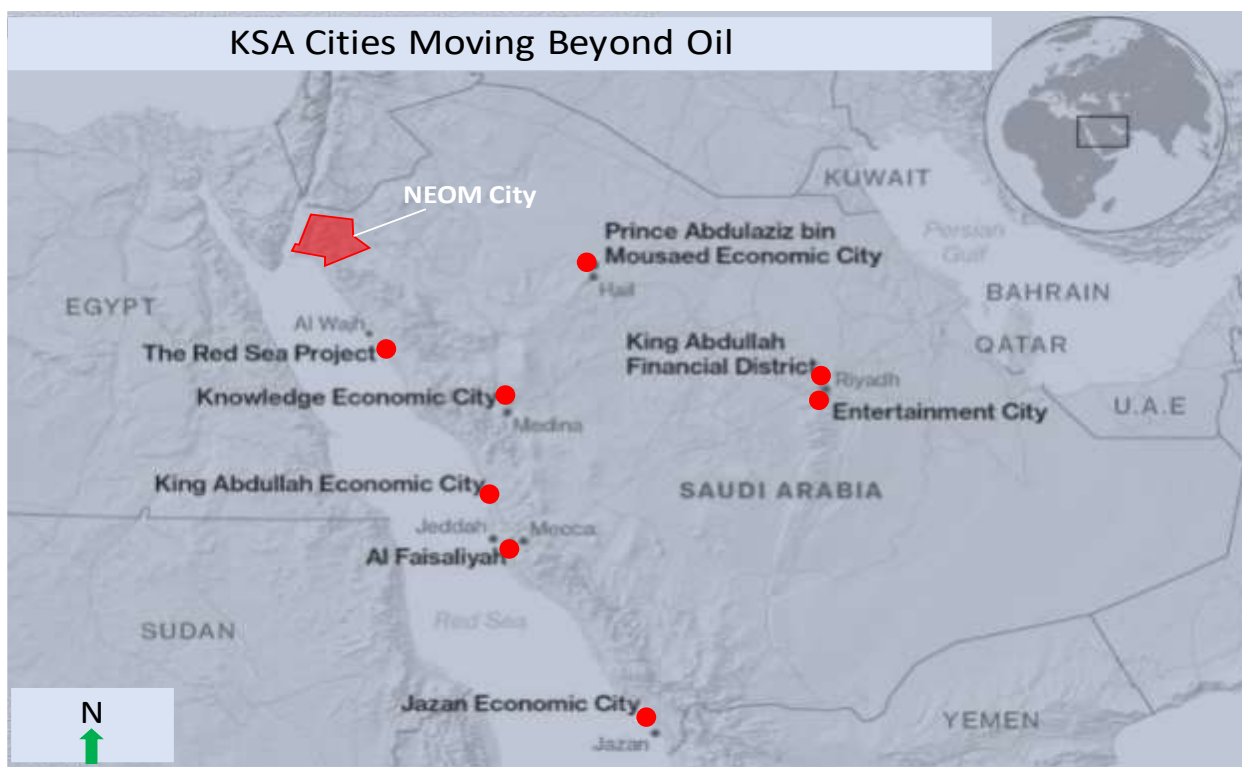
The project will consist of 2,450 square kilometres of residential units, entertainment facilities, an airport and a seaport. Refer to the below illustration for the location.

Qiddiya Entertainment City

Qiddiya Entertainment City will be a key project within the Kingdom's entertainment sector located 40 kilometres away from the center of Riyadh. Currently alleged for "The First Six Flags-branded theme park". The 334 square kilometre entertainment city will include a Safari park too. The project will be mixed use facility with parks,



adventure, sports, events and wild-life activities in addition to shopping malls, restaurants and hotels. The project will also consist around 4,000 vacation houses to be built by 2025 and up to 11,000 units by 2030. Again, for ease of reference refer to the below illustration for the location.



Neom City

The NEOM city project will operate independently from the “existing governmental framework” backed by Saudi government along with local and international investors. The project will be part of a ‘new generation of cities’ powered by clean energy. The ambitious plan includes a bridge spanning the Red Sea, connecting the proposed city to Egypt and stretch into Jordan too.

Economic Cities

The overall progress with the Economic Cities has been slow and projects on hold over the past 7-10 years, although KAFD has recently given the go ahead to complete by 2020. Within the Saudi Vision 2030 the governed referenced that they will work to “salvage” and “revamp”.

Real Estate Growth

Overall ValuStrat research reveals that real estate sectors have continued to decline in both sales and rental values. We expect demand to remain stable due to fundamentals of a growing young population, reducing family size, increasing middle-class and a sizeable affluent population – all of which keeps the long-term growth potential intact.

Despite short term challenges, both investors and buyers remaining cautious, the Saudi economy has shown signs of ambition with the government unveiling a number of reforms, including full foreign ownership of retail and wholesale operations along with opening up of the Tadawul Stock Market to foreign investment as well as the reforms mentioned in the previous section referred above. As mentioned earlier, KSA experienced positive growth by oil price rise in the first quarter of 2019; hence the main driver of the recovery remains oil. Over 2020 we envisage the Kingdom's consumer outlook to be more favourable in economic conditions.

Moreover, tax on development land implemented in 2017/18 has kept the construction sector afloat, encouraging real estate developers. Adapting to a new KSA economic reality has been inevitable, although the Kingdom's oil dynamics remain pivotal for future development within the KSA 2030 economic vision plan. In latter part of 2017, the Public Investment Fund (PIF), Saudi Arabia's sovereign wealth fund set up a real estate refinancing company aimed at advancing home ownership in the Kingdom, which suffers from a shortage of affordable housing. This initiative will create stability and growth in the Kingdom's housing sector by injecting liquidity and capital into the market. Another plan to help kick start the real estate market by boosting the contribution of real estate finance to the non-oil GDP part.

The real estate sector has played an increasingly important role in the Saudi Arabian economy. Growing demand across all sectors combined with a generally limited supply has forced real estate prices to accelerate over the past (2008-2016).

The close ties with the construction, financing institutions and many others have provided crucial resources that contributed to the development of the Saudi economy. The real estate market performance in 2019 and the general trend in KSA for most sectors have remained subdued given lower activity levels, while prices have been under pressure across most asset classes leading to a gradual softening of rental and sale prices. The real estate sector remains subdued and prices may have bottomed out across sectors and we expect in the medium to long term for the market to pick-up further growth given the reforms and transformation in KSA, although we expect the growth to be slow and steady subject to a stable political environment in KSA and across the region. The outlook remains optimistic for the longer term due to the various KSA initiatives aimed at stimulating the real estate market whilst encouraging the private sector to play a key role in the transformation.

All in all, market volatility remains currently, and prices are likely to witness further deterioration in the short term. A watching brief should be kept on the economy, although we expect the economy to gather some pace later in 2021.

Property values are subject to fluctuation over time as market conditions may change. Valuation considered full figure and may not be easily achievable in the event of an early re-sale. It must be borne in mind that both rental and capital values can fall as well as rise.



2.14.3 GENERAL EDUCATION OUTLOOK

The KSA Vision 2030 Plan and the education sector is a main stake for the Kingdom's economic and social growth. The education sector has become one of KSA's leading investment sectors with many regional, international investors and operators actively planning in entering the educational market with the repealing of foreign ownership restrictions.

Accordingly, the education market in Riyadh will further provide strong opportunities from relatively safe and high return assets. The education sector has a strong appetite given the following:

- The compulsory education system in the Kingdom is structured to include six grades at primary-school level and three at intermediate level, followed by a further three years in secondary school.
- As of 2015 there were 7.5m children attending schools, according to the latest available data from the General Authority for Statistics (GaStat) with 52% students at primary school, 24% at intermediate schools and 24% at Secondary schools.
- Of this, majority of the students attend public schools and only 11.4% students' study in private schools. However, the percentage has been growing every year.

Overall an emerging young and growing population only increases the pressure on shortages and therefore a stable sector in the foreseeable future.

2.15 VALUATION UNCERTAINTY

In line with RICS Global – Valuation Practice Guidance Application 9 (VPGA 9): we believe that a reasonable period in which to negotiate a sale at our opinion of Market Value is 12-18 months. It should be noted. However, that if credit conditions substantially worsen or any other change were to occur to the investment market then the liquidity of the investment and the value, may change. We do not consider there to be a special prospective purchaser in the market for the subject property who would pay in excess of our opinion of Market Value. The RICS valuation standards consider it essential to draw to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations. We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to base valuations. Given the current uncertainties it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature. The current shortage of transaction, combined with a rapidly changing market only serves to highlight the unpredictability of the current market, which is subject to change on a day by day basis. The RICS valuation standards consider it essential to draw attention to



foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations.

We further state that given the valuation uncertainty stated above our valuation represents our impartial calculated opinion / judgement of the properties, based on relevant market data and perceptions as at the date of valuation.

The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's market place

The client is also recommended to consider the benefits in such a market, of having more frequent valuations to monitor the value of the subject property.

2.16 DISCLAIMER

In undertaking and executing this assignment, an extreme care and precaution has been exercised. This report is based on information provided by the Client. Values will differ or vary periodically due to various unforeseen factors beyond our control such as supply and demand, inflation, local policies and tariffs, poor maintenance, variation in costs of various inputs, etc.

It is beyond the scope of our services to ensure the consistency in values due to changing scenarios.

2.17 CONCLUSION



This report is compiled based on the information received to the best of our belief, knowledge and understanding. The information revealed in this report is strictly confidential and issued for the consideration of the Client. No part of this report may be reproduced either electronically or otherwise for further distribution without our prior and written consent.

We trust that this report and valuation fulfils the requirement of your instruction. This report is issued without any prejudice and personal liability.

For and on Behalf of, **ValuStrat**

Mr. Ramez Al Medlaj
(Taqeem Member No. 1210000320)
Senior Associate - Real Estate, KSA

Mr. Yousuf Siddiki
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APPENDIX 1 - PHOTOGRAPHS OF THE PROPERTY





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Valuation Report

ALROWAD INTERNATIONAL SCHOOL,
AL NUZHA DISTRICT,
RIYADH, KSA

SAUDI FRANSI CAPITAL

REPORT ISSUED 07 JANUARY 2021

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APPENDIX 1 - PHOTOGRAPHS



1 EXECUTIVE SUMMARY

THE EXECUTIVE SUMMARY AND VALUATION SHOULD NOT BE CONSIDERED OTHER THAN AS PART OF THE ENTIRE REPORT.

1.1 THE CLIENT

Saudi Fransi Capital
Muhammad Raza Rawjani, CFA
Vice President
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1.2 THE PURPOSE OF VALUATION

The valuation is for Public Listing Offering (REIT) for the Saudi Market Purpose.

1.3 INTEREST TO BE VALUED

Alrowad International School, Al Nuzha District, Riyadh, KSA (GPS Co-ordinates: 24°45'22.69"N 46°42'14.28"E)

Title Deed No.	Title Deed Date:	Property	Location	Interest
810104023227	16/8/1432	School	Riyadh, KSA	*Freehold

Source: Client 2020

*Freehold reflecting 30-year lease agreement with an unexpired term of 22 years.

The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation.

1.4 VALUATION APPROACH

Primary method - Discounted Cash Flow (DCF) approach to valuation with a sanity check on comparative land value reflecting improvements to the subject land.

1.5 DATE OF VALUATION

Unless stated to the contrary, our valuation has been assessed as of our report date of 31 December 2020.

The valuation reflects our opinion of value as at this date. Property values are subject to fluctuation over time as market conditions may change.



1.6 SUMMARY OF VALUE

Details	
Leasehold Interest	21 years unexpired
Gross Income (per annum)	14,520,000 (increased every 3 years at 10%)
Discount Rate	6.75%
Total (SAR) [Rounded]	213,000,000

The executive summary and valuation should not be considered other than as part of the entire report.

1.7 SALIENT POINTS (GENERAL COMMENTS)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries across the globe.

Market activity is being impacted in many sectors. Despite short term challenges whereby force majeure (as a result of the pandemic cause beyond anyone's reasonable control) has created inactivity in the real estate market with the market currently at a standstill. Although we understand investor sentiment remains strong as it was prior to the virus pandemic and the KSA was on an upward trajectory showing growth in the last quarter of 2019 after a period of subdued market conditions.

With all positive activity and investment by the government creating opportunities through projects across the Kingdom and through the creation of the Giga projects and now a stimulus package of SAR 120 billion, we understand the market will bounce back with investors and buyers having a strong appetite.

We understand the current uncertainty and market stagnation will not allow a fairly resilient market to stop where it left off prior to the pandemic. In short, we suspect the pandemic effect to be a short-term shock and expect a rapid recovery and a surge in business activity to bounce back allowing markets to start flourishing towards a growth cycle.

Our valuation(s) are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the property(s) under frequent review.

We confirm that on-site measurement exercise was not conducted by ValuStrat, and we have relied on the site areas specified by the Client. In the event that the areas of land and site boundary prove erroneous, our opinion of Market Value may be materially affected, and we reserve the right to amend our valuation and report.



We have assumed that the land is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and good title can be shown. For the avoidance of doubt, these items should be ascertained by the client's legal representatives.

ValuStrat draws your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that would be reasonable to expect a purchaser to make.

We are unaware of any adverse conditions which may affect future marketability for the subject site.

It is assumed that the subject land is freehold and is not subject to any rights, obligations, restrictions and covenants.

This report should be read in conjunction with all the information set out in this report, we would point out that we have made various assumptions as to tenure, town planning and associated valuation opinions. If any of the assumptions on which the valuation is based is subsequently found to be incorrect then the figures presented in this report may also need revision and should be referred back to the valuer.

Note property values are subject to fluctuation over time as market conditions may change.

This executive summary and valuation should not be considered other than as part of the entire report.



2 VALUATION REPORT

2.1 INTRODUCTION

Thank you for the instruction regarding the subject valuation service.

We ('ValuStrat', which implies our relevant legal entities) would be pleased to undertake this assignment for Saudi Fransi Capital ('the client') of providing valuation services for the subject land mentioned in this report subject to valuation assumptions, reporting conditions and restrictions as stated hereunder.

2.2 VALUATION INSTRUCTIONS / PROPERTY INTEREST TO BE VALUED

Alrowad International School, Al Nuzha District, Riyadh, KSA (GPS Co-ordinates: 24°45'22.69"N 46°42'14.28"E)

Title Deed No.	Title Deed Date:	Property	Location	Interest
810104023227	16/8/1432	School	Riyadh, KSA	*Freehold

Source: Client 2020

Freehold reflecting 30-year lease agreement with an unexpired term of 21 years. The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation.

2.3 PURPOSE OF VALUATION

The valuation is for Public Listing Offering (REIT) for the Saudi Market Purpose.

2.4 VALUATION REPORTING COMPLIANCE

The valuation has been conducted in accordance with Taaqem Regulations (Saudi Authority for Accredited Valuers) and the International Valuation Standards Council (IVSCs') incorporating International Valuations Standards (IVS).

It should be further noted that this valuation is undertaken in compliance with generally accepted valuation concepts, principles and definitions as promulgated in the IVSCs International Valuation Standards (IVS) as set out in the IVS General Standards, IVS Asset Standards, and IVS Valuation Applications.

2.5 BASIS OF VALUATION

2.5.1 MARKET VALUE

The valuation of the subject property, and for the above stated purpose, has been undertaken on the **Market Value** basis of valuation in compliance with the above



mentioned *Valuation Standards* as promulgated by the IVSC and adopted by the RICS. **Market Value** is defined as: -

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion.

The definition of **Market Value** is applied in accordance with the following conceptual framework:

"The estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;

"an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;

"on the valuation date" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;

"between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";

"and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

"in an arm's-length transaction" is one between parties who do not have a particular or special relationship, e.g. parent and subsidiary companies or landlord



and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;

“after proper marketing” means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;

‘where the parties had each acted knowledgeably, prudently’ presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

‘and without compulsion’ establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

Market value is the basis of value that is most commonly required, being an internationally recognized definition. It describes an exchange between parties that are unconnected (acting at arm’s length) and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, on the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset.

The highest and best use of an asset is the use of an asset that maximizes its productivity and that is possible, legally permissible and financially feasible.

Market value is the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.



2.5.2 VALUER(S):

The valuer on behalf of ValuStrat, with responsibility of this report is Mr. Ramez Al Medlaj (Taqeem Member), having sufficient and current knowledge of the Saudi market and the skills and understanding to undertake the valuation competently.

Also Mr. Ramez Al Medlaj (Taqeem Member) who is a local Arabic specialist having knowledge, skills and understanding of the market and valuation.

We further confirm that neither Valuer or ValuStrat have no previous material connection or involvement with the subject of the valuation assignment apart from this same assignment undertaken; other than the last valuation exercise in June 2020.

2.5.3 STATUS OF VALUER

Status of Valuer	Survey Date	Valuation Date
External Valuer	16 December 2020	31 December 2020

2.6 EXTENT OF INVESTIGATION

In accordance with instructions received we have carried out an external and internal inspection of the property. The subject of this valuation assignment is to produce a valuation report and not a structural / building or building services survey, and hence structural survey and detailed investigation of the services are outside the scope of this assignment.

We have not carried out any structural survey, nor tested any services, checked fittings of any parts of the property. Our internal inspection was limited to common areas of the property including the ground floor areas, mezzanine floor area, other commercial areas, and a representative sample of areas.

For the purpose of our report we have expressly assumed that the condition of any un-seen areas is commensurate with those which were seen. We reserve the right to amend our report should this prove not to be the case.

2.7 SOURCES OF INFORMATION

For the purpose of this report, it is assumed that written information provided to us by the Client is up to date, complete and correct in relation to title, planning consent and other relevant matters as set out in the report. Should this not be the case, we reserve the right to amend our valuation and report.

2.7.1 VALUATION ASSUMPTIONS / SPECIAL ASSUMPTIONS

This valuation assignment is undertaken on the following assumptions:



That no contaminative or potentially contaminative use has ever been carried out on the site; we assume no responsibility for matters legal in character, nor do we render any opinion as to the title of the property, which we assume to be good and free of any undisclosed onerous burdens, outgoing, restrictions or other encumbrances. Information regarding tenure and tenancy must be checked by your legal advisors; this subject is a valuation report and not a structural/building survey, and hence a building and structural survey is outside the scope of the subject assignment.

We have not carried out any structural survey, nor have we tested any services, checked fittings or any parts of the structures which are covered, exposed or inaccessible, and, therefore, such parts are assumed to be in good repair and condition and the services are assumed to be in full working order;

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material have been used in the construction of the property, or have since been incorporated, and we are therefore unable to report that the property is free from risk in this respect.

For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent; that, unless we have been informed otherwise, the property complies with all relevant statutory requirements (including, but not limited to, those of Fire Regulations, Bye-Laws, Health and Safety at work); we have made no investigation, and are unable to give any assurances, on the combustibility risk of any cladding material that may have been used in construction of the subject building.

We would recommend that the client makes their own enquiries in this regard, and the market value conclusion arrived at for the property reflect the full contract value and no account is taken of any liability to taxation on sale or of the costs involved in effecting the sale.

2.8 PRIVACY/LIMITATION ON DISCLOSURE OF VALUATION

This valuation is for the sole use of the named Client. This report is confidential to the Client, and that of their advisors, and we accept no responsibility whatsoever to any third party.

No responsibility is accepted to any third party who may use or rely upon the whole or any part of the contents of this report. It should be noted that any subsequent amendments or changes in any form thereto will only be notified to the Client to whom it is authorised.



2.9 DETAILS AND GENERAL DESCRIPTION

2.9.1 DETAILS & LOCATION OF PROPERTY

The subject property is an established international school built circa. 2012 located in the An Nuzha District of Riyadh. The subject school is known as Alrowad International School situated within a popular area with a number of schools in the close vicinity of densely populated established districts.

The subject school is located on island site extending to an approximate land area of 30,000 sq. m and improved with four 3 storey building(s) constructed of reinforced concrete frame with block infill. Each building consists of a basement, 3 floors and an annex, sport facilities and multiple playgrounds. We understand there are almost 7,000 students housed within a Built-Up Area (BUA) of 48,281 sq. m including a large basement allowing for parking space of 200 vehicles.

The subject property fronts with high visibility on Abi Sufyan Ibn Harb Road close to the junction Abi Bakr Siddiq Road. For ease of reference refer to the illustration below of the close locality.



Source: Google 2020; For illustration purposes only

2.9.2 SCHOOL BUILDING BRIEF DESCRIPTION

The subject school site is an established international private school catering for KG, elementary, middle and high school for both girls and boys.

The subject school site forms clusters of buildings designed as a purpose-built school, a fully integrated and a segregated school for both girls and boys.

At the time of inspection, the subject school was in good condition considering age, type and location. The subject school accommodates currently almost 7,000 students. Some features include as follows:

School Infrastructure and facilities

Computer Labs - There school is equipped with five computer labs to support students with their learning.

Laboratories - There school has 5 science laboratories for students.

Library and Media Centre - The school houses five libraries and media centers.

Sports and Physical Exercise - The school has several outdoor and indoor facilities for sports which includes multiple playgrounds.

Indoor Swimming Pool for both girls and boys

Gymnasium

2.9.3 RIYADH'S METRO SYSTEM

The new City Metro of Riyadh is a rapid transit system under construction to be completed circa. 2021, which will be of benefit to Riyadh's population, business and future growth of Riyadh, etc. The Metro will be help in many ways for day to day life activities such as traffic control, school journeys, shopping journey and business commuting, etc. The city metro project is one of the world's largest infrastructure projects currently under-construction.

The city metro, which is designed as a world-class transportation system includes 756 metro cars, 85 stations, six metro lines and 176-km network line. The below-mentioned table lists the six metro lines along their estimated length.

Riyadh City Metro System Lines

Line	Length (Km)
Line 1 – Blue	38.0
Line 2 – Green	25.3
Line 3 – Red	40.7
Line 4 – Orange	29.6
Line 5 – Yellow	12.9
Line 6 - Purple	29.90

The Riyadh metro will span over 178km including underground, elevated and at-grade sections. The three major metro stations (intersection of the lines) KAFD, Olaya and downtown will be designed by world renowned architectural firms to include Gerber Architekten, Snohetta and Zaha Hadid.

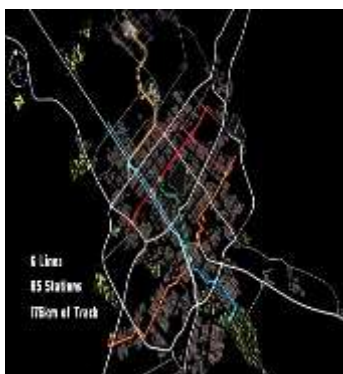
KING ABDULLAH FINANCIAL DISTRICT STATION



Three leading consortia, including the US Construction company Bechtel Group Inc., Spain's FCC and Italy's Ansaldo STS have been awarded contracts to build the project.



RIYADH METRO LINES



We understand, the subject property and area will be connected via a Riyadh Metro (via line 2 – King Abdullah Road Line) and the nearest station will be about 1,500 - 1,800 meters away from the subject property.

The construction of the metro system has led to a number of road closures that has affected traffic in various parts of the city, especially the Olaya major thoroughfare. The public transport project will also comprise an integrated bus system to include 3,853 bus stops, 24 bus routes, 1,150 km network and 956 buses that will ease traffic congestion considerably and reduce pollution by cutting the number of vehicles on the road.

In terms of public transport, the upcoming Riyadh Metro will greatly improve access to the central business district, as it will not only run from east to west on King Abdullah Road, but also run north to south on King Fahad Road.

THE METRO CENTRAL SYSTEM



The subject property will also be accessible via bus routes under the Riyadh City Metro system. Riyadh City Metro, along with a substantive network of bus routes, is a public transport network which aims to ease the city's traffic congestion. The project is divided into two phases:

- Phase 1 is approximately 25 km and will operate between Olaya Road and Batha Road, connecting North Ring Road to South Ring Road;
- Phase 2 is expected to connect Sheikh Jaber Al Ahmed Al Sabah Road to West Ring Road through King Abdullah Road.

The commencement date for the project was in early 2014, with completion date of the project projected to complete in 2021. The proximity to the bus station of the subject property will be beneficial to future visitors, consumers, etc.

2.10 ENVIRONMENT MATTERS

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination.

In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative use has ever been carried out on the property.

We have not carried out any investigation into past or present use, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject property from the use or site, and have therefore assumed that none exists.

However, should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises has been or is being put to any contaminative use, this might reduce the value now reported.

Details	
Land Area	ValuStrat has been advised land plot area referred is approximately 30,000 sq. m. The boundaries appear to be reasonably well defined. For ease of reference, refer to the illustration referred above at section 2.9.1.
Topography	Generally, appears to be level and regular in shape
Drainage	Assumed available and connected.
Flooding	ValuStrat's verbal inquiries with local authorities were unable to confirm whether flooding is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not flood liable. A formal written submission will be required for any further investigation which is outside of this report's scope of work. Flood defences reduce but do not completely remove the risk of flooding and can fail in extreme weather conditions.
Landslip	ValuStrat's verbal inquiries with local authorities were unable to confirm whether land slip is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not within a landslip designated area. A formal written submission will be required for any further investigation which is outside of this report's scope of work.

2.10.1 TOWN PLANNING

Neither from our knowledge nor as a result of our inspection are we aware of any planning proposals which are likely to directly adversely affect this property.

In the absence of any information to the contrary, it is assumed that the existing use is lawful, has valid planning consent and the planning consent is not personal to the existing occupiers and there are no particularly onerous or adverse conditions which would affect our valuation.

We are not aware of any potential development or change of use of the property or We have attached both the building permit and title deed confirming that the subject land is zoned for school (educational) purposes. For the purpose this valuation, we have assumed zoning to be correct and accurate and should this not be the case, we reserve the right to amend our valuation and report.



We have also assumed that the subject property will include adequate parking provision in line with the applicable planning regulations.

2.10.2 SERVICES

The properties referred within this report have been assumed are connected to mains electricity, water, drainage, and other municipality services. Should this not be the case, we reserve the right to amend our valuation and report.

It assumed for this exercise all health and safety are in place including a valid civil defence certificate which has been issued approving the current fire & safety regulations comply with the authorities. Should this not be the case, we reserve the right to amend our valuation and report. We have not been provided with a copy of the civil defence certificate.

2.11 TENURE/TITLE

Unless otherwise stated we have assumed freehold title is free from encumbrances and that Solicitors' local searches and usual enquiries would not reveal the existence of statutory notices or other matters which would materially affect our valuation.

The freehold is reflected by a 30-year lease with following salient details:

- The subject is occupied by a single tenant – Alrowad International School owned by Tadrees Holding.
- 30-year lease with an unexpired term of 21 years
- Passing Rent SAR 14,520,000 per annum with 10% incremental every 3 years.

No copy of the lease was provided by the client. For the purpose of this valuation exercise, we assumed that there are onerous terms within the lease agreement. Should there be onerous terms within the lease agreement, we reserve the right to amend our valuation and report.

We are unaware of any rights of way, easements or restrictive covenants which affect the property; however, we would recommend that solicitors investigate both the titles in order to ensure everything is correct.

All aspects of tenure/title should be checked by the client's legal representatives prior to any form of transaction and insofar as any assumption made within the body of this report to be incorrect then the matter should be referred back to the valuer to ensure the valuation is not adversely affected. Reference has been made to a copy of the title deed at the attached appendices section.

2.12 METHODOLOGY & APPROACH

In determining our opinion of Market Value of the subject property we have utilized the Investment Approach utilizing a Discounted Cash Flow technique as the primary



method of valuation. Thereafter, we have shown an alternative assessment as a market sense check below on a land plus cost basis.

The DCF approach involves the discounting of the net cash flow on a yearly basis over the explicit cash flow period. In the case of the subject property the existing cash flow terminates upon expiry of the ground lease (approximately 21 years are unexpired as at the date of valuation). The cash flow is discounted at an appropriate rate to reflect risk in order to determine Market Value.

The projected income stream reflects the anticipated rental growth inherent in a property investment based upon the physical, tenancy or market characteristics related to that property. In addition to projected operating costs and allowances, future capital expenditure can also be reflected in the cash flow.

Cash inflows comprise income from the property adjusted to reflect actual and assumed lease conditions and rental growth, whilst cash outflows comprise operating costs adjusted to reflect anticipated inflation.

The rental income being capitalised and discounted in the cash flow refers to net rental income, that is, the income stream after deductions for the associated operating expenses and ground lease payments of the property as provided by the Client. The subject property is held by leasehold tenure. The ground lease explicitly states that, upon expiry, ownership of the mall reverts to the land owner. As such, we have adopted a terminal value of zero in our valuation calculations.

The future values quoted for property, rents and costs are projections only formed on the basis of information currently available to us and are not representations of what the value of the property will be as at a future date.

2.12.1 MARKET RENTAL ANALYSIS

We have analysed the tenancy schedule and the rents for the subject school. Accordingly, we have benchmarked these against with market rentals achieved in other comparable similar style of property.

Although the analysis of current passing rental shows a wide rental range; however; it appears the passing rents are generally in line with market conditions. The market rental range is between SAR 250 – SAR 500 per sq. m for this size, type and location of property. The subject passing rent is SAR 14,520,000 equating to around SAR 300 per sq. m which is line with market benchmarks.

2.12.2 ASSUMPTIONS & VALUATION ANALYSIS COMMENTARY

The subject school has been assessed reflecting a 30-year lease contract subject to the forecast and inputs provided by the client and any assumptions made by ValuStrat within market benchmarks.

ValuStrat has made certain assumptions and adjustments based on their experience in valuing typical properties in Riyadh, KSA taking cognisance of the surrounding



area, location and type of property. This was done in an attempt to forecast our interpretation of performance of the school over the 21 unexpired years explicit cash flow period. In this instance, we have adopted the following analysis:

2.12.3 DISCOUNT RATE & COMMENTARY

Discount Rate	6.75%
Finance Cost	Excluded from our Calculations

Finance Cost & Debt - If debt is unavailable, then both the liquidity and value of the property would be affected.

Growth Rates

We have relied on the lease contract with the following agreed rental schedule:

Discount Rate

Research conducted collated from developers and investors indicate that the discount rate is dependent on the scale of the development and the inherent risk associated. This risk takes into account the extent of the property type, location, economic conditions and investor sentiment.

Generally, the discount rate reflects the opportunity cost of capital and the return required to mitigate the risk associated with a particular investment type. Although benchmark data is preferable, the availability of this evidence is scarce. As a result, the prudent approach is to look at capitalisation rate evidence and make adjustments for inflation.

In addition, when reviewing the Discount Rate, it is important to consider Market risk and Property Specific risk. Market Risk comes in the form of potential competition from existing as well as future supply and also considers the state of the property market. Property Specific Risk reflects the liquidity of the market for large assets as well as the additional costs in maintaining and operating the property.

As a result of the above, we have arrived at a Discount Rate of 6.75% given the low risk of the 21-year covenant and the single tenant consisting a strong covenant and brand. **Alrowad International School is owned by Tadrees Holding** is one of the largest investors in the field of education. They have established and strong track record of educational achievement in the Middle east. The subject school has nil vacancy rate subject to the school being professionally run in line with Ministry of Education rules and procedures. This makes the subject a low risk in compared to general commercial property with similar or higher adjusted returns. Equally the subject land holds a high value and building cost value making a secure asset for future and possible alternative potential development due to the good location of the site can achieve an exit value which may warrant in times of decline.



2.12.4 STRONG COVENANT / BRAND

Many International markets around the globe rely on good strong covenant strength which has a significant impact on value. The local market does not rely or analyse records to the same extent as per International practices on company financial records.

*The company structures in KSA are backed by high net worth individuals who could be liable in the case of default or breach of lease conditions. Given the circumstances, we would anticipate that investors would accept the current covenant strength of the present lessee (**Alrowad International School owned by Tadrees Holding – strong brand in KSA**) and reflects the low level of risk into an appropriate bid.*

2.12.5 VALUATION COMMENTARY

Cash inflows comprise income from the property adjusted to reflect actual and assumed lease conditions and rental growth, whilst cash outflows comprise operating costs adjusted to reflect anticipated inflation. The rental income being capitalised and discounted in the cash flow refers to net rental income, that is, the income stream after deductions for the associated operating expenses and ground lease payments of the property as provided by the Client. The subject property is held by a leasehold tenure. We understand upon expiry of the lease, extension for an equal period on mutual agreement will be allowed, although we have assumed the ownership of the assets will revert to the owner. As such, we have adopted a terminal value of zero in our valuation calculations. Our opinion is based upon the following factors:

1. We have undertaken this valuation as of the date of valuation referred in this report when we analysed the subject school portfolio in good locations, good trading style, historic performance appears to be sound; however, any decline in these factors will impact performance.
2. This is a valuation for the purpose of the Real Estate Investment Trust (REIT).
3. The ages of the subject property and the economic life of each property along with higher maintenance increasing year on year.
4. Future competition and existing private schools offering high quality education and have captured a large market share can impact subject schools' performance.
5. In the event of a lessee default, a replacement tenant/operator can continue to trade from the subject schools in the shortest period to ensure that any rental is not compromised.
6. We have not been provided with a copy of audited financial statements, revenue generation broken down for the school, operating expenses for the school, rental income versus EBITA distribution analysis. Although based upon the average fee for the school as conveyed by the school



representatives is SAR 24,000 per child with almost 7,000 students should provide ample coverage of revenue after all deductions to provide enough cover for the rent in the current school operation and market conditions as of the date of valuation.

7. We have considered the valuation of subject school portfolio referred in this report based on the current state of the investment market with particular focus in the education sector. In addition, the proposed rent cover performance is considered in line with the risk associated with the subject property and achieving the expected income levels. Other significant factors incorporated within our assessment of the risk profile include Alrowad International School credentials and the current risk profile in the Kingdom of Saudi Arabia.
8. The report is based upon the information provided by the client and we have assumed that the information with which we have been provided is substantially true, accurate and complete. We have not independently verified the accuracy of the information supplied to us, although we have analysed the locations, financial statements and management data.
9. We have undertaken inspections of the subject property and the location in connection with this valuation and we have had regard to the property, location, trading style, performance and the local demographic and competitive environment plus key performance indices compared with other operating schools in the region.
10. The subject school referred within this report is subject to individual compliance requirements based on KSA conventions and we have assumed its compliance with current government legislation and educational registration requirements.
11. In reaching our opinion of the value, we have assumed that the subject property referred within this report will be professionally operated throughout the said term of the lease. In particular, we have assumed Alrowad International School will be able to staff the school(s) with competent persons and market the proposed school locations services extensively within the market based on its capabilities and brand.
12. We have also assumed that the trading position, financial and market conditions will not vary significantly during the stated period of assessment. In the event of future change, in the trading potential or actual level of trade from that indicated, the values reported can vary.

The future values quoted for property, rents and costs are projections only formed on the basis of information currently available to us and are not representations of what the value of the property will be as at a future date.



Accordingly, we provide our valuation referred in the below section:

2.12.6 SUMMARY OF MARKET VALUE

The resultant value based upon the above variables for the subject property is as follows:

Valuation Summary	
Passing Rent (current year)	14,520,000 per annum
Annual Growth Rate	10% every 3 years
Operational Cost	Not applicable, although onus upon the lessee to keep maintaining subject to high operational standards
Discount Rate	6.75%
Value SAR (Rounded)	213,000,000

The client is also recommended to consider the benefits in such a volatile market, of having more frequent valuations to monitor the value of the subject property.

In order to ascertain whether this valuation accurately reflects the value of the subject property, we also carried out a sanity check by analysing the land plus cost basis.

2.12.7 LAND - COMPARATIVE APPROACH

This method requires the collection of comparative market transactions that have occurred within the location of the subject site. Upon analysis and subsequent subjective adjustments, such evidence has then been applied to the subject property. Due to the nature of the property market within the Kingdom of Saudi Arabia, sales for similar properties are not readily available or transparent. Much if not all of the evidence is anecdotal and consequently in most circumstances this can place limitations on the veracity of such information and subsequently impact on values reported.

Accordingly, the valuation has been prepared in accordance with normal practice taking into account our usual research and enquiries and our discussions with leading local agents. In addition, we have analysed existing market commentaries and data in determining our opinion as to the applicable values. Information has also been sought from internal records and internet based property intelligence sites. We draw your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that it would be reasonable to expect a purchaser to make.

2.12.8 MARKET PRICES

We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to base valuations. Due to this shortage, it may be necessary at times



for a Valuer to draw upon evidence which is of a historical nature. This evidence shortage, combined with a rapidly changing market only serves to highlight the unpredictability of the current market, which is subject to change on a day by day basis. The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's market place. From research, it appears in the close-by area the land price ranges from SAR 2,800 to SAR 3,200 per sq. m.

2.12.9 VALUATION ADVICE

There are a number of matters on which we have reflected in assessing our valuation in particular circumstances of the subject land as follows:

- The valuation considerations are as of the date of valuation referred within this report reflecting size, type, and use;
- Limited or no selection of comparable information was available;
- The subject land is situated within a mid-end district where good land plots are holding their price despite the current scare of economic depression.
- Comparable Evidence of actual transactions/sales prices within close proximity to the subject land/plots giving recognition to the surrounding amenity, to establish benchmarks from which values are extrapolated.
- It is important to note that the zoning for the subject land is school (educational use), although flexibility of use in line with the surrounding commercial and residential use is very much possible.
- The subject land has a large frontage on the main commercial road increasing its appeal and value.
- Preference has been directed at similar sized plots and property holdings; however, in the absence of such, other sized land holdings have been considered where a quantum adjustment to take into account the difference in the subject site area and the comparable plots.

2.12.10 VALUATION SUMMARY

Despite the unpredictable market conditions across the Riyadh, the subject land remains resilience in price due to the good location of the site in the central area of Riyadh.

As a result, taking the individual characteristics of the subject land into account and cross referencing them with our findings we are of the opinion that the subject is reasonably priced within a range SAR 2,800 to SAR 3,200 per sq. m for land. We can accurately reflect the value of the subject land as follows:



No.	Land Area (sq. m)	Rate per sq. m	Value (SAR) [rounded]
1	30,000	3,000	90,000,000

2.12.11 REPLACEMENT COST APPROACH

In determining the value for the Built-Up Area BUA for the subject school, we have conducted the replacement cost approach. The below-mentioned table provides the breakdown used in the cost assessment:

2.12.12 REPLACEMENT COST VALUE SUMMARY

The below-mentioned table provides the summary for the Replacement Cost Assessment:

Use	BUA (sq. m)	Cost Assessment	Price (SAR) [Rounded]
School	48,281	2,500	116,000,000

**Source: Construction Costs 2019/20 – In-House Research, Aecom, and others plus reflecting the age of the subject property with more than 30 years of economic life remaining given that the school is in good condition and has been well maintained.*

**We would stress that we are not Quantity Surveyors and the reported construction cost is only an estimate and is based upon reported costs of other similar construction in the market area of the subject and/or by recognized costing services.*

2.12.13 VALUATION SUMMARY

Component	Value SAR (Rounded)
Land	90,000,000
*Building(s)	116,000,000
Total (SAR) Rounded	206,000,000

**We have placed reliance on market benchmarks for construction costs as referred above. ValuStrat would stress that we are not Quantity Surveyors and the reported construction cost is only an estimate and is based upon reported costs of other similar construction in the market area of the subject and/or by recognized costing services.*

2.13 VALUATION

2.13.1 MARKET VALUE

ValuStrat is of the opinion that the Market Value of the leasehold interest in the subject property only referred within this report, and as of the date of valuation, based upon the Discounted Cash Flow (DCF) and assumptions expressed within this report, may be fairly stated as follows;

Market Value (rounded and subject to details in the full report):

SAR 213,000,000 (TWO HUNDRED THIRTEEN MILLION SAUDI RIYALS)



2.14 GENERAL MARKET SNAPSHOT

2.14.1 MARKET ASSESSMENT, TIMES OF UNCERTAINTY (COVID-19 PANDEMIC) & VALUATION COMMENTARY OVERVIEW

At a time of unprecedented trial over the Coronavirus COVID-19 and the global spread of the virus, it has meant a significant impact on global financial markets as geographies experience continued spread and increase of pandemic cases. This has meant a global shutdown/lockdown of economies with most sectors affected.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization (WHO) as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries across the globe. Market activity is being impacted in many sectors.

Prior to the global rapid spread of the virus and the announcement by the KSA authorities of an initial indefinite lockdown, the KSA real estate market was in a healthy position with many analysts predicting a strong 2020 for real estate (vision 2020) with the positive activity and investment by the government unveiling a number of reforms, including recent facilitation of the tourism visa, where citizens of 49 countries are now able to apply e-visas and holders of Schengen, UK or US visas are eligible for visas on arrival.

Also the government has now allowed the full foreign ownership of retail and wholesale operations along with previously opening up of the Tadawul Stock Market to foreign investment supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country's economy, etc. With all the opportunities throughout the Kingdom and the creation of the Giga projects, there was an ambitious resilience which was suddenly shutdown overnight due to the initial lockdown period. Presently the whole of the KSA is on a 24-hour lockdown given that Coronavirus cases have passed 39,000 (thirty-nine thousand). With all the current uncertainty, market stagnation and short-term challenges whereby force majeure (as a result of the pandemic's cause beyond anyone's reasonable control) has created inactivity in the real estate market with the market currently at a standstill.

Given as mentioned above the KSA market's ambitions and resilience, we understand investor sentiment remains strong as it was prior to the virus pandemic and the KSA was on an upward course showing growth in the last quarter of 2019 after a period of subdued market conditions.

The current global crushing of liquidity in economies will have impact on markets and real estate market and this maybe the case with many economies across the globe; however, the KSA market has shown resilience in previous years through a period of downward trend (2016-18), a correction allowing for the market to bottom out with 2019 experiencing growth in the first quarter and subdued market conditions throughout 2019. The latter part of Q4 – 2019 saw positive growth with strong



investor appetite, though the market lacking good quality stock. Now with the Saudi government confirming a stimulus package of SAR 120 billion, we understand the market will bounce back with investors underlying strong appetite. This will delay any evidence in the short term of declining prices and with the government stimulus will assist any short-term losses on transactions, private and public funds, although will need to be sustained in the short-term.

The KSA real estate sector generally follows the fortunes of the greater economy and while the oil reserves were left off prior to the pandemic fairly strong, although currently a price war between major producers is adding to a growing supply glut, though this will help KSA once markets start normalizing again. The KSA economy remains stable and backed-by strong fundamentals of the KSA market (i.e. young growing population) and also the economic transformation plan transforming the Kingdom towards a service economy post-oil era.

In short, the pandemic is expected to be a short term shock wave with an eventual surge of business activity leading to a rapid recovery either in the form of a “V-shape” or a more gradual recovery in the form of a “U-shape” bounce back. Accordingly, we expect the KSA market to surge in business once the lockdown is lifted allowing for markets to start flourishing towards long term sustainability in social trends and patterns along with socio-economic distancing in a growing cycle. On the other hand, should the global economic impact of the Coronavirus pandemic (COVID-19) outbreak depends on how long the virus lasts, how far it spreads and how much lock-down, public organizations quarantines disrupt the market.

Indeed, the current response to COVID-19 means that we are faced with unprecedented set of circumstances on which to base judgement(s). There is strong evidence that real estate markets spring back to strong activity and growth fairly quickly. Equally, the short-term generally speaking we do not expect the current real estate market to show any small adjustment in prices/rates due to non-activity or a market standstill especially prior the market was on an upward trend. The KSA real estate market is a developing market with much invested by the government in infrastructure projects so we expect the government’s latest stimulus to preserve liquidity and for demand to hold having limited / no bearing on prices / rates. However, should the pandemic persist throughout 2021, we do expect adjustment later on in the year.

Our valuation(s) is / are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the subject property referred in this report under frequent review.

2.14.2 MARKET CONDITIONS PRIOR TO THE PANDEMIC & THE KSA LOCKDOWN

The Kingdom of Saudi Arabia (KSA) - world's largest exporter of crude oil, embarked four years (2016) ago on an ambitious economic transformation plan, "Saudi Arabia Vision 2030". In a hope to reduce its reliance on revenue from hydrocarbons, given the plummeting oil price revenues from 2014. Through the current vision and in a post oil economy, KSA is adapting to times of both austerity measures and a grand ambitious strategy. With an overdue diversification plan Saudi Arabia's economic remodelling is about fiscal sustainability to become a non-dependent nation of oil. This is supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country's economy.

Despite economic headwinds, across the region, KSA has shown resilience through a period of subdued real estate market activity. The real estate sector generally follows the fortunes of the greater economy and whilst Saudi Arabia is undergoing structural reforms politically, economically and socially will transform the Kingdom towards a service economy post-oil era. These changes along with significant amounts of investment - estimated to soon be over 1 trillion US dollars will create vast amounts of opportunities for the public and private sectors across all businesses segments.

The KSA economy in the first quarter of 2019 has relied on the current oil price rise to pull it out of recession; however, the previous 18-24 months, KSA faced a protracted spell of economic stress, much of which can be attributed to the falling oil prices coupled with regional political issues. Oil prices are starting to surge again around 80 dollars a barrel currently from under 30 dollars a barrel in early in 2016 which resulted in a crash in prices and the economy dipped into negative territory in 2017 for the first time since 2009, a year after the global financial crisis.

General consensus anticipates a piercing improvement in the Saudi economy in the period ahead (2021-2022), supported by both the oil and non-oil sector. So ultimately it appears the economy will still need to rely on oil revenues to bridge the gap in the short term with a budget deficit over the past 3 years and the Kingdom borrowing from domestic and international markets along with hiking fuel and energy prices to finance the shortfall. The economy slipped into recession in 2018 but returned to growth this year 2019, albeit at the fairly modest level of 1.7%, according to estimates from the International Monetary Fund (IMF).

However, the return to growth is mainly due to a return to increase in oil prices again and output which, in turn, is enabling an increase in government spending. Accordingly, in the short term needs to rely on the oil revenue and this reliance is being channelled into public spending. The non-oil economy is growing, but at a slow place. Analysts are forecasting non-oil GDP to grow by 1.4% this year, compared to 1% in 2017. Even here, the non-government sector is coping relatively poorly. Analysts are forecasting non-oil private sector growth of 1.1%, this year, up from 0.7% last year.



The reforms that have been pushed through to date have led to important changes aiding the economy. The opening up of the entertainment industry will create jobs for young locals and women driving makes it easier for millions more people to enter the workforce. Reforms to the financial markets have led indexing firms to bring the Saudi Stock Market (Tadawul) into the mainstream of the emerging markets universe which now assists to draw in many billions of investment dollars. A due enactment of law will encourage public-private partnerships to herald more foreign investment. The economic transformation that the KSA has embarked upon is complex and multidimensional and will certainly take time to turn around a non-oil serviced economy, although there have been recent positive signs, but it will remain in the short term with the support of oil revenues. On the other hand, the KSA was resilient in the previous recession in 2007/2008 on strong oil reserves and not only can the Saudi government be relied upon to step in to rescue troubled lenders, reliable institutions for procedural reasons but crucially, it can also afford to do so, although has suffered due to previous oil price declines and it has meant increased spending. Vision 2030 to diversify the economy from reliance on oil, has only just commenced and with a young and increasingly well-educated population, together with its own sovereign wealth fund, the Kingdom has many favourable factors to become a leading service sector economy in the region.

Reform efforts include a reduction of subsidies on fuel and electricity and the implementation of a 5 per cent VAT back on 1st January 2018 which increased to 15 per cent as of 01 July 2020. The government is also striving to get women to play a greater role in the economy including allowing them to drive back in 2019. Wider reforms have been initiated by the government allowing for the entertainment industry to flourish with the opening of the first cinema in King Abdullah Financial District (KAJD) along with 4 VOX screens opening at Riyadh Park Mall. The cinema entertainment is spurred on by Public Investment Fund (PIF) in collaboration with AMC Cinemas and led by the Development and Investment Entertainment Company (DIEC), a wholly owned subsidiary of PIF.

With an objective of 30 to 40 cinemas in approximately 15 cities in Saudi Arabia over the next five years, and 50 to 100 cinemas in about 25 Saudi cities by 2030. As part of wider reforms to overhaul the economy and to allow for deep rooted diversification, the PIF have initiated plans to bolster the entertainment industry by forming ambitious plans such as the following:

Red Sea Tourism Project

To transform 50 islands consisting of 28,000 square kilometres along the Red Sea coastline into a global tourism destination. For ease of reference to illustration below showing the location in relation to the Kingdom of Saudi Arabia.

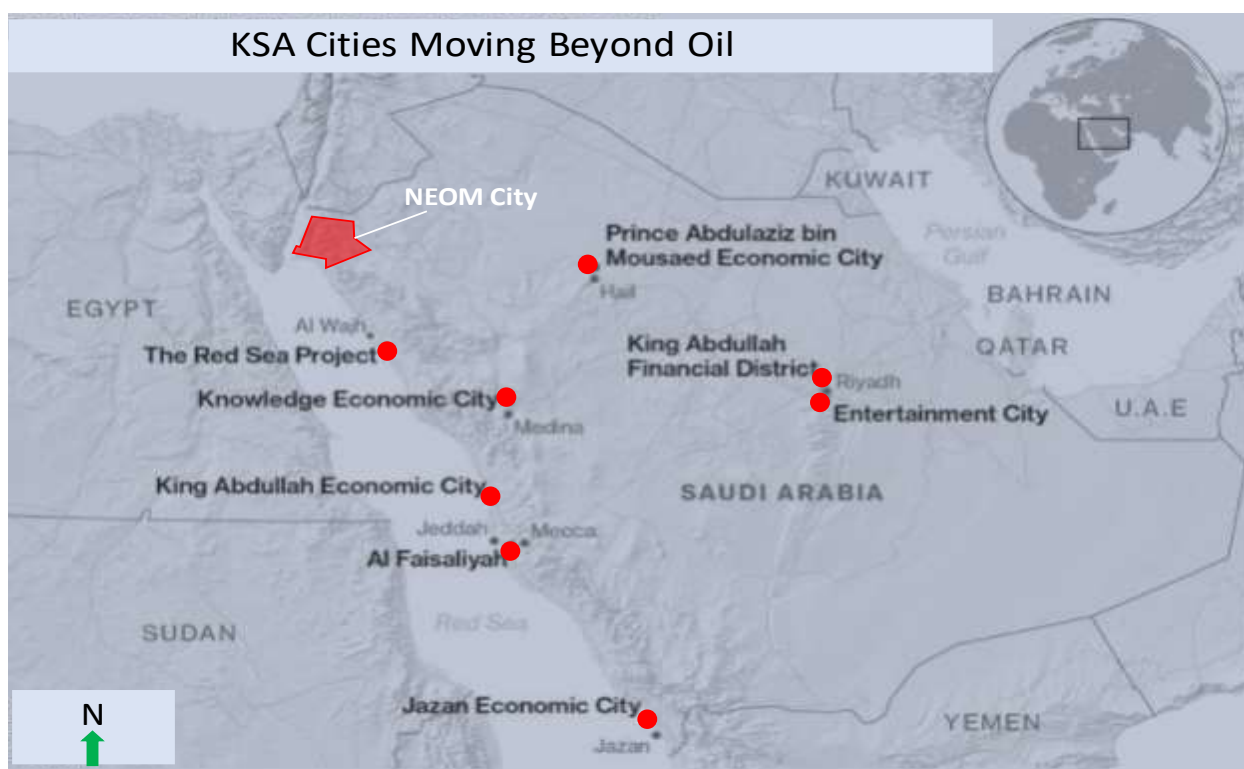
Al Faisaliyah Project

The project will consist of 2,450 square kilometres of residential units, entertainment facilities, an airport and a seaport. Refer to the below illustration for the location.



Qiddiya Entertainment City

Qiddiya Entertainment City will be a key project within the Kingdom's entertainment sector located 40 kilometres away from the center of Riyadh. Currently alleged for "The First Six Flags-branded theme park". The 334 square kilometre entertainment city will include a Safari park too. The project will be mixed use facility with parks, adventure, sports, events and wild-life activities in addition to shopping malls, restaurants and hotels. The project will also consist around 4,000 vacation houses to be built by 2025 and up to 11,000 units by 2030. Again, for ease of reference refer to the below illustration for the location.



Neom City

The NEOM city project will operate independently from the "existing governmental framework" backed by Saudi government along with local and international investors.

The project will be part of a 'new generation of cities' powered by clean energy. The ambitious plan includes a bridge spanning the Red Sea, connecting the proposed city to Egypt and stretch into Jordan too.

Economic Cities

The overall progress with the Economic Cities has been slow and projects on hold over the past 7-10 years, although KAFD has recently given the go ahead to complete by 2020. Within the Saudi Vision 2030 the governed referenced that they will work to "salvage" and "revamp".

Real Estate Growth

Overall ValuStrat research reveals that real estate sectors have continued to decline in both sales and rental values. We expect demand to remain stable due to fundamentals of a growing young population, reducing family size, increasing middle-class and a sizeable affluent population – all of which keeps the long-term growth potential intact. Despite short term challenges, both investors and buyers remaining cautious, the Saudi economy has shown signs of ambition with the government unveiling a number of reforms, including full foreign ownership of retail and wholesale operations along with opening up of the Tadawul Stock Market to foreign investment as well as the reforms mentioned in the previous section referred above. As mentioned earlier, KSA experienced positive growth by oil price rise in the first quarter of 2019; hence the main driver of the recovery remains oil. Over 2020 we envisage the Kingdom's consumer outlook to be more favorable in economic conditions.

Moreover, tax on development land implemented in 2017/18 has kept the construction sector afloat, encouraging real estate developers. Adapting to a new KSA economic reality has been inevitable, although the Kingdom's oil dynamics remain pivotal for future development within the KSA 2030 economic vision plan. In latter part of 2017, the Public Investment Fund (PIF), Saudi Arabia's sovereign wealth fund set up a real estate refinancing company aimed at advancing home ownership in the Kingdom, which suffers from a shortage of affordable housing. This initiative will create stability and growth in the Kingdom's housing sector by injecting liquidity and capital into the market. Another plan to help kick start the real estate market by boosting the contribution of real estate finance to the non-oil GDP part.

The real estate sector has played an increasingly important role in the Saudi Arabian economy. Growing demand across all sectors combined with a generally limited supply has forced real estate prices to accelerate over the past (2008-2016).

The close ties with the construction, financing institutions and many others have provided crucial resources that contributed to the development of the Saudi economy. The real estate market performance in 2019 and the general trend in KSA for most sectors have remained subdued given lower activity levels, while prices have been under pressure across most asset classes leading to a gradual softening of rental and sale prices. The real estate sector remains subdued and prices may have bottomed out across sectors and we expect in the medium to long term for the market to pick-up further growth given the reforms and transformation in KSA, although we expect the growth to be slow and steady subject to a stable political environment in KSA and across the region. The outlook remains optimistic for the longer term due to the various KSA initiatives aimed at stimulating the real estate market whilst encouraging the private sector to play a key role in the transformation.

All in all, market volatility remains currently, and prices are likely to witness further deterioration in the short term. A watching brief should be kept on the economy, although we expect the economy to gather some pace later in 2021.



Property values are subject to fluctuation over time as market conditions may change. Valuation considered full figure and may not be easily achievable in the event of an early re-sale. It must be borne in mind that both rental and capital values can fall as well as rise.

2.14.3 GENERAL EDUCATION OUTLOOK

The KSA Vision 2030 Plan and the education sector is a main stake for the Kingdom's economic and social growth. The education sector has become one of KSA's leading investment sectors with many regional, international investors and operators actively planning in entering the educational market with the repealing of foreign ownership restrictions.

Accordingly, the education market in Riyadh will further provide strong opportunities from relatively safe and high return assets. The education sector has a strong appetite given the following:

- The compulsory education system in the Kingdom is structured to include six grades at primary-school level and three at intermediate level, followed by a further three years in secondary school.
- As of 2015 there were 7.5m children attending schools, according to the latest available data from the General Authority for Statistics (GaStat) with 52% students at primary school, 24% at intermediate schools and 24% at Secondary schools.
- Of this, majority of the students attend public schools and only 11.4% students' study in private schools. However, the percentage has been growing every year.

Overall an emerging young and growing population only increases the pressure on shortages and therefore a stable sector in the foreseeable future.

2.15 VALUATION UNCERTAINTY

In line with RICS Global – Valuation Practice Guidance Application 9 (VPGA 9): we believe that a reasonable period in which to negotiate a sale at our opinion of Market Value is 6-9 months. It should be noted. However, that if credit conditions substantially worsen or any other change were to occur to the investment market then the liquidity of the investment and the value, may change. We do not consider there to be a special prospective purchaser in the market for the subject property who would pay in excess of our opinion of Market Value. The RICS valuation standards consider it essential to draw to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations. We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to



base valuations. Given the current uncertainties it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature. The current shortage of transaction, combined with a rapidly changing market only serves to highlight the unpredictability of the current market, which is subject to change on a day by day basis. The RICS valuation standards consider it essential to draw attention to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations. We further state that given the valuation uncertainty stated above our valuation represents our impartial calculated opinion / judgement of the properties, based on relevant market data and perceptions as at the date of valuation.

The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's market place

The client is also recommended to consider the benefits in such a market, of having more frequent valuations to monitor the value of the subject property.

2.16 DISCLAIMER

In undertaking and executing this assignment, an extreme care and precaution has been exercised. This report is based on information provided by the Client. Values will differ or vary periodically due to various unforeseen factors beyond our control such as supply and demand, inflation, local policies and tariffs, poor maintenance, variation in costs of various inputs, etc. It is beyond the scope of our services to ensure the consistency in values due to changing scenarios.

2.17 CONCLUSION

This report is compiled based on the information received to the best of our belief, knowledge and understanding. The information revealed in this report is strictly confidential and issued for the consideration of the Client. No part of this report may be reproduced either electronically or otherwise for further distribution without our prior and written consent. We trust that this report and valuation fulfils the requirement of your instruction. This report is issued without any prejudice and personal liability.

For and on Behalf of, **ValuStrat**



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APPENDIX 1 - PHOTOGRAPHS OF THE PROPERTY





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Valuation Report

ALGHAD NATIONAL SCHOOL,
KING ABDULLAH DISTRICT,
RIYADH, KSA

SAUDI FRANSI CAPITAL

REPORT ISSUED 07 JANUARY 2021

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APPENDIX 1 - PHOTOGRAPHS



1 EXECUTIVE SUMMARY

THE EXECUTIVE SUMMARY AND VALUATION SHOULD NOT BE CONSIDERED OTHER THAN AS PART OF THE ENTIRE REPORT.

1.1 THE CLIENT

Saudi Fransi Capital
Muhammad Raza Rawjani, CFA
Vice President
 E-mail. mrawjani@FransiCapital.com.sa

1.2 THE PURPOSE OF VALUATION

The valuation is required for Public Listing Offering (REIT) for the Saudi Market purpose.

1.3 INTEREST TO BE VALUED

Alghad National School, King Abdullah District, Riyadh, KSA (GPS Co-ordinates: 24°44'0.38"N 46°44'18.63"E).

Title Deed No.	Title Deed Date:	Property	Interest	Land Size sq. m	Owner
710113086467	8/11/1441	School	*Freehold	11,282.58	Rabooch Taleem Real Estate Company

Source: Client 2020

**Freehold reflecting 10-year lease agreement with an advance notice of vacation before the fifth anniversary for the full binding 10-year term.*

The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation.

1.4 VALUATION APPROACH

Primary method - Discounted Cash Flow (DCF) approach to valuation with a sanity check on comparative land value(s) reflecting improvements.

1.5 DATE OF VALUATION

Unless stated to the contrary, our valuation has been assessed as of our report date of 31 December 2020.

The valuation reflects our opinion of value as at this date. Property values are subject to fluctuation over time as market conditions may change.



1.6 SUMMARY OF VALUE

Details	
Freehold Interest	Reflecting a 10-year binding lease period with an advance notice of vacation before the 5 th anniversary for the full binding 10-year term.
Gross Income (SAR)	SAR 5,950,000 (year 1-4) and 5 th year at SAR 6,545,000
Operational Expense	To be borne by the lessee
Exit Yield (%)	7.5%
Discount Rate (%)	8.5%
Total (SAR) [Rounded]	88,000,000 (Eighty-Eight Million)

The executive summary and valuation should not be considered other than as part of the entire report.

1.7 SALIENT POINTS (GENERAL COMMENTS)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries across the globe.

Market activity is being impacted in many sectors. Despite short term challenges whereby force majeure (as a result of the pandemic cause beyond anyone’s reasonable control) has created inactivity in the real estate market with the market currently at a standstill. Although we understand investor sentiment remains strong as it was prior to the virus pandemic and the KSA was on an upward trajectory showing growth in the last quarter of 2019 after a period of subdued market conditions.

With all positive activity and investment by the government creating opportunities through projects across the Kingdom and through the creation of the Giga projects and now a stimulus package of SAR 120 billion, we understand the market will bounce back with investors and buyers having a strong appetite.

We understand the current uncertainty and market stagnation will not allow a fairly resilient market to stop where it left off prior to the pandemic. In short, we suspect the pandemic effect to be a short-term shock and expect a rapid recovery and a surge in business activity to bounce back allowing markets to start flourishing towards a growth cycle.

Our valuation(s) are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the property(s) under frequent review.



We confirm that on-site measurement exercise was not conducted by ValuStrat, and we have relied on the site areas specified by the Client. In the event that the areas of land and site boundary prove erroneous, our opinion of Market Value may be materially affected, and we reserve the right to amend our valuation and report.

We have assumed that the land is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and good title can be shown. For the avoidance of doubt, these items should be ascertained by the client's legal representatives.

ValuStrat draws your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that would be reasonable to expect a purchaser to make.

We are unaware of any adverse conditions which may affect future marketability for the subject site.

It is assumed that the subject land is freehold and is not subject to any rights, obligations, restrictions and covenants.

This report should be read in conjunction with all the information set out in this report, we would point out that we have made various assumptions as to tenure, town planning and associated valuation opinions. If any of the assumptions on which the valuation is based is subsequently found to be incorrect then the figures presented in this report may also need revision and should be referred back to the valuer.

Note property values are subject to fluctuation over time as market conditions may change.

This executive summary and valuation should not be considered other than as part of the entire report.

2 VALUATION REPORT

2.1 INTRODUCTION

Thank you for the instruction regarding the subject valuation service.

We ('ValuStrat', which implies our relevant legal entities) would be pleased to undertake this assignment for Saudi Fransi Capital ('the client') of providing valuation services for the subject land mentioned in this report subject to valuation assumptions, reporting conditions and restrictions as stated hereunder.

2.2 VALUATION INSTRUCTIONS / PROPERTY INTEREST TO BE VALUED

Alghad National School, King Abdullah District, Riyadh, KSA (GPS Co-ordinates: 24°44'0.38"N 46°44'18.63"E).

Title Deed No.	Title Deed Date:	Property	Interest	Land Size sq. m	Owner
710113086467	8/11/1441	School	*Freehold	11,282.58	Rabooh Taleem Real Estate Company

Source: Client 2020

**Freehold reflecting 10-year lease agreement with an advance notice of vacation before the fifth anniversary for the full binding 10-year term.*

The valuation assumes that the freehold title should confirm arrangements for future management of the building and maintenance provisions are adequate, and no onerous obligations affecting the valuation.

2.3 PURPOSE OF VALUATION

The valuation is required for Public Listing Offering (REIT) for the Saudi Market purpose.

2.4 VALUATION REPORTING COMPLIANCE

The valuation has been conducted in accordance with Taaqum Regulations (Saudi Authority for Accredited Valuers) and the International Valuation Standards Council (IVSCs') incorporating International Valuations Standards (IVS).

It should be further noted that this valuation is undertaken in compliance with generally accepted valuation concepts, principles and definitions as promulgated in the IVSCs International Valuation Standards (IVS) as set out in the IVS General Standards, IVS Asset Standards, and IVS Valuation Applications.



2.5 BASIS OF VALUATION

2.5.1 MARKET VALUE

The valuation of the subject property, and for the above stated purpose, has been undertaken on the **Market Value** basis of valuation in compliance with the above mentioned *Valuation Standards* as promulgated by the IVSC and adopted by the RICS. **Market Value** is defined as: -

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion.

The definition of **Market Value** is applied in accordance with the following conceptual framework:

“The estimated amount” refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;

“an asset should exchange” refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;

“on the valuation date” requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the *valuation date*, not those at any other date;

“between a willing buyer” refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute “the market”;

“and a willing seller” is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for



the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

“in an arm’s-length transaction” is one between parties who do not have a particular or special relationship, e.g. parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;

“after proper marketing” means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;

‘where the parties had each acted knowledgeably, prudently’ presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

‘and without compulsion’ establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

Market value is the basis of value that is most commonly required, being an internationally recognized definition. It describes an exchange between parties that are unconnected (acting at arm’s length) and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, on the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximizes its productivity and that is possible, legally permissible and financially feasible.



Market value is the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

2.5.2 VALUER(S):

The valuer on behalf of ValuStrat, with responsibility of this report is Mr. Ramez Al Medlaj (Taqeem Member), having sufficient and current knowledge of the Saudi market and the skills and understanding to undertake the valuation competently. Also Mr. Ramez Al Medlaj (Taqeem Member) who is a local Arabic specialist having knowledge, skills and understanding of the market and valuation. We further confirm that neither Valuer or ValuStrat have no previous material connection or involvement with the subject of the valuation assignment.

2.5.3 STATUS OF VALUER

Status of Valuer	Survey Date	Valuation Date
External Valuer	16 December 2020	31 December 2020

2.6 EXTENT OF INVESTIGATION

In accordance with instructions received we have carried out an external and internal inspection of the property. The subject of this valuation assignment is to produce a valuation report and not a structural / building or building services survey, and hence structural survey and detailed investigation of the services are outside the scope of this assignment.

We have not carried out any structural survey, nor tested any services, checked fittings of any parts of the property. Our internal inspection was limited to common areas of the property including the ground floor areas, mezzanine floor area, other commercial areas, and a representative sample of areas.

For the purpose of this report, we have expressly assumed that the condition of any un-seen areas is commensurate with those which were seen. We reserve the right to amend our report should this prove not to be the case.

2.7 SOURCES OF INFORMATION

For the purpose of this report, it is assumed that written information provided to us by the Client is up to date, complete and correct in relation to title, planning consent and other relevant matters as set out in the report. Should this not be the case, we reserve the right to amend our valuation and report.

2.7.1 VALUATION ASSUMPTIONS / SPECIAL ASSUMPTIONS

This valuation assignment is undertaken on the following assumptions:



That no contaminative or potentially contaminative use has ever been carried out on the site; we assume no responsibility for matters legal in character, nor do we render any opinion as to the title of the property, which we assume to be good and free of any undisclosed onerous burdens, outgoing, restrictions or other encumbrances. Information regarding tenure and tenancy must be checked by your legal advisors; this subject is a valuation report and not a structural/building survey, and hence a building and structural survey is outside the scope of the subject assignment. We have not carried out any structural survey, nor have we tested any services, checked fittings or any parts of the structures which are covered, exposed or inaccessible, and, therefore, such parts are assumed to be in good repair and condition and the services are assumed to be in full working order;

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material have been used in the construction of the property, or have since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent; that, unless we have been informed otherwise, the property complies with all relevant statutory requirements (including, but not limited to, those of Fire Regulations, Bye-Laws, Health and Safety at work); we have made no investigation, and are unable to give any assurances, on the combustibility risk of any cladding material that may have been used in construction of the subject building. We would recommend that the client makes their own enquiries in this regard, and the market value conclusion arrived at for the property reflect the full contract value and no account is taken of any liability to taxation on sale or of the costs involved in effecting the sale.

2.8 PRIVACY/LIMITATION ON DISCLOSURE OF VALUATION

This valuation is for the sole use of the named Client. This report is confidential to the Client, and that of their advisors, and we accept no responsibility whatsoever to any third party. No responsibility is accepted to any third party who may use or rely upon the whole or any part of the contents of this report. It should be noted that any subsequent amendments or changes in any form thereto will only be notified to the Client to whom it is authorised.

2.9 DETAILS AND GENERAL DESCRIPTION

2.9.1 DETAILS & LOCATION OF PROPERTY

The subject property is a school built circa. 2019 located in King Abdullah District of Riyadh. The subject school is known as Alghad National Schools part of the NCLE (National Company for Learning & Education). The subject is situated within an upcoming developing area of King Abdullah District situated on Al Urubah Road close to junction of Eastern Ring Road, Riyadh.



The subject school is located on island site extending to an approximate land area of 11,282.58 sq. m and improved with a purpose built 2 storey building constructed of reinforced concrete frame with block infill. Each building consists of a basement, 2 floors and an annex, sport facilities and an indoor play area and outside playground. We understand there are almost 1,571 students housed within a Built-Up Area (BUA) of 17,908.28 sq. m including a large basement allowing for parking space. The subject property fronts with high visibility on Al Urubah Road close to the junction of Eastern Ring Road. For ease of reference refer to the illustration below of the close locality.



Source: Google 2020; For illustration purposes only

2.9.2 SCHOOL BUILDING BRIEF DESCRIPTION

The subject school site is an established international private school catering for KG, elementary, middle and high school for both girls and boys. The subject school site forms many clusters of buildings designed as a purpose-built school which is a fully integrated and a segregated school for both girls and boys.

At the time of inspection, the subject school was in good condition considering age, type and location. The subject school accommodates almost 2,300 students, although there are 1,571 students currently. Some features include as follows:

School Infrastructure and facilities

Details	
Classrooms	94
Playgrounds	4
Laboratories	8
Libraries	6

Elevators	10
WC	43
Private Parking	1
Water tank	3
Water well	4

2.9.3 RIYADH'S METRO SYSTEM

The new City Metro of Riyadh is a rapid transit system under construction to be completed circa. 2021, which will be of benefit to Riyadh's population, business and future growth of Riyadh, etc. The Metro will be help in many ways for day to day life activities such as traffic control, school journeys, shopping journey and business commuting, etc. The city metro project is one of the world's largest infrastructure projects currently under-construction.

The city metro, which is designed as a world-class transportation system includes 756 metro cars, 85 stations, six metro lines and 176-km network line. The below-mentioned table lists the six metro lines along their estimated length.

Riyadh City Metro System Lines

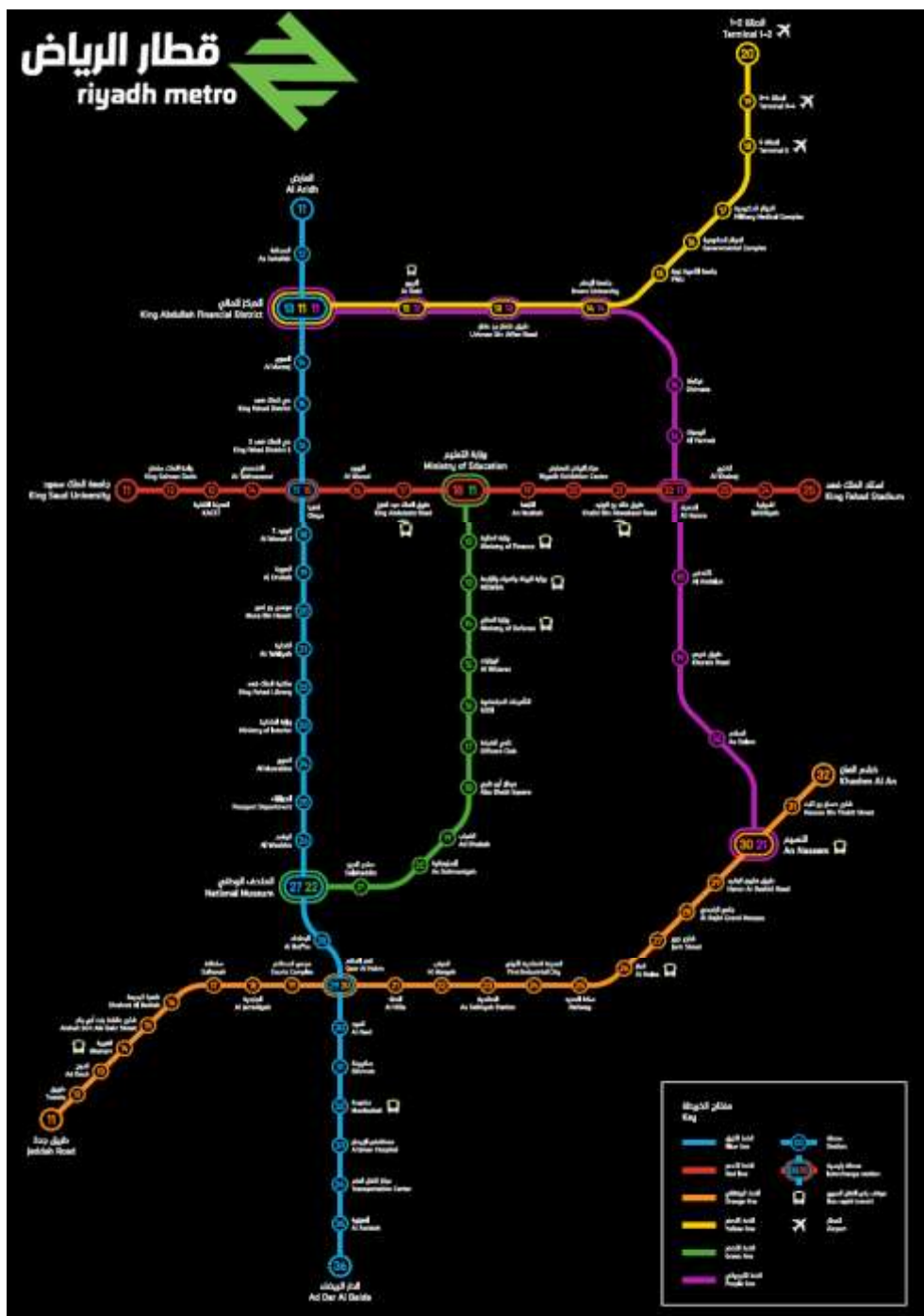
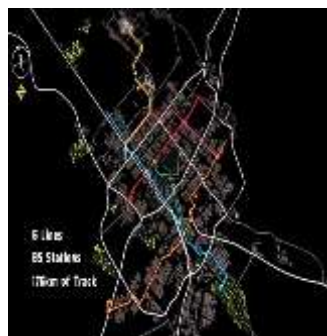
Line	Length (Km)
Line 1 – Blue	38.0
Line 2 – Green	25.3
Line 3 – Red	40.7
Line 4 – Orange	29.6
Line 5 – Yellow	12.9
Line 6 - Purple	29.90

The Riyadh metro will span over 178km including underground, elevated and at-grade sections. The three major metro stations (intersection of the lines) KAFD, Olaya and downtown will be designed by world renowned architectural firms to include Gerber Architekten, Snohetta and Zaha Hadid. Three leading consortia, including the US Construction company Bechtel Group Inc., Spain's FCC and Italy's Ansaldo STS have been awarded contracts to build the project.

KING ABDULLAH FINANCIAL DISTRICT STATION



RIYADH METRO LINES



We understand, the subject property and area will be connected via a Riyadh Metro (via line 2 – King Abdullah Road Line) and the nearest station will be about 1,500 - 1,800 meters away from the subject property.

THE METRO CENTRAL SYSTEM



The construction of the metro system has led to a number of road closures that has affected traffic in various parts of the city, especially the Olaya major thoroughfare. The public transport project will also comprise an integrated bus system to include 3,853 bus stops, 24 bus routes, 1,150 km network and 956 buses that will ease traffic congestion considerably and reduce pollution by cutting the number of vehicles on the road.

In terms of public transport, the upcoming Riyadh Metro will greatly improve access to the central business district, as it will not only run from east to west on King Abdullah Road, but also run north to south on King Fahad Road.

The subject property will also be accessible via bus routes under the Riyadh City Metro system. Riyadh City Metro, along with a substantive network of bus routes, is a public transport network which aims to ease the city's traffic congestion. The project is divided into two phases:

- Phase 1 is approximately 25 km and will operate between Olaya Road and Batha Road, connecting North Ring Road to South Ring Road;
- Phase 2 is expected to connect Sheikh Jaber Al Ahmed Al Sabah Road to West Ring Road through King Abdullah Road.

The commencement date for the project was in early 2014, with completion date of the project projected to complete in 2021. The proximity to the bus station of the subject property will be beneficial to future visitors, consumers, etc.

2.10 ENVIRONMENT MATTERS

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination.

In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative use has ever been carried out on the property.

We have not carried out any investigation into past or present use, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject property from the use or site, and have therefore assumed that none exists.

However, should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises has been or is being put to any contaminative use, this might reduce the value now reported.

Details	
Land Area	ValuStrat has been advised land plot area referred is approximately 11,282.58 sq. m. The boundaries appear to be reasonably well defined. For ease of reference, refer to the illustration referred above at section 2.9.1.
Topography	Generally, appears to be level and regular in shape
Drainage	Assumed available and connected.
Flooding	ValuStrat's verbal inquiries with local authorities were unable to confirm whether flooding is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not flood liable. A formal written submission will be required for any further investigation which is outside of this report's scope of work. Flood defences reduce but do not completely remove the risk of flooding and can fail in extreme weather conditions.
Landslip	ValuStrat's verbal inquiries with local authorities were unable to confirm whether land slip is a point of concern at the subject property. For the purposes of this valuation, ValuStrat has assumed that the subject property is not within a landslip designated area. A formal written submission will be required for any further investigation which is outside of this report's scope of work.

2.10.1 TOWN PLANNING

Neither from our knowledge nor as a result of our inspection are we aware of any planning proposals which are likely to directly adversely affect this property.

In the absence of any information to the contrary, it is assumed that the existing use is lawful, has valid planning consent and the planning consent is not personal to the existing occupiers and there are no particularly onerous or adverse conditions which would affect our valuation.

We are not aware of any potential development or change of use of the property or We have attached both the building permit and title deed confirming that the subject land is zoned for school (educational) purposes. For the purpose this valuation, we have assumed zoning to be correct and accurate and should this not be the case, we reserve the right to amend our valuation and report.

We have also assumed that the subject property will include adequate parking provision in line with the applicable planning regulations.

2.10.2 SERVICES

The properties referred within this report have been assumed are connected to mains electricity, water, drainage, and other municipality services. Should this not be the case, we reserve the right to amend our valuation and report.

It assumed for this exercise all health and safety are in place including a valid civil defence certificate which has been issued approving the current fire & safety regulations comply with the authorities. Should this not be the case, we reserve the right to amend our valuation and report. We have not been provided with a copy of the civil defence certificate.



2.11 TENURE/TITLE

Unless otherwise stated we have assumed freehold title is free from encumbrances and that Solicitors' local searches and usual enquiries would not reveal the existence of statutory notices or other matters which would materially affect our valuation. The freehold is reflected by a 10-year binding lease with following salient details:

- Advance notice period will be 5 years (i.e. rollover to be done before every 5th anniversary).
- Both, NCLE (National Company for Learning & education) and AlGhad Schools will be party to the Lease Agreement, and NCLE will be co-signing the Lease Agreement as well.
- NCLE will act as a corporate guarantor behind the lease payments.
- NCLE, in its capacity as owner of AlGhad, will issue promissory notes on a 5-year basis (on a rolling basis, including any and all rollover periods).
- Also, NCLE (National Company for Learning & Education) will act as a corporate guarantor behind the lease payments.
- NCLE, in its capacity as owner of AlGhad, will issue promissory notes on a 5-year basis (on a rolling basis, including any and all rollover periods).
- The lease term payments are referred below and should occupation be beyond 10 years:

Year	Lease Payments	Year	Lease Payments	Year	Lease Payments	Year	Lease Payments	Year	Lease Payments
1	5,950,000	6	6,545,000	11	7,199,500	16	7,919,450	21	8,711,395
2	5,950,000	7	6,545,000	12	7,199,500	17	7,919,450	22	8,711,395
3	5,950,000	8	6,545,000	13	7,199,500	18	7,919,450	23	8,711,395
4	5,950,000	9	6,545,000	14	7,199,500	19	7,919,450	24	8,711,395
5	6,545,000	10	7,199,500	15	7,919,450	20	8,711,395	25	8,711,395

Copy of the draft lease was provided by the client (Arabic only). For the purpose of this valuation exercise, we assumed that there are onerous terms within the lease agreement. Should there be onerous terms within the lease agreement, we reserve the right to amend our valuation and report.

We are unaware of any rights of way, easements or restrictive covenants which affect the property; however, we would recommend that solicitors investigate both the titles in order to ensure everything is correct. The title deed details are as follows:

Title Deed No.	Title Deed Date:	Property	Interest	Land Size sq. m	Owner
710113086467	8/11/1441	School	*Freehold	11,282.58	Raboooh Taleem Real Estate Company

All aspects of tenure/title should be checked by the client's legal representatives prior to any form of transaction and insofar as any assumption made within the body of this report to be incorrect then the matter should be referred back to the valuer to ensure the valuation is not adversely affected. Reference has been made to a copy of the title deed at the attached appendices section.



2.12 METHODOLOGY & APPROACH

In determining our opinion of Market Value for the freehold interest in the subject property, we have utilized the Discounted Cash Flow (DCF) based on the 5-Year sale and leaseback agreement as mentioned by the Client.

The subject property falls into a broad category of investment property with the prime value determinant being the properties ability to generate rentals and rental growth through the ongoing letting and reasonable maintenance.

In determining our opinion of Market Value of the subject property referred in this report, we have utilized the Investment Approach in specific, adopting a Discounted Cash Flow (DCF) technique.

The DCF approach involves the discounting of the net cash flow (future income receivable under lease agreements and forecast take-up of vacant units) on a yearly basis over, in this instance, an assumed 5-year cash flow horizon.

This cash flow is discounted at an appropriate rate to reflect the associated risk premium, in order to determine a Net Present Value of the subject property at that particular Internal Rate of Return (IRR) and exit equivalent yield.

The projected income stream reflects the anticipated rental growth inherent in a property investment based upon the physical, tenancy or market characteristics related to that property. In addition to projected operating costs and allowances, future capital expenditure can also be reflected in the cash flow.

Cash inflows comprise income from the property adjusted to reflect actual and assumed lease conditions and rental growth, whilst cash outflows comprise operating costs adjusted to reflect anticipated inflation.

The rental income being capitalised and discounted in the cash flow refers to net rental income, that is, the income stream after deductions for the associated operating expenses of the property as provided by the Client.

2.12.1 MARKET RENTAL ANALYSIS

We have analysed the tenancy schedule and the rents for the subject school. Accordingly, we have benchmarked these against with market rentals achieved in other comparable similar style of property.

Although the analysis of current passing rental shows a wide rental range; however, it appears the passing rents are generally in line with market conditions. The market rental range is between SAR 250 – SAR 350 per sq. m for this size, type and location of property. The subject passing rent is SAR 5,950,000 per annum equating to around SAR 332.25 per sq. m which is line with market benchmarks.



2.12.2 ASSUMPTIONS & VALUATION ANALYSIS COMMENTARY

The subject school has been assessed reflected a 10-year lease contract subject to the forecast and inputs provided by the client and any assumptions made by ValuStrat within market benchmarks.

ValuStrat has made certain assumptions and adjustments based on their experience in valuing typical properties in Riyadh, KSA taking cognisance of the surrounding area, location and type of property. This was done in an attempt to forecast our interpretation of performance of the school over the unexpired years explicit cash flow period. In this instance, we have adopted the following analysis:

2.12.3 DISCOUNT RATE & COMMENTARY

Exit Yield	7.5%
Discount Rate	8.5%
Finance Cost	Excluded from our Calculations

Finance Cost & Debt - If debt is unavailable, then both the liquidity and value of the property would be affected.

Growth Rates

We have relied on the lease contract with the agreed rental schedule referred above at section 2.11 – section Tenure / Title.

Exit Yield

The exit yield is a resultant extracted from transactional evidence in the market; however, due to anecdotal evidence and limited market activity we have had to rely on anticipated investor expectations from typical property investments.

These typically vary between 7.25% to 7.75%, depending on the quality of the property, length and condition of the lease, the lessee's reputation and the location of the property. Based on the above criteria we are of the opinion that a fair exit yield for the subject property is 7.5%.

Discount Rate

Research conducted collated from developers and investors indicate that the discount rate is dependent on the scale of the development and the inherent risk associated. This risk takes into account the extent of the property type, location, economic conditions and investor sentiment.

Generally, the discount rate reflects the opportunity cost of capital and the return required to mitigate the risk associated with a particular investment type. Although benchmark data is preferable, the availability of this evidence is scarce. As a result,



the prudent approach is to look at capitalisation rate evidence and make adjustments for inflation.

In addition, when reviewing the Discount Rate, it is important to consider Market risk and Property Specific risk. Market Risk comes in the form of potential competition from existing as well as future supply and also considers the state of the property market. Property Specific Risk reflects the liquidity of the market for large assets as well as the additional costs in maintaining and operating the property.

*As a result of the above, we have arrived at a Discount Rate of 8.50% given the low risk of the strong covenant and the single tenant. **Alghad National School is owned by NCLE (National Company for Learning & Education)** is one of the largest investors in the field of education. They have established and strong track record of educational achievement in the Middle east. The subject school is being professionally run in line with Ministry of Education rules and procedures. This makes the subject a low risk in compared to general commercial property with similar or higher adjusted returns. Equally the subject land holds a high value and building cost value making a secure asset for future and possible alternative potential development due to the good location of the site can achieve an exit value which may warrant in times of decline.*

2.12.4 STRONG COVENANT / BRAND

Many International markets around the globe rely on good strong covenant strength which has a significant impact on value. The local market does not rely or analyse records to the same extent as per International practices on company financial records.

*The company structures in KSA are backed by high net worth individuals who could be liable in the case of default or breach of lease conditions. Given the circumstances, we would anticipate that investors would accept the current covenant strength of the present lessee (**Alghad National School in KSA**) and reflects the low level of risk into an appropriate bid.*

Also, NCLE (National Company for Learning & Education) will act as a corporate guarantor behind the lease payments.

NCLE, in its capacity as owner of AlGhad, will issue promissory notes on a 5-year basis (on a rolling basis, including any and all rollover periods).

2.12.5 VALUATION COMMENTARY

Cash inflows comprise income from the property adjusted to reflect actual and assumed lease conditions and rental growth, whilst cash outflows comprise operating costs adjusted to reflect anticipated inflation.

The rental income being capitalised and discounted in the cash flow refers to net rental income, that is, the income stream after deductions for the associated operating expenses and ground lease payments of the property as provided by the



Client. The subject property is held by a freehold tenure reflecting the leasehold interest. As such, our opinion is based upon the following factors:

1. We have undertaken this valuation as of the date of valuation referred in this report when we analysed the subject school portfolio in good locations, good trading style, historic performance appears to be sound; however, any decline in these factors will impact performance.
2. This is a valuation for the purpose of the Real Estate Investment Trust (REIT).
3. The ages of the subject property and the economic life of each property along with higher maintenance increasing year on year.
4. Future competition and existing private schools offering high quality education and have captured a large market share can impact subject schools' performance.
5. In the event of a lessee default, a replacement tenant/operator can continue to trade from the subject schools in the shortest period to ensure that any rental is not compromised.
6. We have not been provided with a copy of audited financial statements, revenue generation broken down for the school, operating expenses for the school, rental income versus EBITA distribution analysis. Although based upon the average fee for the school as conveyed by the school with almost 1,571 students should provide ample coverage of revenue after all deductions to provide enough cover for the rent in the current school operation and market conditions as of the date of valuation.
7. We have considered the valuation of subject school portfolio referred in this report based on the current state of the investment market with particular focus in the education sector. In addition, the proposed rent cover performance is considered in line with the risk associated with the subject property and achieving the expected income levels. Other significant factors incorporated within our assessment of the risk profile include Alrowad International School credentials and the current risk profile in the Kingdom of Saudi Arabia.
8. The report is based upon the information provided by the client and we have assumed that the information with which we have been provided is substantially true, accurate and complete. We have not independently verified the accuracy of the information supplied to us, although we have analysed the locations, financial statements and management data.
9. We have undertaken inspections of the subject property and the location in connection with this valuation and we have had regard to the property, location, trading style, performance and the local demographic and competitive environment plus key performance indices compared with other operating schools in the region.



10. The subject school referred within this report is subject to individual compliance requirements based on KSA conventions and we have assumed its compliance with current government legislation and educational registration requirements.
11. In reaching our opinion of the value, we have assumed that the subject property referred within this report will be professionally operated throughout the said term of the lease. In particular, we have assumed Alghad National School will be able to staff the school(s) with competent persons and market the proposed school locations services extensively within the market based on its capabilities and brand.
12. We have also assumed that the trading position, financial and market conditions will not vary significantly during the stated period of assessment. In the event of future change, in the trading potential or actual level of trade from that indicated, the values reported can vary.

The future values quoted for property, rents and costs are projections only formed on the basis of information currently available to us and are not representations of what the value of the property will be as at a future date.

Accordingly, we provide our valuation referred in the below section:

2.12.6 SUMMARY OF MARKET VALUE

The resultant value based upon the above variables for the subject property is as follows:

Details	
Freehold Interest	Reflecting a 10-year binding lease period with an advance notice of vacation before the 5 th anniversary for the full binding 10-year term.
Gross Income (SAR)	SAR 5,950,000 (year 1-4) and 5 th year at SAR 6,545,000
Operational Expense	To be borne by the lessee
Exit Yield (%)	7.5%
Discount Rate (%)	8.5%
Total (SAR) [Rounded]	88,000,000 (Eighty-Eight Million)

The client is also recommended to consider the benefits in such a volatile market, of having more frequent valuations to monitor the value of the subject property.



In order to ascertain whether this valuation accurately reflects the value of the subject property, we also carried out a sanity check by analysing the land reflecting improvements.

2.12.7 **ALTERNATIVE ASSESSMENT - LAND (COMPARATIVE APPROACH REFLECTING IMPROVEMENTS)**

This method requires the collection of comparative market transactions that have occurred within the location of the subject site. Upon analysis and subsequent subjective adjustments, such evidence has then been applied to the subject property.

Due to the nature of the property market within the Kingdom of Saudi Arabia, sales for similar properties are not readily available or transparent. Much if not all of the evidence is anecdotal and consequently in most circumstances this can place limitations on the veracity of such information and subsequently impact on values reported.

Accordingly, the valuation has been prepared in accordance with normal practice taking into account our usual research and enquiries and our discussions with leading local agents.

In addition, we have analysed existing market commentaries and data in determining our opinion as to the applicable values. Information has also been sought from internal records and internet-based property intelligence sites. We draw your attention to any assumptions made within this report. We consider that the assumptions we have made accord with those that it would be reasonable to expect a purchaser to make.

2.12.8 **MARKET PRICES**

We are currently experiencing a very uncertain property market and due to the reduced level of transactions, there is an acute shortage of comparable evidence upon which to base valuations.

Due to this shortage, it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature. This evidence shortage, combined with a rapidly changing market only serves to highlight the unpredictability of the current market, which is subject to change on a day by day basis.

Since the last valuation exercise there is decline in land values in the subject location and generally land values have decreased considerably across the KSA.

The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's market place. From research, it appears in the close-by area the land price ranges from SAR 3,400 to SAR 3,600 per sq. m.



2.12.9 VALUATION ADVICE

There are a number of matters on which we have reflected in assessing our valuation in particular circumstances of the subject land as follows:

- The valuation considerations are as of the date of valuation referred within this report reflecting size, type, and use;
- Limited or no selection of comparable information was available;
- The subject land is situated within a mid-end district where good land plots are holding their price despite the current scare of economic depression.
- Comparable Evidence of actual transactions/sales prices within close proximity to the subject land/plots giving recognition to the surrounding amenity, to establish benchmarks from which values are extrapolated.
- It is important to note that the zoning for the subject land is school (educational use), although flexibility of use in line with the surrounding commercial and residential use is very much possible.
- The subject land has a large frontage on the main commercial road increasing its appeal and value.
- Preference has been directed at similar sized plots and property holdings; however, in the absence of such, other sized land holdings have been considered where a quantum adjustment to take into account the difference in the subject site area and the comparable plots.

2.12.10 VALUATION SUMMARY

Despite the subdued market conditions across the Riyadh, the subject land remains resilience in price due to the good location of the site in the central area of Riyadh.

As a result, taking the individual characteristics of the subject land into account and cross referencing them with our findings we are of the opinion that the subject is reasonably priced within a range SAR 3,400 to SAR 3,600 per sq. m for land. We can accurately reflect the value of the subject land as follows:

No.	Land Area (sq. m)	Rate per sq. m	Value (SAR) [rounded]
1	11,282.58	3,500	39,500,000

2.12.11 REPLACEMENT COST APPROACH

In determining the value for the Built-Up Area BUA for the subject school, we have conducted the replacement cost approach. The below-mentioned table provides the breakdown used in the cost assessment:



2.12.12 REPLACEMENT COST VALUE SUMMARY

The below-mentioned table provides the summary for the Replacement Cost Assessment:

Use	BUA (sq. m)	Cost Assessment	Price (SAR) [Rounded]
School	17,908.28	2,800	50,143,000

**Source: Construction Costs 2020 – In-House Research, Aecom, and others plus reflecting the age of the subject property will have more than 40 years of economic life remaining given that the school is in good condition and has been well maintained.*

In order the economic life achieve its maximum sustainability, it will necessitate that the property is maintained to a good standard to maintain the preservation of condition and the fabric of the structure. In addition, the appropriate building insurance should be in place from day one for settlement, subsidence, foundation failure, etc. Should the owner/occupier fail to preserve the condition and fabric of the building, then ValuStrat will not be held be responsible for any failures / losses.

**We would stress that we are not Quantity Surveyors and the reported construction cost is only an estimate and is based upon reported costs of other similar construction in the market area of the subject and/or by recognized costing services.*

2.12.13 VALUATION SUMMARY

Component	Value SAR (Rounded)
Land	39,500,000
*Building(s)	50,143,000
Total (SAR) Rounded	89,643,000

**We have placed reliance on market benchmarks for construction costs as referred above. ValuStrat would stress that we are not Quantity Surveyors and the reported construction cost is only an estimate and is based upon reported costs of other similar construction in the market area of the subject and/or by recognized costing services.*

2.13 VALUATION

2.13.1 MARKET VALUE

ValuStrat is of the opinion that the Market Value of the leasehold interest in the subject property only referred within this report, and as of the date of valuation, based upon the Discounted Cash Flow (DCF) and assumptions expressed within this report, may be fairly stated as follows;

Market Value (rounded and subject to details in the full report):

SAR 88,000,000 (EIGHTY-EIGHT MILLION SAUDI RIYALS)



2.14 GENERAL MARKET SNAPSHOT

2.14.1 MARKET ASSESSMENT, TIMES OF UNCERTAINTY (COVID-19 PANDEMIC) & VALUATION COMMENTARY OVERVIEW

At a time of unprecedented trial over the Coronavirus Covid-19 and the global spread of the virus, it has meant a significant impact on global financial markets as geographies experience continued spread and increase of pandemic cases. This has meant a global shutdown/lockdown of economies with most sectors affected.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization (WHO) as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries across the globe. Market activity is being impacted in many sectors.

Prior to the global rapid spread of the virus and the announcement by the KSA authorities of an initial indefinite lockdown, the KSA real estate market was in a healthy position with many analysts predicting a strong 2020 for real estate (vision 2020) with the positive activity and investment by the government unveiling a number of reforms, including recent facilitation of the tourism visa, where citizens of 49 countries are now able to apply e-visas and holders of Schengen, UK or US visas are eligible for visas on arrival.

Also the government has now allowed the full foreign ownership of retail and wholesale operations along with previously opening up of the Tadawul Stock Market to foreign investment supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country’s economy, etc. With all the opportunities throughout the Kingdom and the creation of the Giga projects, there was an ambitious resilience which was suddenly shutdown overnight due to the initial lockdown period. Presently the whole of the KSA is on a 24-hour lockdown given that Coronavirus cases have passed 4,000 (four thousand). With all the current uncertainty, market stagnation and short-term challenges whereby force majeure (as a result of the pandemic’s cause beyond anyone’s reasonable control) has created inactivity in the real estate market with the market currently at a standstill.

Given as mentioned above the KSA market’s ambitions and resilience, we understand investor sentiment remains strong as it was prior to the virus pandemic and the KSA was on an upward course showing growth in the last quarter of 2019 after a period of subdued market conditions.

The current global crushing of liquidity in economies will have impact on markets and real estate market and this maybe the case with many economies across the globe; however, the KSA market has shown resilience in previous years through a period of downward trend (2016-18), a correction allowing for the market to bottom out with 2019 experiencing growth in the first quarter and subdued market conditions throughout 2019. The latter part of Q4 – 2019 saw positive growth with strong



investor appetite, though the market lacking good quality stock. Now with the Saudi government confirming a stimulus package of SAR 120 billion, we understand the market will bounce back with investors underlying strong appetite. This will delay any evidence in the short term of declining prices and with the government stimulus will assist any short-term losses on transactions, private and public funds, although will need to be sustained in the short-term.

The KSA real estate sector generally follows the fortunes of the greater economy and while the oil reserves were left off prior to the pandemic fairly strong, although currently a price war between major producers is adding to a growing supply glut, though this will help KSA once markets start normalizing again. The KSA economy remains stable and backed-by strong fundamentals of the KSA market (i.e. young growing population) and also the economic transformation plan transforming the Kingdom towards a service economy post-oil era.

In short, the pandemic is expected to be a short term shock wave with an eventual surge of business activity leading to a rapid recovery either in the form of a “V-shape” or a more gradual recovery in the form of a “U-shape” bounce back. Accordingly, we expect the KSA market to surge in business once the lockdown is lifted allowing for markets to start flourishing towards long term sustainability in social trends and patterns along with socio-economic distancing in a growing cycle. On the other hand, should the global economic impact of the Coronavirus pandemic (COVID-19) outbreak depends on how long the virus lasts, how far it spreads and how much lock-down, public organizations quarantines disrupt the market.

Indeed, the current response to COVID-19 means that we are faced with unprecedented set of circumstances on which to base judgement(s). There is strong evidence that real estate markets spring back to strong activity and growth fairly quickly. Equally, the short-term generally speaking we do not expect the current real estate market to show any adjustment in prices/rates due to non-activity or a market standstill especially prior the market was on an upward trend. The KSA real estate market is a developing market with much invested by the government in infrastructure projects so we expect the government’s latest stimulus to preserve liquidity and for demand to hold having limited / no bearing on prices / rates. However, should the pandemic persist throughout 2021, we do expect adjustment later on in the year.

Our valuation(s) is / are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the subject property referred in this report under frequent review.



2.14.2 MARKET CONDITIONS PRIOR TO THE PANDEMIC & THE KSA LOCKDOWN

The Kingdom of Saudi Arabia (KSA) - world's largest exporter of crude oil, embarked four years (2016) ago on an ambitious economic transformation plan, "Saudi Arabia Vision 2030". In a hope to reduce its reliance on revenue from hydrocarbons, given the plummeting oil price revenues from 2014.

Through the current vision and in a post oil economy, KSA is adapting to times of both austerity measures and a grand ambitious strategy. With an overdue diversification plan Saudi Arabia's economic remodelling is about fiscal sustainability to become a non-dependent nation of oil. This is supported by current energy reforms, cutting subsidies, creating jobs, privatising state-controlled assets and increasing private sector contribution to the country's economy.

Despite economic headwinds, across the region, KSA has shown resilience through a period of subdued real estate market activity. The real estate sector generally follows the fortunes of the greater economy and whilst Saudi Arabia is undergoing structural reforms politically, economically and socially will transform the Kingdom towards a service economy post-oil era. These changes along with significant amounts of investment - estimated to soon be over 1 trillion US dollars will create vast amounts of opportunities for the public and private sectors across all businesses segments.

The KSA economy in the first quarter of 2019 has relied on the current oil price rise to pull it out of recession; however, the previous 18-24 months, KSA faced a protracted spell of economic stress, much of which can be attributed to the falling oil prices coupled with regional political issues.

Oil prices are starting to surge again around 80 dollars a barrel currently from under 30 dollars a barrel in early in 2016 which resulted in a crash in prices and the economy dipped into negative territory in 2017 for the first time since 2009, a year after the global financial crisis.

General consensus anticipates a piercing improvement in the Saudi economy in the period ahead (2021-2022), supported by both the oil and non-oil sector. So ultimately it appears the economy will still need to rely on oil revenues to bridge the gap in the short term with a budget deficit over the past 3 years and the Kingdom borrowing from domestic and international markets along with hiking fuel and energy prices to finance the shortfall. The economy slipped into recession in 2018 but returned to growth this year 2019, albeit at the fairly modest level of 1.7%, according to estimates from the International Monetary Fund (IMF). However, the return to growth is mainly due to a return to increase in oil prices again and output which, in turn, is enabling an increase in government spending. Accordingly, in the short term needs to rely on the oil revenue and this reliance is being channelled into public spending.

The non-oil economy is growing, but at a slow pace. Analysts are forecasting non-oil GDP to grow by 1.4% this year, compared to 1% in 2017. Even here, the non-government sector is coping relatively poorly. Analysts are forecasting non-oil private



sector growth of 1.1%, this year, up from 0.7% last year. The reforms that have been pushed through to date have led to important changes aiding the economy. The opening up of the entertainment industry will create jobs for young locals and women driving makes it easier for millions more people to enter the workforce.

Reforms to the financial markets have led indexing firms to bring the Saudi Stock Market (Tadawul) into the mainstream of the emerging markets universe which now assists to draw in many billions of investment dollars. A due enactment of law will encourage public-private partnerships to herald more foreign investment. The economic transformation that the KSA has embarked upon is complex and multidimensional and will certainly take time to turn around a non-oil serviced economy, although there have been recent positive signs, but it will remain in the short term with the support of oil revenues.

On the other hand, the KSA was resilient in the previous recession in 2007/2008 on strong oil reserves and not only can the Saudi government be relied upon to step in to rescue troubled lenders, reliable institutions for procedural reasons but crucially, it can also afford to do so, although has suffered due to previous oil price declines and it has meant increased spending.

Vision 2030 to diversify the economy from reliance on oil, has only just commenced and with a young and increasingly well-educated population, together with its own sovereign wealth fund, the Kingdom has many favourable factors to become a leading service sector economy in the region.

Reform efforts include a reduction of subsidies on fuel and electricity and the implementation of a 5 per cent VAT back on 1st January 2018 which increased to 15 per cent as of 01 July 2020. The government is also striving to get women to play a greater role in the economy including allowing them to drive back in 2019. Wider reforms have been initiated by the government allowing for the entertainment industry to flourish with the opening of the first cinema in King Abdullah Financial District (KAFFD) along with 4 VOX screens opening at Riyadh Park Mall. The cinema entertainment is spurred on by Public Investment Fund (PIF) in collaboration with AMC Cinemas and led by the Development and Investment Entertainment Company (DIEC), a wholly owned subsidiary of PIF. With an objective of 30 to 40 cinemas in approximately 15 cities in Saudi Arabia over the next five years, and 50 to 100 cinemas in about 25 Saudi cities by 2030.

As part of wider reforms to overhaul the economy and to allow for deep rooted diversification, the PIF have initiated plans to bolster the entertainment industry by forming ambitious plans such as the following:

Red Sea Tourism Project

To transform 50 islands consisting of 28,000 square kilometres along the Red Sea coastline into a global tourism destination. For ease of reference to illustration below showing the location in relation to the Kingdom of Saudi Arabia.

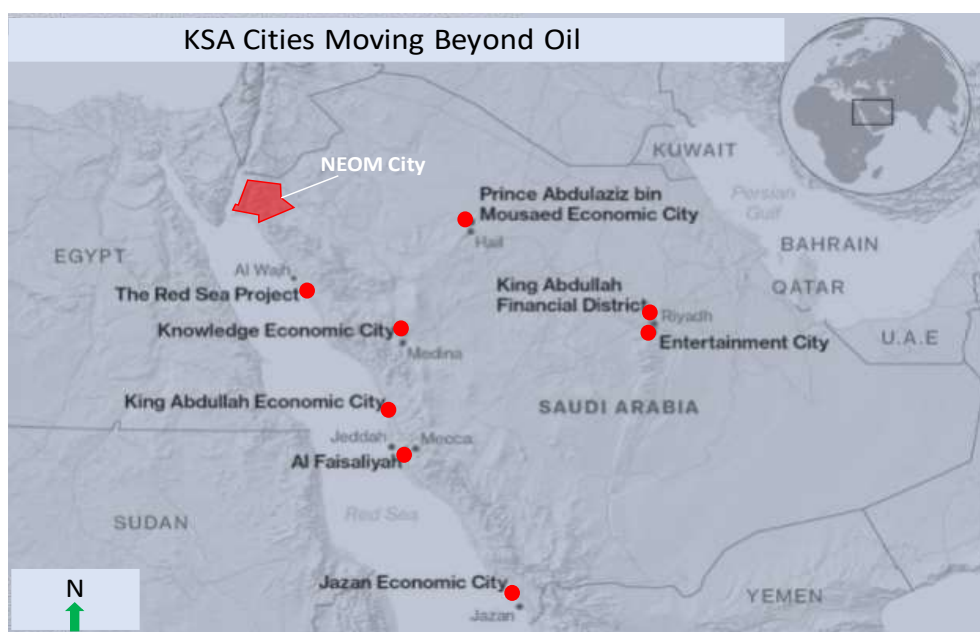


Al Faisaliyah Project

The project will consist of 2,450 square kilometres of residential units, entertainment facilities, an airport and a seaport. Refer to the below illustration for the location.

Qiddiya Entertainment City

Qiddiya Entertainment City will be a key project within the Kingdom's entertainment sector located 40 kilometres away from the center of Riyadh. Currently alleged for "The First Six Flags-branded theme park". The 334 square kilometre entertainment city will include a Safari park too. The project will be mixed use facility with parks, adventure, sports, events and wild-life activities in addition to shopping malls, restaurants and hotels. The project will also consist around 4,000 vacation houses to be built by 2025 and up to 11,000 units by 2030. Again, for ease of reference refer to the below illustration for the location.



Neom City

The NEOM city project will operate independently from the "existing governmental framework" backed by Saudi government along with local and international investors. The project will be part of a 'new generation of cities' powered by clean energy. The ambitious plan includes a bridge spanning the Red Sea, connecting the proposed city to Egypt and stretch into Jordan too.

Economic Cities

The overall progress with the Economic Cities has been slow and projects on hold over the past 7-10 years, although KAFD has recently given the go ahead to complete by 2020. Within the Saudi Vision 2030 the governed referenced that they will work to "salvage" and "revamp".

Real Estate Growth

Overall ValuStrat research reveals that real estate sectors have continued to decline in both sales and rental values. We expect demand to remain stable due to fundamentals of a growing young population, reducing family size, increasing middle-class and a sizeable affluent population – all of which keeps the long-term growth potential intact. Despite short term challenges, both investors and buyers remaining cautious, the Saudi economy has shown signs of ambition with the government unveiling a number of reforms, including full foreign ownership of retail and wholesale operations along with opening up of the Tadawul Stock Market to foreign investment as well as the reforms mentioned in the previous section referred above.

As mentioned earlier, KSA experienced positive growth by oil price rise in the first quarter of 2019; hence the main driver of the recovery remains oil. Over 2020 we envisage the Kingdom's consumer outlook to be more favorable in economic conditions. Moreover, tax on development land implemented in 2017/18 has kept the construction sector afloat, encouraging real estate developers. Adapting to a new KSA economic reality has been inevitable, although the Kingdom's oil dynamics remain pivotal for future development within the KSA 2030 economic vision plan.

In latter part of 2017, the Public Investment Fund (PIF), Saudi Arabia's sovereign wealth fund set up a real estate refinancing company aimed at advancing home ownership in the Kingdom, which suffers from a shortage of affordable housing. This initiative will create stability and growth in the Kingdom's housing sector by injecting liquidity and capital into the market. Another plan to help kick start the real estate market by boosting the contribution of real estate finance to the non-oil GDP part. The real estate sector has played an increasingly important role in the Saudi Arabian economy. Growing demand across all sectors combined with a generally limited supply has forced real estate prices to accelerate over the past (2008-2016). The close ties with the construction, financing institutions and many others have provided crucial resources that contributed to the development of the Saudi economy. The real estate market performance in 2019 and the general trend in KSA for most sectors have remained subdued given lower activity levels, while prices have been under pressure across most asset classes leading to a gradual softening of rental and sale prices. The real estate sector remains subdued and prices may have bottomed out across sectors and we expect in the medium to long term for the market to pick-up further growth given the reforms and transformation in KSA, although we expect the growth to be slow and steady subject to a stable political environment in KSA and across the region.

The outlook remains optimistic for the longer term due to the various KSA initiatives aimed at stimulating the real estate market whilst encouraging the private sector to play a key role in the transformation. All in all, market volatility remains currently, and prices are likely to witness further deterioration in the short term. A watching brief



should be kept on the economy, although we expect the economy to gather some pace later in 2021.

Property values are subject to fluctuation over time as market conditions may change. Valuation considered full figure and may not be easily achievable in the event of an early re-sale. It must be borne in mind that both rental and capital values can fall as well as rise.

2.14.3 GENERAL EDUCATION OUTLOOK

The KSA Vision 2030 Plan and the education sector is a main stake for the Kingdom's economic and social growth. The education sector has become one of KSA's leading investment sectors with many regional, international investors and operators actively planning in entering the educational market with the repealing of foreign ownership restrictions. Accordingly, the education market in Riyadh will further provide strong opportunities from relatively safe and high return assets. The education sector has a strong appetite given the following:

- The compulsory education system in the Kingdom is structured to include six grades at primary-school level and three at intermediate level, followed by a further three years in secondary school.
- As of 2015 there were 7.5m children attending schools, according to the latest available data from the General Authority for Statistics (GaStat) with 52% students at primary school, 24% at intermediate schools and 24% at Secondary schools.
- Of this, majority of the students attend public schools and only 11.4% students study in private schools. However, the percentage has been growing every year.

Overall an emerging young and growing population only increases the pressure on shortages and therefore a stable sector in the foreseeable future.

2.15 VALUATION UNCERTAINTY

In line with RICS Global – Valuation Practice Guidance Application 9 (VPGA 9): we believe that a reasonable period in which to negotiate a sale at our opinion of Market Value is 6-9 months. It should be noted. However, that if credit conditions substantially worsen or any other change were to occur to the investment market then the liquidity of the investment and the value, may change. We do not consider there to be a special prospective purchaser in the market for the subject property who would pay in excess of our opinion of Market Value. The RICS valuation standards consider it essential to draw to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations. We are currently experiencing a very uncertain property market and due to the reduced level



of transactions, there is an acute shortage of comparable evidence upon which to base valuations. Given the current uncertainties it may be necessary at times for a Valuer to draw upon evidence which is of a historical nature. The current shortage of transaction, combined with a rapidly changing market only serves to highlight the unpredictability of the current market, which is subject to change on a day by day basis. The RICS valuation standards consider it essential to draw attention to foreseen valuation uncertainties that could have a material effect on valuations, and further advises to indicate the cause of the uncertainty and the degree to which this is reflected in reported valuations.

We further state that given the valuation uncertainty stated above our valuation represents our impartial calculated opinion / judgement of the properties, based on relevant market data and perceptions as at the date of valuation. The client is advised that whilst all reasonable measures have been taken to supply as accurate a valuation as possible as at the Valuation date, this figure should be considered in the context of the volatility of today's market place

The client is also recommended to consider the benefits in such a market, of having more frequent valuations to monitor the value of the subject property.

2.16 DISCLAIMER

In undertaking and executing this assignment, an extreme care and precaution has been exercised. This report is based on information provided by the Client. Values will differ or vary periodically due to various unforeseen factors beyond our control such as supply and demand, inflation, local policies and tariffs, poor maintenance, variation in costs of various inputs, etc. It is beyond the scope of our services to ensure the consistency in values due to changing scenarios.

2.17 CONCLUSION

This report is compiled based on the information received to the best of our belief, knowledge and understanding. The information revealed in this report is strictly confidential and issued for the consideration of the Client. No part of this report may be reproduced either electronically or otherwise for further distribution without our prior and written consent. We trust that this report and valuation fulfils the requirement of your instruction.

This report is issued without any prejudice and personal liability.

For and on Behalf of, **ValuStrat**



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APPENDIX 1 - PHOTOGRAPHS OF THE PROPERTY





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