



Valuation Report

AIROWAD INTERNATIONAL SCHOOL, AL NUZHA DISTRICT,
RIYADH, KSA

SAUDI FRANSI CAPITAL



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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

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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 2017

**Freehold reflecting 30-year lease agreement with an unexpired term of 24 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 land plus cost basis.

1.5 DATE OF VALUATION

Unless stated to the contrary, our valuation has been assessed as of our inspection date of 31th December 2018.

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	23 years unexpired
Gross Income	14,520,000 (increased every 3 years at 10%)
Discount Rate	6.25%
Total (SAR) [Rounded]	223,970,000

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

1.7 SALIENT POINTS (GENERAL COMMENTS)

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 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.

Please 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 2018

Freehold reflecting 30-year lease agreement with an unexpired term of 23 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 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 (January 2017).

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.

2.5.3 STATUS OF VALUER

Status of Valuer	Survey Date	Valuation Date
External Valuer	25 th December 2018	31 st December 2018

2.6 EXTENT OF INVESTIGATION

In accordance to 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, outgoings, 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 2018; 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 cluster 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 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. 2020, 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.

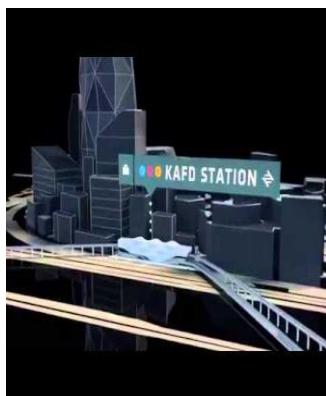
Riyadh City Metro System Lines

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.

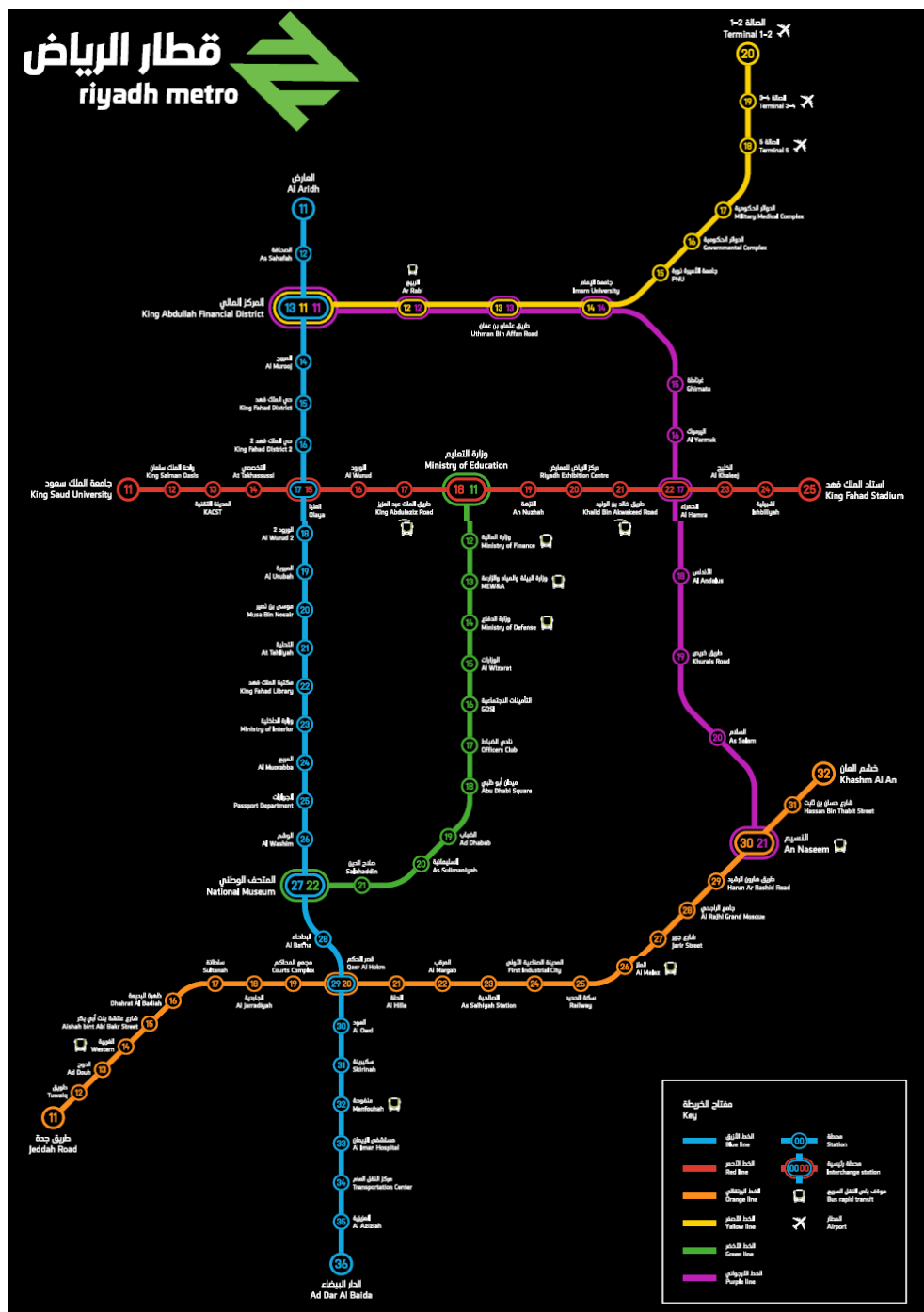
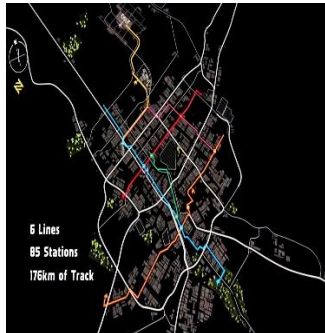
Three leading consortia, including the US Construction company Bechtel Group Inc., Spain's FCC and Italy's Ansaldo STS have been awarded contracts to build the project.

KING ABDULLAH FINANCIAL DISTRICT STATION



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

RIYADH METRO LINES



Source: Research, 2018

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 2020. 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.

We have made aware that the freehold will be 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 23 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 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. 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 reflected 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 23- unexpired years explicit cash flow period. In this instance, we have adopted the following analysis:

2.12.3 DISCOUNT RATE & COMMENTARY

Discount Rate		6.25%
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 6.25% given the low risk of the 23-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 (1 st year)	14,520,000
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	6.25%
Value SAR (rounded)	223,970,000

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.

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 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

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	2,700	130,358,700

**Source: Construction Costs 2017/18 – 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)	130,358,700
Total (SAR) Rounded	220,358,700

**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 223,970,000 (TWO HUNDRED TWENTY-THREE MILLION NINE HUNDRED SEVENTY THOUSAND SAUDI RIYALS)

2.14 GENERAL MARKET SNAPSHOT

The real estate sector generally follows the fortunes of the greater economy. As oil prices remained strong in previous years, the Saudi economy and consequently its real estate market remained buoyant too. However, for the past 18 months, KSA has been facing a protracted spell of economic stress, much of which can be attributed to the falling oil prices coupled with regional political issues. The resulting budget deficit has prompted the Saudi government to implement subsidy reforms, review its investment strategies and cut capital spending. All of this has resulted in declining



capital and rental values in the real estate market with prices falling across all sectors including land.

Despite short term challenges and 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. Moreover, tax on development land should keep 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.

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. On the other hand, 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 towards in 2019

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.

2.14.1 OUTLOOK

From research and general consensus reveals that the educational market in Riyadh can 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.

Equally challenges faced as follows:

- The unexpected tripling of teacher salaries, paid for by a government subsidy that is due to expire in 2018.
- Saudization quotas for teaching staff but a lack of suitably qualified Saudi teachers with proficiency in both subject skills and spoken English.



- Government-fixed tuition fees for education companies that had to rent or buy property at the commercial market rate, which left companies with limited revenues against potentially increasing costs.
- Delays in dealing with requests for tuition fee increases.
- Up gradation of facilities by private school operators to meet Ministry of Education requirements by 2018
- Competition from Public-Private (independent schools) as envisioned under the new plan of Ministry of Education

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 these 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 (Taqeem Member
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APPENDIX 1 - PHOTOGRAPHS OF THE PROPERTY





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Private & Confidential

Valuation Report

YEAR-END VALUATION DECEMBER 2018,
TARBIYAH ISLAMIYAH SCHOOL, RIYADH, KSA

SAUDI FRANSI CAPITAL

السعودي الفرنسي كابيتال
Saudi Fransi Capital
Distinguished Service, Outstanding Performance



DATE OF REPORT ISSUANCE – 17 JANUARY 2018

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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

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Vice President

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1.2 THE PURPOSE OF VALUATION

The valuation is for a Public Listing Offering (REIT) for the Saudi Market purpose and the year-end update.

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 2018

Freehold reflecting 27-year lease agreement - 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 2018

1.4 VALUATION APPROACH

Primary method - Discounted Cash Flow (DCF) approach to valuation with a sanity check on a land plus cost approach.

1.5 DATE OF VALUATION

Unless stated to the contrary, our valuation has been assessed of 31st December 2018.

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 25 years
Gross Income	21,000,000 (increased every 3 years)
Discount Rate	7.5%
Less Tax	2.5%
Total (SAR) [Rounded]	284,600,000

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



1.7 SALIENT POINTS (GENERAL COMMENTS)

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 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.

Please 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 2018

Freehold reflecting 27-year lease agreement - 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 a 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 (January 2017).

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.

2.5.3 STATUS OF VALUER

Status of Valuer	Survey Date	Valuation Date
External Valuer	26 th December 2018	31 st December 2018

2.6 EXTENT OF INVESTIGATION

In accordance to 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

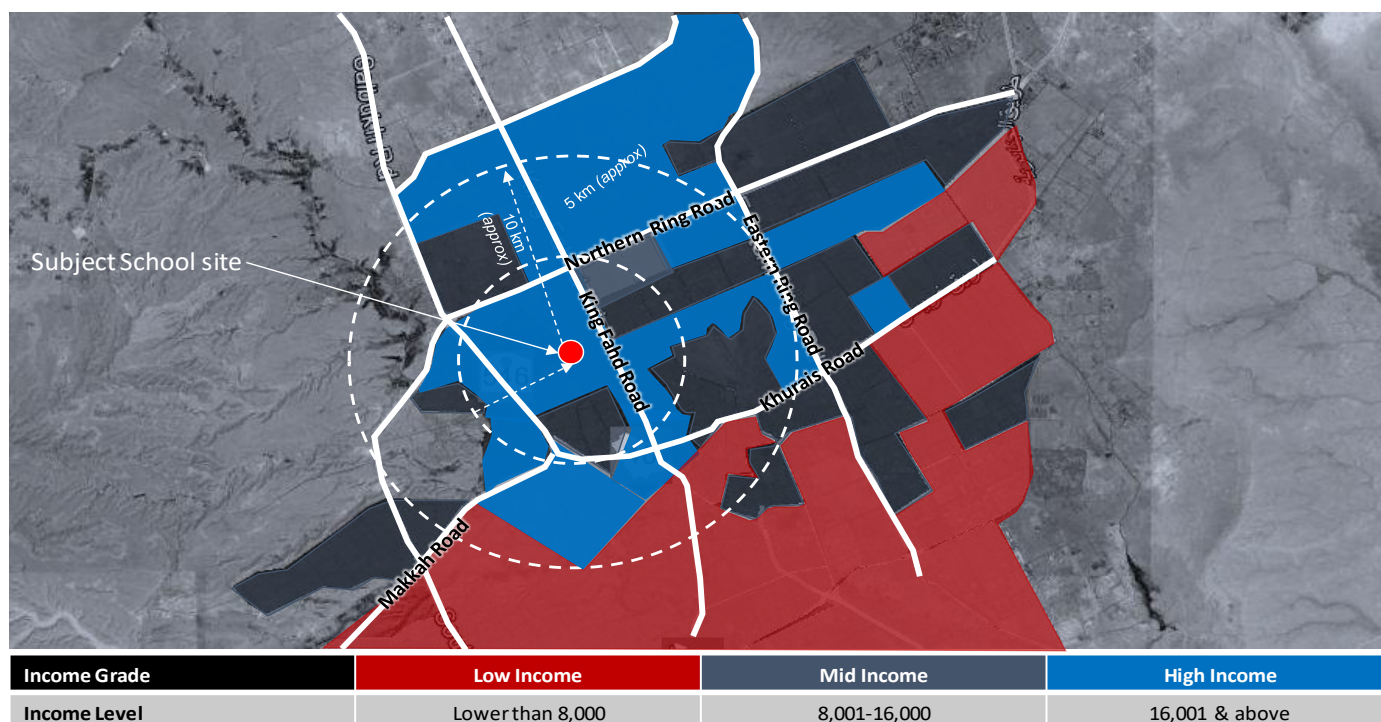
The subject property fronts with high visibility on Takhassusi Road and the land extends to total approximate area of 45,667 sq. m. For ease of reference refer to the illustration below of the locality.



Source: Google 2018; 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 2018; 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 2018; For illustration purposes only

2.9.2 MAJOR LANDMARKS IN THE AREA

Entertainment

- Kingdom Centre
- Faisailiah
- Panorama Mall
- Hayat Mall
- Riyadh Gallery
- Sahara Mall
- Azizia Mall
- Olaya Street
- Tahlia Street

Commercial

- ITCC
- King Abdulaziz City for Science and Technology (KACST)
- King Saud University
- Prince Sultan University
- King Fahad National Library
- Ministry of Education
- King Abdulaziz and His Companions Foundation for Giftedness and Creativity

Hospitality

- Sofitel Hotel
- Four Seasons Hotel Riyadh
- Hyatt Regency Hotel Riyadh
- Narcissus Hotel and Residence
- Hotel Novotel Riyadh Al Anoud

Medical

- Sulaiman Habib Hospital (Takhassusi)
- Sulaiman Habib Hospital (Olaya)
- Dallah Hospital
- King Khalid Eye Specialist Hospital
- King Khalid University Hospital
- King Fahad Medical City
- King Faisal Specialist Hospital
- Specialized Medical Center Hospital



2.9.3 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 2018; 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.

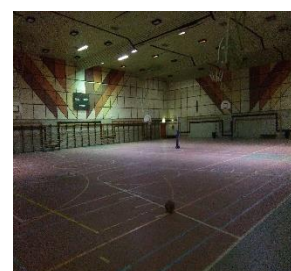
Sports and Physical Exercise - The school has several outdoor and indoor facilities for sports which includes 3 football pitches and indoor gymnasiums for PE, basketball, volleyball and other indoor sports.

2.9.4 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 2018

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



2.9.5 RIYADH'S METRO SYSTEM



The new City Metro of Riyadh is a rapid transit system under construction to be completed circa. 2020, 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

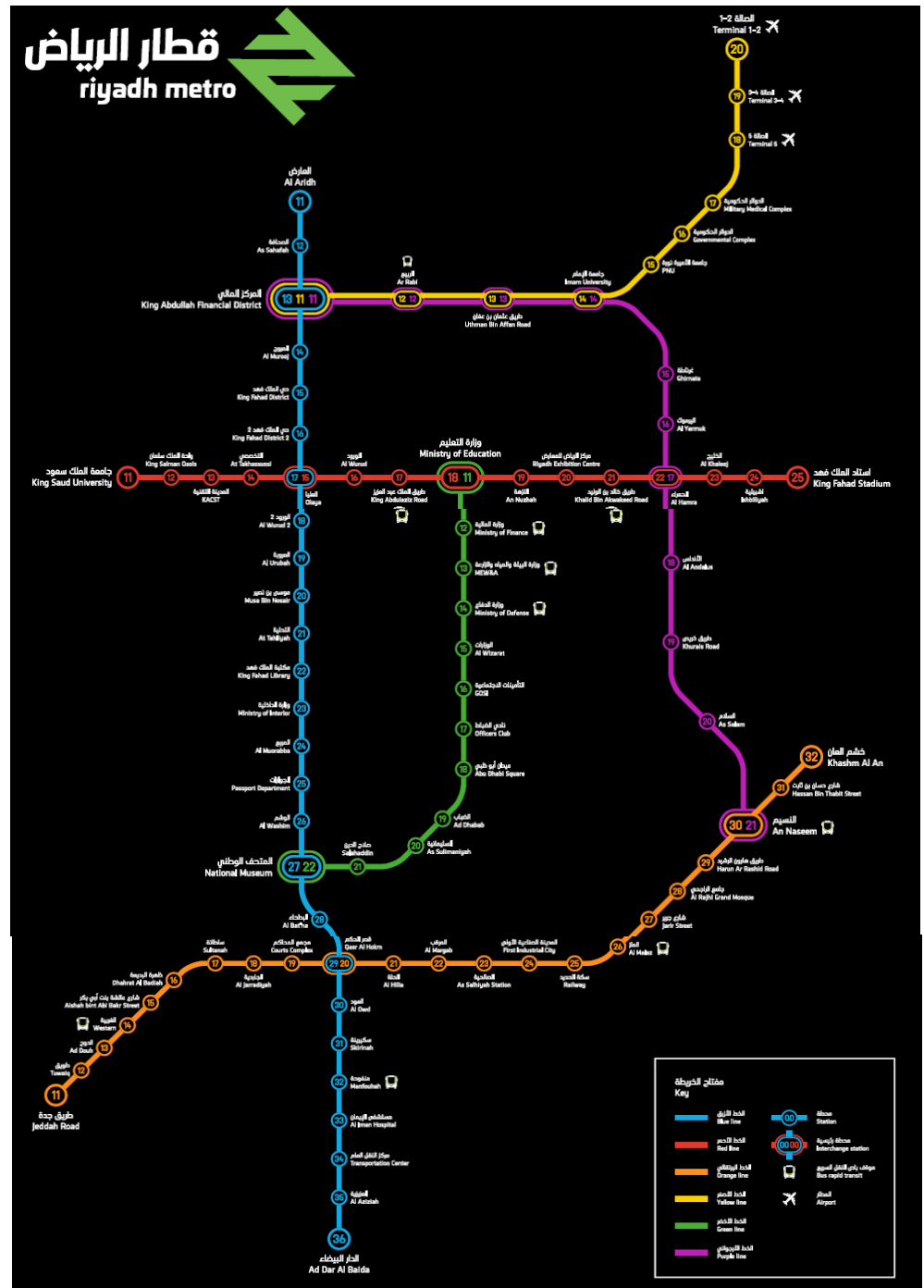
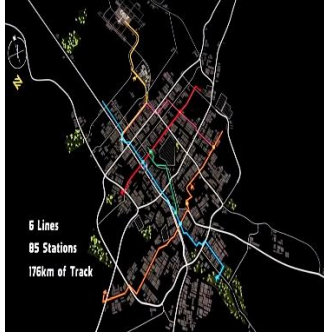
Line	Length (Km)
Line 1 – Blue	38.0
Line 2 – Green	25.3
Line 3 – Red	40.7
Line 4 – Orange	29.6
Line 5 – Yellow	12.9
Line 6 - Purple	29.90

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.

RIYADH METRO LINES



Source: Research, 2018

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 2020. 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 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.

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 25 years' 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 25 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 650 – SAR 900 per sq. m for this size, type and location of property. The subject passing rent is SAR 21,000,000 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 25-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 25-year explicit cash flow period. In this instance, we have adopted the following analysis:



2.12.3 DISCOUNT RATE & COMMENTARY

Discount Rate	7.25%
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 7.25% given the low risk of the unexpired 25-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	7.25%
Less Tax	2.5%
Exit Yield	N/A
Value SAR (rounded)	284,600,000

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 2017, 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	24,200	5,500	Resi / part Commercial	Close-by
2	47,000	6500	Commercial	Close-by
3	12,500	7,000	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 7,000 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	45,667	5,500	250,000,000

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	*1,200	36,000,000

**Source: Construction Costs 2016/17 – 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	250,000,000
*Building(s)	36,000,000
Total (SAR) Rounded	286,000,000

**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 and assumptions expressed within this report, may be fairly stated as follows;

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

SAR 284,600,000 (TWO HUNDRED EIGHTY-FOUR MILLION SIX HUNDRED THOUSAND SAUDI RIYALS)

2.14 GENERAL MARKET SNAPSHOT

The Kingdom of Saudi Arabia (KSA) - world's largest exporter of crude oil, embarked two years 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 2018 has relied on the current oil price rise to pull it out of recession; however, for the past 18-24 months, KSA has been facing 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 (2019-2020), 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. 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 from 1st January 2018. The government is also striving to get women to play a greater role in the economy including recently allowing them to drive. 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:

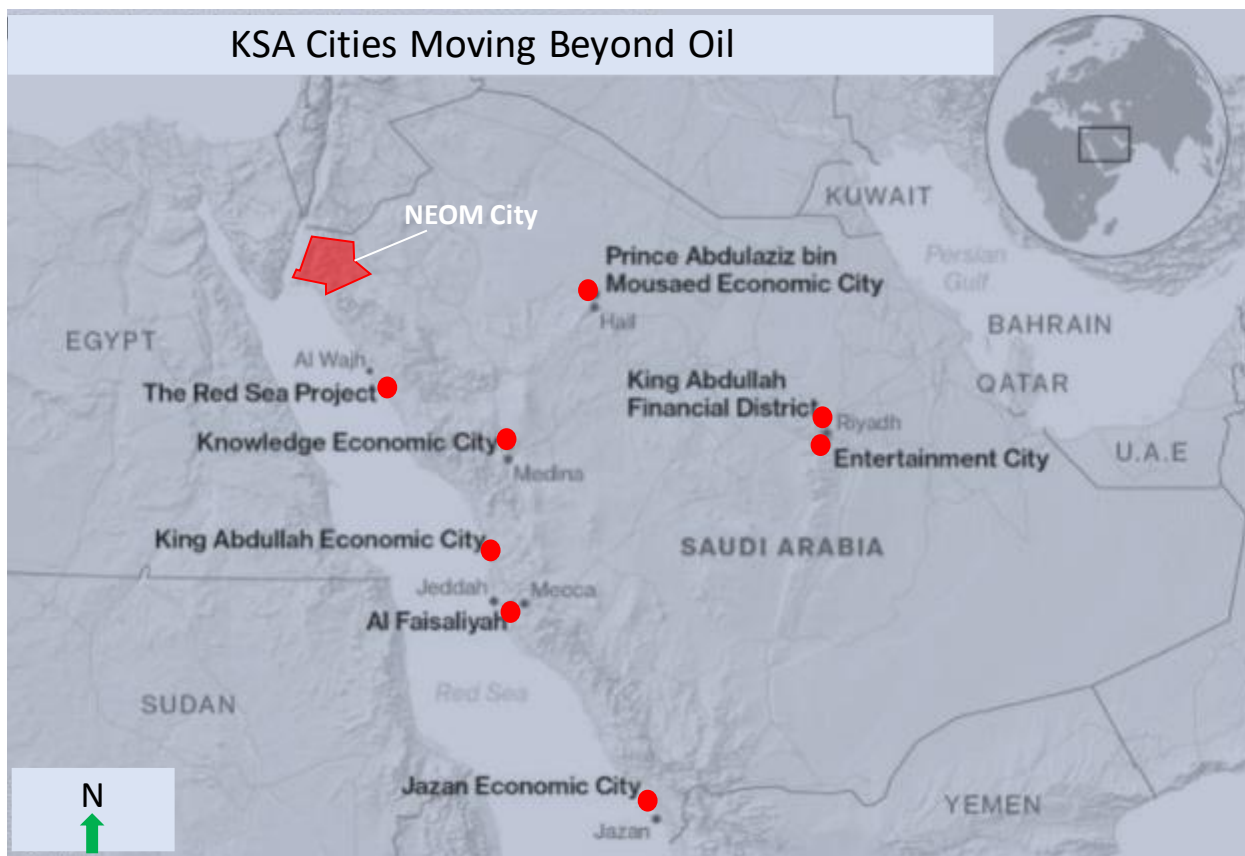
Red Sea Tourism Project - To transform 50 islands consisting of 34,000 square kilometres along the Red Sea coastline into a global tourism destination. For ease of reference to illustration below showing the location in relation to the Kingdom of Saudi Arabia.



Al Faisaliyah Project - The project will consist of 2,450 square kilometres of residential units, entertainment facilities, an airport and a sea port. 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.



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 government 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 2018; hence the main driver of the recovery remains oil. Over 2018 we envisage the Kingdom's consumer outlook to be more favorable in economic conditions. Moreover, tax on development land implemented in 2017 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. 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 2019.

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.

2.14.1 OUTLOOK

From research and general consensus reveals that the educational market in Riyadh can 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.

Equally challenges faced as follows:

- The unexpected tripling of teacher salaries, paid for by a government subsidy that is due to expire in 2018.
- Saudization quotas for teaching staff but a lack of suitably qualified Saudi teachers with proficiency in both subject skills and spoken English.
- Government-fixed tuition fees for education companies that had to rent or buy property at the commercial market rate, which left companies with limited revenues against potentially increasing costs.
- Delays in dealing with requests for tuition fee increases.
- Up gradation of facilities by private school operators to meet Ministry of Education requirements by 2018
- Competition from Public-Private (independent schools) as envisioned under the new plan of Ministry of Education

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**

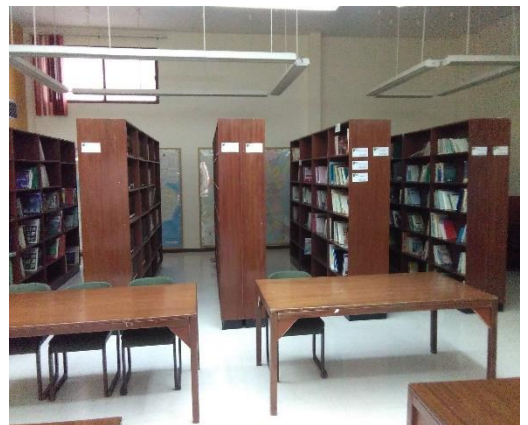


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APPENDIX 1 - PHOTOGRAPHS OF THE PROPERTY





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