

KFH Capital REIT Fund
State of Kuwait

Interim Condensed Financial Information (Unaudited)
And review report for the three month period ended 31
March 2021

KFH Capital REIT Fund
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KFH Capital Investment Company - K.S.C. (Closed) - Fund Manager
KFH Capital REIT Fund
State of Kuwait

Review Report on Interim Condensed Financial Information

Introduction

We have reviewed the accompanying interim condensed statement of financial position of KFH Capital REIT Fund ("the Fund") as at 31 March 2021, and the interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended. The Fund Manager is responsible for preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review


We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting information, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the Fund. We further report that nothing has come to our attention indicating occurrence of violations during the three month period ended 31 March 2021 of the Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and Organization of Security Activity and its Executive Regulations, as amended, and the Fund's Articles of Association which might have materially affected the Fund's activities or its financial position.



Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 20 April 2021

KFH Capital REIT Fund
State of Kuwait

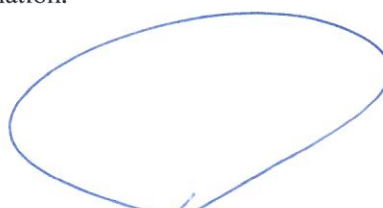
Interim Condensed Statement of Financial Position (Unaudited)
As at 31 March 2021

	Note	31 March 2021 KD	(Audited) 31 December 2020 KD	31 March 2020 KD
Assets				
Currents assets				
Cash at bank		726,936	743,560	692,251
Accounts receivable and other debit balances	3	102,182	79,144	112,093
Total current assets		<u>829,118</u>	<u>822,704</u>	<u>804,344</u>
Non-current assets				
Investment properties	4	25,403,000	25,403,000	23,426,095
Total non-current assets		<u>25,403,000</u>	<u>25,403,000</u>	<u>23,426,095</u>
Total assets		<u>26,232,118</u>	<u>26,225,704</u>	<u>24,230,439</u>
Liabilities and equity				
Liabilities				
Current liabilities				
Accounts payable and other credit balances	5	431,579	433,831	416,025
Total current liabilities		<u>431,579</u>	<u>433,831</u>	<u>416,025</u>
Total liabilities		<u>431,579</u>	<u>433,831</u>	<u>416,025</u>
Equity				
Capital	6	23,600,000	23,600,000	23,600,000
Retained earnings		2,200,539	2,191,873	214,414
Total equity		<u>25,800,539</u>	<u>25,791,873</u>	<u>23,814,414</u>
Total liabilities and equity		<u>26,232,118</u>	<u>26,225,704</u>	<u>24,230,439</u>
Net assets value per unit	7	<u>1.093</u>	<u>1.093</u>	<u>1.009</u>

The accompanying notes on pages from 6 to 10 form an integral part of this interim condensed financial information.



Kuwait Clearing Company K.S.C. (Closed)
Fund Custodian and Investment Controller



KFH Capital Investment Company - K.S.C. (Closed)
Fund Manager

KFH Capital REIT Fund
State of Kuwait

Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
For the three month period ended 31 March 2021

		For the three months ended 31 March 2021	For the Period from 29 October 2019 (Date of registration in the investment Funds' register at CMA) to 31 March 2020
	<u>Note</u>	<u>KD</u>	<u>KD</u>
Revenue:			
Rental income		443,823	897,147
Profit income		534	54,567
Other income		535	874
		<u>444,892</u>	<u>952,588</u>
Expenses:			
Fund Manager fees	8	82,611	108,717
Fund Custodian and Investment Controller fees	9,10	6,375	11,281
Operating expense		52,527	203,674
General and administrative expenses		6,786	21,169
Provision for expected credit losses	3	32,260	-
		<u>180,559</u>	<u>344,841</u>
Profit for the period		264,333	607,747
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>264,333</u>	<u>607,747</u>

The accompanying notes on pages from 6 to 10 form an integral part of this interim condensed financial information.

KFH Capital REIT Fund
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Interim Condensed Statement of Changes in Equity (Unaudited)
For the three month period ended 31 March 2021

	Capital	Retained earnings	Total
	KD	KD	KD
Subscriptions during the period	23,600,000	-	23,600,000
Total comprehensive income for the period	-	607,747	607,747
Cash dividends (Note 12)	-	(393,333)	(393,333)
Balance as at 31 March 2020	<u>23,600,000</u>	<u>214,414</u>	<u>23,814,414</u>
Balance as at 31 December 2020	23,600,000	2,191,873	25,791,873
Total comprehensive income for the period	-	264,333	264,333
Cash dividends (Note 12)	-	(255,667)	(255,667)
Balance as at 31 March 2021	<u>23,600,000</u>	<u>2,200,539</u>	<u>25,800,539</u>

The accompanying notes on pages from 6 to 10 form an integral part of this interim condensed financial information.

KFH Capital REIT Fund
State of Kuwait

Interim Condensed Statement of Cash Flows (Unaudited)
For the three month period ended 31 March 2021

	For the three months ended 31 March 2021	For the Period from 29 October 2019 (Date of registration in the investment Funds' register at CMA) to 31 March 2020
	KD	KD
Cash flows from operating activities:		
Profit for the period	264,333	607,747
Adjustments:		
Profit income	(534)	(54,567)
Provision for expected credit losses	32,260	-
	<u>296,059</u>	<u>553,180</u>
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable and other debit balances	(55,298)	(112,093)
Accounts payable and other credit balances	4,850	326,276
Net cash generated from operating activities	<u>245,611</u>	<u>767,363</u>
Cash flows from investing activities:		
Purchase of investment properties	-	(23,362,397)
Profit income received	534	54,567
Net cash generated from / (used in) investing activities	<u>534</u>	<u>(23,307,830)</u>
Cash flows from financing activities:		
Proceed from subscriptions	-	23,600,000
Cash dividend paid	(262,769)	(367,282)
Net cash (used in) / generated from financing activities	<u>(262,769)</u>	<u>23,232,718</u>
Net (decrease) / increase in cash at bank	(16,624)	692,251
Cash at bank at beginning of the period	743,560	-
Cash at bank at end of the period	<u>726,936</u>	<u>692,251</u>

The accompanying notes on pages from 6 to 10 form an integral part of this interim condensed financial information.

KFH Capital REIT Fund
State of Kuwait

Notes to Interim Condensed Financial Information (Unaudited)

For the three month period ended 31 March 2021

1. Incorporation and activities

KFH Capital REIT ("the Fund") - was incorporated as an income-generating Real Estate fund (Traded) on 29 October 2019 in accordance with Law No. 7 of 2010 regarding Establishment of the Capital Markets Authority and Organization of the Securities Activity and its Executive Regulations. The Fund commenced its operation on 29 October 2019.

The Fund has been listed in Boursa Kuwait on 1 September 2020.

The Fund is subject to the supervision of Capital Markets Authority as per Law No. 7 of 2010 concerning Capital Markets Authority and Organization of Security Activity and its amendments and Executive Regulations. The Fund was registered with the Funds register at CMA on 29 October 2019.

The Fund aims to provide attractive Real Estate opportunities for those interested to invest in the Real Estate sector by investing in all types of Real Estates (investment, commercial, industrial, craft) developed and income-generating in the State of Kuwait, in addition to the distribution of at least 90% of the operating income (revenue collected after deducting expenses) of the Real Estate to the unit holders on a monthly basis, as well as using the cash surpluses in deposits with Islamic banks or participation in money market funds or income-generating real estate funds (Traded).

The Fund conducts all its activities in compliance with Islamic Shari'a principles.

The Fund's financial year commences from 1 January and ends on 31 December of each year, excluding the Fund's first financial year, which will commence from the date of Fund's registration in investment Funds' register at CMA and ends when the subsequent financial year ends. Accordingly, the first financial year of the fund will commence for the period from 29 October 2019 (the date of registration in investment Funds' register at CMA) to 31 December 2020.

The term of the Fund is 30 years commencing from the date of registration in investment Funds' register at CMA and will be renewed for another similar periods based on the Fund Manger decision after obtaining the CMA's approval.

The Fund Manager is KFH Capital Investment Company - K.S.C. (Closed) and it's a subsidiary of Kuwait Finance House (Ultimate Parent Company).

The Fund Custodian and Investment Controller and Unit holders' registrar is Kuwait Clearing Company K.S.C. (Closed).

The registered address of the Fund Manager is, P. O. Box: 3946, Al Safat 13040, Safat Square, Baitak Tower, Floor 32, State of Kuwait.

The accompanying interim condensed financial information was authorised for issue by the Fund Manager on 20 April 2021.

2. Basis of preparation

The Fund's interim condensed financial information has been prepared in compliance with the International Accounting Standard No. 34 "Interim Financial Reporting". This interim condensed financial information does not include all the information and disclosures required for preparation of complete annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"). In the opinion of the Fund's management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included.

Operating results for the three month period ended 31 March 2021 is not necessarily indicative of the results that may be expected for the financial year ended 31 December 2021. For further information, refer to the annual audited financial statements of the Fund for the year ended 31 December 2020.

The interim condensed financial information has been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Fund.

KFH Capital REIT Fund
State of Kuwait

Notes to Interim Condensed Financial Information (Unaudited)
For the three month period ended 31 March 2021

3. Accounts receivable and other debit balances

	31 March 2021	(Audited) 31 December 2020	31 March 2020
	KD	KD	KD
Accrued rental income	256,038	219,314	104,411
Provision for expected credit losses (a)	(180,315)	(148,055)	-
	75,723	71,259	104,411
Prepaid expenses	25,512	7,885	7,682
Other	947	-	-
	<u>102,182</u>	<u>79,144</u>	<u>112,093</u>

- a) Provision for expected credit losses:
Movement on provision for ECLs during the period / year is as follows:

	31 March 2021	(Audited) 31 December 2020	31 March 2020
	KD	KD	KD
Balance at beginning of the period / year	148,055	-	-
Charged on the period / year	32,260	148,055	-
Balance at end of the period / year	<u>180,315</u>	<u>148,055</u>	<u>-</u>

4. Investment properties

Procedures for ownership transfer of investment properties with carrying value of KD 8,896,000 were not completed. Accordingly, they were stated in interim condensed financial information pursuant to contracts for sale of properties, as risks and benefits were transferred to the Fund.

The investment properties include properties with carrying value of KD 3,812,000, which is constructed on lands leased from the Public Authority for Industry.

5. Accounts payable and other credit balances

	31 March 2021	(Audited) 31 December 2020	31 March 2020
	KD	KD	KD
Accrued Fund Manager fees	82,611	98,912	66,534
Accrued Custodian and Investment Controller fees	6,375	6,484	5,933
Accrued commission for purchase and registration of investment properties	56,390	57,190	63,698
Refundable deposits	91,288	86,633	82,188
Accrued expenses	45,654	32,810	28,349
Dividends payable	21,053	28,155	26,051
Rent received in advance	7,300	3,290	17,203
Due to the property's manager	-	-	5,729
Other credit balances	120,908	120,357	120,340
	<u>431,579</u>	<u>433,831</u>	<u>416,025</u>

Notes to Interim Condensed Financial Information (Unaudited)
For the three month period ended 31 March 2021

6. Capital

In accordance with Article (12) of the Fund's Articles of Association, the Fund is a closed and has fixed capital of KD 23,600,000 divided into 23,600,000 units with a nominal value of KD 1. The Fund's capital is divided into equal amounts. The Fund's Unit Holders responsibility is limited to the amount of their participation in the capital. In all cases, fund's capital should be equivalent to KD 5 million at least.

7. Net assets value per unit

	31 March 2021	(Audited) 31 December 2020	31 March 2020
	KD	KD	KD
Total assets (KD)	26,232,118	26,225,704	24,230,439
Total liabilities (KD)	(431,579)	(433,831)	(416,025)
Net assets (KD)	25,800,539	25,791,873	23,814,414
Number of the outstanding units (units)	23,600,000	23,600,000	23,600,000
Net asset value per unit (KD)	1.093	1.093	1.009

8. Fund Manager fees

In accordance to article No. (24) of the Fund's Articles of Association, the Fund manager is paid a subscription fee equals to 2% of the total amount paid and is deducted from the subscriber upon subscription. The Fund manager may waive part of the subscription fee. Furthermore, the Fund manager is paid a one time acquisition fee equals to 1% of the purchase value of any of the Fund's assets and will be deducted upon purchase. Also, the Fund Manager is paid management fees of 1.5% of the total assets of the Fund and its calculated on a monthly basis and paid quarterly, the fund manager has the right to decrease the monthly fees. The Fund manager also receives incentive fees equivalent to 20% for an IRR perofmrnace exceeding 7%, for every property individually.

9. Fund Custodian fees

In accordance with article No. (24) of the Fund's Articles of Association, the Custodian fees are calculated and paid on a quarterly basis at 0.05% per annum of the Fund net asset value.

10. Investment Controller fees

In accordance with article (24) of the Fund's Articles of Association, the Investment Controller fees are calculated and paid on a quarterly basis at 0.05% per annum of the Fund net asset value.

11. Related party disclosures

These transactions represent the transactions carried out with units' holders, Fund manager, custodian, the investment controller, Ultimate Parent Company and other related parties. Prices and terms of such transactions are governed by the Fund's Articles of Association. As for the matters which are not governed by the Articles of Association, they shall be approved by the Fund Manager. Significant related party balances and transactions are as follows:

Notes to Interim Condensed Financial Information (Unaudited)
For the three month period ended 31 March 2021

13. Fair value measurement (Continued)

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets and liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At March 31, the fair values of financial instruments approximate their carrying amounts. The Fund Manager has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these financial instruments.

14. The economic situation due to Coronavirus

Due to the current significant events resulted in outbreak of Coronavirus (COVID-19) that affected the global economic situation and exposed the Fund to various risks, including a decrease in the rental value, collection of rental amounts due and increase in the expected credit losses for clients.

During the period ended 31 March 2021, the Fund Manager has recorded provision for expected credit losses with an amount of KD 32,260.

The Fund Manager considers that the time period for this event is not specified and it is difficult to anticipate any future results that might arise therefrom including any decline in the future rental value or decline in the market value of the investment properties. Therefore, the financial impact cannot be reasonably determined on the Fund's future business results until the reporting date.